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CONSIDERING THE SIGNIFICANCE OF TAXATION IN IMPROVING THE WELFARE OF CONTEMPORARY SOCIETY: NARRATIVES FROM STUDENTS AT THE STATE ISLAMIC UNIVERSITY

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Abstract

Taxation plays a vital role in state financing and public welfare, yet its legitimacy, collection mechanisms and the distribution of its benefits are still understood in diverse ways by Indonesia's Muslim community. Within the context of Muslim society, the relationship between the state's fiscal obligations, Islamic values, public trust and the equitable distribution of tax benefits raises complex socio-legal issues in contemporary Indonesia. This study focuses on analysing State Islamic University students' interpretations of the role of taxation, the contemporary collection system, and its contribution to the welfare of contemporary Indonesian society in an integrated manner. The research employs a qualitative design utilising descriptive data and the interpretation of social reality to gain an in-depth understanding of the perceptions of students from the Faculty of Islamic Economics and Business regarding the Indonesian tax system. Data sources comprised primary data from students and secondary data from relevant literature, obtained through observation, interviews, documentation, and systematic literature reviews. The data were analysed qualitatively through grouping, categorisation, synthesis, pattern identification, and thematic interpretation to establish a deep connection between the informants' views and issues of taxation and public welfare. The findings indicate that students understand early Islamic fiscal systems as comprising a diverse range of instruments; consequently, modern taxation is not directly equivalent to zakat, jizyah, kharaj, ushr and nawaib. They assess the effectiveness of contemporary tax collection as dependent on fiscal literacy, legitimacy, transparency, accountability, technology, clarity of regulations, and the quality of public services provided by the state to the public as taxpayers. Consequently, taxation is viewed as capable of enhancing welfare through development and public services; however, its benefits are conditional upon equity, oversight, transparency, and the appropriate allocation of state revenue. Further research should expand the sample, compare several State Islamic Universities, and combine qualitative and quantitative data to examine fiscal legitimacy and perceptions of public welfare in Indonesia.
Keywords: *Public Welfare, Students at State Islamic Universities, Indonesia.*

Abstrak

Perpajakan memegang peranan vital dalam pembiayaan negara dan kesejahteraan masyarakat, namun legitimasi, mekanisme pemungutan, serta distribusi manfaatnya masih dipahami secara beragam oleh komunitas Muslim di Indonesia. Dalam konteks masyarakat Muslim, hubungan antara kewajiban fiskal negara, nilai-nilai Islam, kepercayaan publik, dan distribusi manfaat pajak yang adil memunculkan isu-isu sosial-hukum yang kompleks di Indonesia saat ini. Studi ini berfokus menganalisis secara terintegrasi bagaimana mahasiswa Universitas Islam Negeri

(UIN) memaknai peran perpajakan, sistem pemungutan kontemporer, serta kontribusinya terhadap kesejahteraan masyarakat Indonesia masa kini. Penelitian ini menggunakan desain kualitatif dengan memanfaatkan data deskriptif dan interpretasi realitas sosial untuk memperoleh pemahaman mendalam mengenai persepsi mahasiswa Fakultas Ekonomi dan Bisnis Islam terhadap sistem perpajakan Indonesia. Sumber data mencakup data primer dari mahasiswa dan data sekunder dari literatur terkait, yang diperoleh melalui observasi, wawancara, dokumentasi, dan tinjauan pustaka sistematis. Data dianalisis secara kualitatif melalui pengelompokan, kategorisasi, sintesis, identifikasi pola, dan interpretasi tematik guna membangun keterkaitan yang mendalam antara pandangan informan dengan isu perpajakan serta kesejahteraan masyarakat. Temuan penelitian menunjukkan bahwa mahasiswa memahami sistem fiskal Islam awal sebagai sistem yang terdiri dari beragam instrumen; oleh karena itu, perpajakan modern tidak serta-merta disamakan dengan zakat, jizyah, kharaj, ushr, dan nawaib. Mereka menilai efektivitas pemungutan pajak kontemporer bergantung pada literasi fiskal, legitimasi, transparansi, akuntabilitas, teknologi, kejelasan regulasi, serta kualitas layanan publik yang diberikan negara kepada masyarakat sebagai wajib pajak. Dengan demikian, perpajakan dipandang mampu meningkatkan kesejahteraan melalui pembangunan dan layanan publik; namun, manfaatnya bergantung pada aspek keadilan, pengawasan, transparansi, dan alokasi pendapatan negara yang tepat. Penelitian selanjutnya perlu memperluas sampel, membandingkan beberapa Universitas Islam Negeri, serta mengombinasikan data kualitatif dan kuantitatif untuk mengkaji legitimasi fiskal dan persepsi mengenai kesejahteraan masyarakat di Indonesia.
Kata kunci: Kesejahteraan Masyarakat, Mahasiswa Universitas Islam Negeri, Indonesia.

A. Introduction

Taxes play a vital role in the relationship between the state, citizens and public welfare, as the revenue collected enables the government to fund basic services, social investment and redistributive functions. In contemporary economies, taxation is understood as a means of funding infrastructure, education, healthcare and essential services whilst correcting inequalities, although its impact depends on the design and capacity of the institutions implementing it.[1] Global debates demonstrate that taxation issues extend beyond the level of revenue. The composition of direct and indirect taxes can produce different distributional consequences, whilst asset protection in offshore jurisdictions reduces a state's ability to meet its citizens' needs and widens fiscal inequality.[2] At the same time, the transformation of international taxation and intergovernmental cooperation to limit profit shifting indicate that

[1]Binh Nguyen The et al., "Nonlinear Impact of Financial Inclusion on Tax Revenue: Evidence from the Monte-Carlo Simulation Algorithm under the Bayesian Approach," *Journal of Economic Studies* 52, no. 2 (2025): 393–411, https://doi.org/10.1108/JES-01-2024-0010; Charles Delmotte, "Tax Uniformity as a Requirement of Justice," *Canadian Journal of Law & Jurisprudence* 33, no. 1 (2020): 59–83, https://doi.org/10.1017/cjlj.2019.30.

[2]Theodora Aba Kwegyeba Brown, Godfred A Bokpin, and Emmanuel Sarpong-Kumankoma, "Tax and Income Inequality: Evidence from Sub-Saharan Africa," *International Journal of Development Issues* 22, no. 3 (2023): 345–60, https://doi.org/10.1108/IJDI-12-2022-0277; Gordon Arlen and Carlo Burelli, "Getting Real about Taxes: Offshore Tax Sheltering and Realism's Ethic of Responsibility," *Ethics & International Affairs* 36, no. 2 (2022): 231–58, https://doi.org/10.1017/S0892679422000156.

fiscal sovereignty now faces challenges from capital mobility, legal loopholes and cross-border coordination.[3] The use of technology, including blockchain, offers transparency and traceability, but the outcomes remain determined by governance and law enforcement.[4] This fact underscores that the significance of taxation for welfare stems from the interconnection between justice, legitimacy, compliance and the trustworthy use of revenue.

In Muslim societies, this issue is highly complex as citizens view state taxation alongside zakat, which is a religious obligation. A study of Islamic educators in Malaysia revealed acceptance of taxation, but differing understandings of the types of income that must be declared, leading to unintentional non-compliance.[5] In Yemen, Muslim views on the government's right to levy taxes are divided into prohibition, permissibility, and conditional permissibility; these variations influence the compliance decisions of small and medium-sized enterprises.[6] The relationship between taxation and zakat is also understood in various ways. Perceptions regarding tax deductions for zakat payments are influenced by legal awareness, religiosity, and assessments of what is halal and haram[7], whilst the basis for corporate zakat is debated in relation to economic consistency and Sharia objectives.[8] Zakat itself serves a social protection function, but its effectiveness requires adequate administrative and legal governance.[9] Indeed, the recognition of waqf as a charitable institution within the modern legal system demonstrates that Islamic social instruments can interact with state regulations and tax

[3]Ruth Mason, "The Transformation of International Tax," *American Journal of International Law* 114, no. 3 (2020): 353–402, https://doi.org/10.1017/ajil.2020.33; Antonia Hohmann, Valeria Merlo, and Nadine Riedel, "Multilateral Tax Treaty Revision to Combat Tax Avoidance: On the Merits and Limits of BEPS's Multilateral Instrument," *Economic Policy*, 2024, 1–54, https://doi.org/10.1093/epolic/eiae043.

[4]Yamina Chouaibi, Roua Ardhaoui, and Wajdi Affes, "Does Good Governance Moderate the Relationship between Blockchain Technology Use and Tax Evasion? Evidence from STOXX 600," *EuroMed Journal of Business* 20, no. 4 (2025): 917–44, https://doi.org/10.1108/EMJB-12-2023-0337.

[5]Farah Nabihah Rahman, Salwa Hana Yussof, and Khadijah Isa, "Tax Compliance Behaviour among Islamic Educators in Malaysia," *Journal of Islamic Accounting and Business Research* 17, no. 5 (2026): 911–24, https://doi.org/10.1108/JIABR-03-2023-0106.

[6]Lutfi Hassen Ali Al-Ttaffi, Hijattulah Abdul-Jabbar, and Saeed Awadh Bin-Nashwan, "Does Religious Perspective Influence Tax Non-Compliance? Evidence from Yemen," *International Journal of Ethics and Systems* 37, no. 2 (2021): 222–44, https://doi.org/10.1108/IJOES-04-2020-0062.

[7]Abdullah Al-Mamun, Ahasanul Haque, and Muhammad Tahir Jan, "Measuring Perceptions of Muslim Consumers toward Income Tax Rebate over Zakat on Income in Malaysia," *Journal of Islamic Marketing* 11, no. 2 (2020): 368–83, https://doi.org/10.1108/JIMA-12-2016-0104.

[8]Mohammed Obaidullah, "Revisiting Estimation Methods of Business Zakat and Related Tax Incentives," *Journal of Islamic Accounting and Business Research* 7, no. 4 (2016): 349–64, https://doi.org/10.1108/JIABR-10-2014-0035.

[9]Saeed Awadh Bin-Nashwan et al., "Zakah Compliance in Muslim Countries: An Economic and Socio-Psychological Perspective," *Journal of Financial Reporting and Accounting* 19, no. 3 (2021): 392–411, https://doi.org/10.1108/JFRA-03-2020-0057.

relief.[10] For Indonesia, this intersection of religious norms, civic duties and aspirations for welfare makes the legitimacy of taxation a socio-legal issue that must be understood through the voices of Muslim citizens.

At the Faculty of Islamic Economics and Business at one of Indonesia's State Islamic Universities (UINs), students study Islamic economics whilst living within a modern taxation system. As future taxpayers and professionals, their understanding can influence social acceptance of taxation. The literature indicates that knowledge of reporting, calculation and payment is linked to tax morality, and that the performance of tax officials shapes citizens' attitudes.[11] Religiosity exerts a positive influence, albeit limited, on compliance attitudes[12], whilst the intention to pay can translate into compliant behaviour when information technology facilitates fiscal processes.[13] Experience in developing countries shows that reforms fail when they do not build taxpayer trust and administrative capacity; transparency, education, and procedural and distributive justice are interrelated.[14] In the administration of zakat, institutional credibility and social pressure can be strengthened through proportionate enforcement.[15] The history of tax resistance also demonstrates that compliance and consent must be socially constructed, particularly when citizens feel that the principles of ability to pay or public benefit are not being met.[16] Therefore, students' narratives can illustrate how Islamic knowledge, experiences of citizenship, and assessments of state performance converge in the interpretation of taxation in Indonesia.

Previous studies have offered findings, but their focus and methodologies have been disparate. A systematic review of 423 articles categorised tax avoidance and evasion according

[10]Zia Akhtar, "Charitable Trusts and Waqfs: Their Parallels, Registration Process, and Tax Reliefs in the United Kingdom," *Statute Law Review* 34, no. 3 (2013): 281–95, https://doi.org/10.1093/slr/hms045.

[11]Richmond Kumi and Richard Kwasi Bannor, "Job Performance, Knowledge and Perceived Power of Tax Officers on Tax Morale amongst Agrochemical Traders in Ghana," *Arab Gulf Journal of Scientific Research* 41, no. 3 (2023): 260–82, https://doi.org/10.1108/AGJSR-09-2022-0163.

[12]Raihana Mohdali and Jeff Pope, "The Influence of Religiosity on Taxpayers' Compliance Attitudes: Empirical Evidence from a Mixed-Methods Study in Malaysia," *Accounting Research Journal* 27, no. 1 (2014): 71–91, https://doi.org/10.1108/ARJ-08-2013-0061.

[13]Mohd Abass Bhat et al., "The Digital Frontier of Islamic Tax Compliance: Unveiling the Influence of ICT as a Moderator," *Journal of Islamic Accounting and Business Research* 17, no. 2 (2026): 328–45, https://doi.org/10.1108/JIABR-07-2023-0220.

[14]Arshad Hasan, Naeem Sheikh, and Muhammad Bilal Farooq, "Exploring Stakeholder Perceptions of Tax Reform Failures and Their Proposed Solutions: A Developing Country Perspective," *Meditari Accountancy Research* 32, no. 3 (2024): 721–55, https://doi.org/10.1108/MEDAR-03-2023-1961.

[15]Hijattulah Abdul-Jabbar and Saeed Awadh Bin-Nashwan, "Does Deterrence-Based Enforcement Matter in Alms Tax (Zakat) Compliance?," *International Journal of Social Economics* 49, no. 5 (2022): 710–25, https://doi.org/10.1108/IJSE-06-2021-0346.

[16]Nicolas Delalande and Romain Huret, "Tax Resistance: A Global History?," *Journal of Policy History* 25, no. 3 (2013): 301–7, https://doi.org/10.1017/S0898030613000122.

to individual, corporate and administrative factors, but did not delve into the narratives of Muslim students.[17] A survey of 199 family business leaders in Jordan found a negative relationship between Islamic religiosity and tax aggressiveness, as well as the role of ownership and zakat.[18] A panel analysis of 36 Sub-Saharan African countries empirically links tax structure to income inequality[19], whilst a New Keynesian model shows that the choice between consumption and income taxation has different implications for stability.[20] A historical review of US tax reforms confirms that tax preferences and loopholes can undermine redistributive capacity and taxpayer acceptance.[21] A normative study assesses taxation from the perspective of equity, uniformity and the expressive power of luxury goods taxes in shaping consumption norms.[22] A thematic study of wealth tax in the UK identifies the status quo, issue framing and the policy process as barriers to reform.[23] This literature is dominated by analyses of compliance, tax design, corporate behaviour and macroeconomic policy; the perspectives of students at Indonesian Islamic universities have not yet been given commensurate analytical space.

Given these limitations, the novelty of this research lies in the accounts of students at the State Islamic University, which combine Islamic fiscal legitimacy, contemporary tax collection practices, and the relationship between taxation and the welfare of the Indonesian people. This position responds to findings that tax avoidance is shaped by income levels, tax morality, sanctions, reporting systems, corporate governance and administrative capacity[24], and that injustice can arise when the system grants preferences that reduce the revenue base

[17]Md Shamim Hossain et al., "Tax Avoidance and Tax Evasion: Current Insights and Future Research Directions from an Emerging Economy," *Asian Journal of Accounting Research* 9, no. 3 (2024): 275–92, https://doi.org/10.1108/AJAR-09-2023-0305.

[18]Luai Abu-Rajab et al., "The Impact of the CEO's Islamic Religiosity on Tax Aggressive Behavior in Family Firms," *International Journal of Islamic and Middle Eastern Finance and Management* 17, no. 5 (2024): 955–73, https://doi.org/10.1108/IMEFM-11-2023-0430.

[19]Brown, Bokpin, and Sarpong-Kumankoma, "Tax and Income Inequality: Evidence from Sub-Saharan Africa."

[20]Stephen McKnight, "Are Consumption Taxes Preferable to Income Taxes for Preventing Macroeconomic Instability?," *Macroeconomic Dynamics* 21, no. 4 (2017): 1023–58, https://doi.org/10.1017/S1365100515000802.

[21]Seiichiro Mozumi, "Tax Expenditures and the Tax Reform Act of 1969 in the United States," *Social Science History* 46, no. 1 (2022): 93–118, https://doi.org/10.1017/ssh.2021.41.

[22]Hyunseop Kim, "Is Luxury Tax Justifiable?," *Economics & Philosophy* 39, no. 3 (2023): 446–67, https://doi.org/10.1017/S026626712200030X; Delmotte, "Tax Uniformity as a Requirement of Justice."

[23]Rajiv Prabhakar, "What Are the Barriers to Taxing Wealth? The Case of a Wealth Tax Proposal in the UK," *Journal of Social Policy* 52, no. 3 (2023): 700–717, https://doi.org/10.1017/S0047279421000891.

[24]Hossain et al., "Tax Avoidance and Tax Evasion: Current Insights and Future Research Directions from an Emerging Economy."

and undermine public consent.[25] Their narratives are treated as social data illustrating how Islamic norms, civic duties, trust in the state, and expectations regarding the public good are negotiated. On this basis, the study poses three questions: how do students interpret the role of taxation by referring to early Islamic fiscal traditions; how do they understand the tax collection system in the contemporary era; and how do they assess the significance of taxation in improving the welfare of Indonesian society? These three questions maintain a direct link between the empirical subject matter and the structure of the discussion, whilst preventing any discussion of fiscal history or tax administration from being detached from the informants' experiences. This study aims to analyse the constructions of meaning held by students at the Faculty of Islamic Economics and Business at one of Indonesia's State Islamic Universities (UIN) regarding the legitimacy, implementation and contribution of taxation to welfare within the interplay between Islamic values and the fiscal system of the contemporary state.

B. Research methods

A qualitative research strategy is employed in this article. The use of logical reasoning based on an unbiased analysis of social reality forms the primary focus of this qualitative study.[26] In this context, the objective is to ascertain how students of the Faculty of Islamic Economics and Business (FEBI) understand or perceive the role of taxation in enhancing the welfare of Indonesian society. This scientific study employs a qualitative research approach, which requires a comprehensive examination of students' perceptions regarding taxation at Sunan Gunung Djati State Islamic University (UIN), specifically among students of the Faculty of Islamic Economics and Business (FEBI), one of the UINs in Indonesia. The findings obtained may be applicable generally or only to specific cases.[27]

The data required to compile this article consists of qualitative descriptive data summarising thoughts, opinions and arguments. The defining characteristics of qualitative research writing include direct engagement with the social context under investigation, the collection of descriptive data, a focus on the interpretative aspects of the research process rather than the results, the adoption of an inductive analytical approach, and the researcher acting as the primary instrument in the research.

[25]Mozumi, "Tax Expenditures and the Tax Reform Act of 1969 in the United States."
[26]Pujiono Pranoto, *Kamus Research* (Bandung: Angkasa, 1984).
[27]Iskandar Iskandar, *Metodologi Penelitian Pendidikan Dan Sosial (Kuantitatif Dan Kualitatif)* (Jakarta: Gaung Persada Press, 2009).

The dataset used consists of original information. Primary data sources are those obtained from interviews, observations and a well-selected analysis of primary literature. These sources are used to evaluate the relevance and consistency of the text with reality using various scientific assessments. The primary data sources for this case stem from interviews with students conducted by students from the Faculty of Islamic Economics and Business (FEBI) regarding how they interpret or perceive taxation.

Primary data is information collected by the researcher directly from the original source, without the use of intermediaries. This study utilised various primary data collection techniques, including observation, interviews and documentation. Original information collected directly by the researcher is referred to as primary data. Secondary data sources are those derived from reading materials and sources that complement the primary data. These secondary sources are considered relevant to the topic under discussion and serve to support the primary data sources. Secondary data serves as a means of enhancing the research material available for analysis and understanding by the researcher. In this context, secondary data refers to data that can reinforce the completeness of the primary data. The data available for analysis includes various sources such as newspapers, magazines, scientific literature, and research papers, amongst others.

Information collected directly from its original source is referred to as secondary data. The term 'secondary data' refers to information that has been published and relates to the current research issue. Sources of data in research derived from the literature include relevant cultural books, as well as supporting data sources such as newspapers, magazines, scientific articles, research papers and so on.

In the context of qualitative research, the population and sample are often not explicitly defined or determined in advance. Qualitative research is characterised by its close involvement with the research subjects, which can lead to ambiguity when considering the use of population and sample in data analysis. Research participants are individuals who contribute valuable information relating to the subject under investigation. In the current scenario, the individuals being studied are usually referred to as informants.

In the field of qualitative research, the concepts of representation, sample, or sampling are not understood within the framework of making generalisations applicable to the entire population. However, the concept of flexibility encompasses the breadth of information required based on the specific focus of the issue under investigation. Furthermore, the

dissemination of information will occur in accordance with the necessity to collect comprehensive data relating to the desired elements of the investigation. This phenomenon of the sequential expansion of the research sample is commonly referred to as *snowball sampling*. This method involves the gradual expansion of the sample group, analogous to the growth of a snowball as it accumulates mass through rolling.[28]

This study examines how students at the Faculty of Islamic Economics and Business at one of Indonesia's State Islamic Universities (UINs) understand or perceive the role of taxation in improving social welfare in Indonesia. Observation, interviews and documentation were used as data collection techniques. A qualitative analysis method was then employed in the data analysis process. The methodical process of collecting and synthesising data gathered through interviews, field notes and documentation is known as data analysis. To enhance understanding, this process involves categorising the data, summarising it into different sections, synthesising the data, identifying patterns, selecting key findings, and drawing conclusions.[29] The data analysis techniques employed include domain analysis, taxonomic analysis, component analysis, reflective analysis, content analysis, and cultural theme analysis.

C. Discussion

The Status of Taxation in the Early Islamic Era

As for the status of taxation during the time of the Prophet Muhammad (peace be upon him), taxation formed part of the state's sources of revenue. Three distinct categories of government funding sources can be identified. Firstly, sources originating from the Muslim community, including zakat, waqf, infaq, sadaqah, kharaj, ushr, amwal fadhla, nawaib and khumus. Secondly, sources derived from non-Muslims, primarily jizyah, kharaj and ushr. Thirdly, other sources of revenue such as ghanimah, fay, ransoms for prisoners of war, fines, gifts and loans from both Muslims and non-Muslims. This classification indicates that the fiscal structure in the early days of Islam did not rely on a single levy, but on several instruments. Contemporary literature points out that zakat is not identical to modern taxation: whilst both are compulsory, they differ in their normative basis, rates, objects, distribution, and the state's authority to amend their provisions.[30] Rahman et al.[31] also note that during the Prophet's time, Muslims were subject to zakat, whilst non-Muslims were subject to jizyah in connection with

[28]Iskandar.
[29]Sugiono, *Metode Penelitian Kuantitatif Dan Kualitatif* (Bandung: Alfabeta, 2009).
[30]Bin-Nashwan et al., "Zakah Compliance in Muslim Countries: An Economic and Socio-Psychological Perspective."
[31]Rahman, Yussof, and Isa, "Tax Compliance Behaviour among Islamic Educators in Malaysia."

protection and military exemption. Therefore, the term 'tax' when analysing the early Islamic period must be used with caution as a modern analytical category, rather than as a direct equating of all fiscal levies with contemporary state taxes.

Reflection on this structure reveals that the emergence of various levies was linked to the need to finance governance, protect the community, redistribute wealth, and address emergencies. Nawaib, for example, was imposed on economically capable Muslims when the state's needs increased, whilst the jizyah was linked to the position of non-Muslims within the political structure and state protection. From a normative perspective, the distinction between zakat and additional levies has given rise to a debate that persists to this day. Research by Al-Ttaffi et al.[32] identifies three Muslim perspectives on the government's right to levy taxes: prohibited, permissible, and permissible under certain conditions; these perspectives correlate with levels of compliance. The qualitative findings of Rahman et al.[33] reveal that Islamic educators accept the permissibility of income tax, but their justification for this acceptance rests on state authority and the public interest, rather than on the assumption that tax is equivalent to zakat. Obaidullah[34] even emphasises that the harmonisation of zakat and tax should not be achieved by altering the Sharia basis of zakat, but rather through the design of tax incentives such as deductions or rebates. This data helps to explain that the main cause of the debate is not merely the existence of levies, but the limits of state authority, the protection of property rights, public needs, and the relationship between religious obligations and civic duties.

Zakat remained a source of state revenue after the passing of the Prophet Muhammad (peace be upon him), particularly during the caliphate of Abu Bakr, with the Baitul Maal serving as the institution responsible for managing revenue. During the reign of Caliph Umar ibn al-Khattab, revenue sources expanded to include jizyah, ushr and kharaj. As the territory under Islamic rule expanded during the reign of Caliph Uthman ibn Affan, the administration of levies also developed; their management involved governors, and the revenue was used for infrastructure such as dams, irrigation channels, roads, bridges, regional security, land reclamation, government operations, and the basic needs of the people. The initial draft also notes that Caliph Ali ibn Abi Talib reinstated the fiscal allocation strategy associated with Umar's era in response to the adverse effects of governance during the preceding period.

[32]Al-Ttaffi, Abdul-Jabbar, and Bin-Nashwan, "Does Religious Perspective Influence Tax Non-Compliance? Evidence from Yemen."
[33]Rahman, Yussof, and Isa, "Tax Compliance Behaviour among Islamic Educators in Malaysia."
[34]Obaidullah, "Revisiting Estimation Methods of Business Zakat and Related Tax Incentives."

Interpretatively, this change indicates that territorial expansion increased the need for administration, oversight, and the legitimacy of revenue distribution. This interpretation finds a comparative context in Anscombe's work[35], which demonstrates that in the much later Ottoman period, the delegation of revenue control to tax farmers and the imposition of levies deemed illegitimate could give rise to both fiscal problems and political resistance. Štulrajterová[36] also documents the involvement of Muslims as fiscal agents and tax collectors in the medieval Kingdom of Hungary. Although neither of these contexts provides direct evidence regarding the Khulafāʾ al-Rāshidūn, both illustrate the long-term effects of the same issue: fiscal administration requires limits on authority, accountability on the part of collectors, and trust in the use of revenue.

Table 1. Taxation During the Time of the Prophet Muhammad (peace be upon him) and the Righteous Caliphs

No	Name of Tax	Tax Collection
1.	Kharaj	Muslims and non-Muslims
2.	Ushr	Muslims and non-Muslims
3.	Jizyah	Non-Muslims
4.	Nawaib	Muslims
5.	Khumus	Muslims

Based on the table above, the structure of state revenue through taxes and duties was already practised in various forms during the time of the Prophet Muhammad (peace be upon him) and the Righteous Caliphs. Although the largest revenue streams during certain periods came from zakat and ghanimah, the existence of kharaj, ushr, jizyah, nawaib and khumus indicates that public financing recognised differentiation in terms of the objects and groups of taxpayers. The application of jizyah and kharaj provides an insight into the regulation of obligations on individuals and property, whilst nawaib represents situational levies on Muslims with economic means. The social effects of such differentiation are not always straightforward. Michalopoulos et al.[37], in examining the long-term spread of Islam, note that differences in tax rates between Muslims and non-Muslims within the Islamic sphere of influence may have

[35]Frederick F. Anscombe, "Islam and the Age of Ottoman Reform," *Past and Present* 208, no. 1 (2010): 159–89, https://doi.org/10.1093/pastj/gtq007.

[36]Katarína Štulrajterová, "Convivenza, Convenienza and Conversion: Islam in Medieval Hungary (1000–1400 CE)," *Journal of Islamic Studies* 24, no. 2 (2013): 175–98, https://doi.org/10.1093/jis/ets097.

[37]Stelios Michalopoulos, Alireza Naghavi, and Giovanni Prarolo, "Trade and Geography in the Spread of Islam," *Economic Journal* 128, no. 616 (2018): 3210–41, https://doi.org/10.1111/ecoj.12557.

served as an incentive relating to social mobility and conversion; they also emphasise that factors such as trade, geography, migration and power must also be taken into account. Schmiedel[38], through a critical examination of Troeltsch's thought, demonstrates how the portrayal of 'taxed' non-Muslims during the expansion of Islam may have been shaped by a European intellectual framework that carried certain theological assumptions. This comparison is important because it serves as a reminder that the impact of early Islamic taxation should not be explained solely as an economic mechanism; fiscal levies were also linked to legal status, community identity, power relations, and the ways in which Islamic history was subsequently interpreted.[39]

The findings of this study therefore differ from the tendency of some previous research, which has focused on compliance or the integration of zakat-taxes into modern systems. Bin-Nashwan et al.[40] view zakat primarily through the lens of economic and socio-psychological compliance, with systemic justice, enforcement, religiosity, and institutional trust as key factors. Al-Ttaffi et al. used a survey of business owners in Yemen and found that religious views on the legitimacy of taxation influence non-compliance, whilst Rahman et al.[41] used interviews with Islamic educators in Malaysia and found that understanding the tax base can result in both compliance and unintentional non-compliance. Obaidullah[42] focused on the basis for calculating business zakat and tax incentives. In contrast to these focuses, the students' narratives in this study position the history of Islamic fiscal policy as a source of reasoning for assessing the status of contemporary taxation. They do not merely view taxation as an administrative obligation, but interpret it through a normative understanding of zakat, jizyah, kharaj, ushr, nawaib and Baitul Maal. Consequently, the status of taxation in the early Islamic era can be understood not as a single equivalent of modern taxation, but as a collection of fiscal mechanisms whose legitimacy and distribution are linked to public needs, the status of the taxpayer, economic capacity, and the principle of justice. This interpretation reinforces the finding that acceptance of taxation today depends directly on the state's ability to explain the

[38]Ulrich Schmiedel, "Supremacy Smugglers? Islam in the Legacy of Theological Liberalism," *Journal of the American Academy of Religion* 89, no. 2 (2021): 644–71, https://doi.org/10.1093/jaarel/lfab043.

[39]Al-Ttaffi, Abdul-Jabbar, and Bin-Nashwan, "Does Religious Perspective Influence Tax Non-Compliance? Evidence from Yemen."

[40]Bin-Nashwan et al., "Zakah Compliance in Muslim Countries: An Economic and Socio-Psychological Perspective."

[41]Rahman, Yussof, and Isa, "Tax Compliance Behaviour among Islamic Educators in Malaysia."

[42]Obaidullah, "Revisiting Estimation Methods of Business Zakat and Related Tax Incentives."

purpose of the levy, manage revenue accountably, and demonstrate its benefits for the common good.

Tax Collection Systems in the Contemporary Era

Tax collection systems in the contemporary era essentially bring together the authority of the state, the responsibilities of taxpayers, and the involvement of third parties. The initial draft distinguishes three main mechanisms. Firstly, the official assessment system places the tax authority in charge of determining the amount of tax due. Secondly, the self-assessment system allows taxpayers to calculate, report, and fulfil their obligations themselves. Third, the withholding system involves a third party in deducting or collecting tax before the liability is remitted to the state. These three mechanisms differ not only administratively but also require varying levels of knowledge, trust and institutional capacity. Kumi and Bannor[43] demonstrate that knowledge regarding reporting, calculation, payment schedules, tax credits and penalties shapes tax morale; consequently, mechanisms that place greater responsibility on taxpayers require adequate fiscal literacy. Hasan et al.[44] add that tax collection reforms may fail when the government fails to build trust, transparency, accountability, procedural justice and administrative capacity. Consequently, the tax collection system cannot be understood merely as a technical procedure; its success depends on the social relationship between the state and taxpayers, the quality of service, the clarity of rules, and the confidence that the obligations imposed are genuinely administered fairly.

The system subsequently applies to various types of tax, which in the initial draft were categorised according to their burden, nature and the collecting authority. Based on the burden, direct taxes are paid directly by the taxpayer and, in principle, are not passed on to other parties, whilst indirect taxes arise from specific events or transactions, meaning that the burden may be transferred through economic mechanisms. Based on their nature, the imposition of tax may focus on the circumstances of the taxpayer or the character of the object, act, and event giving rise to the liability. Based on the collecting authority, taxes are classified as central or national taxes and local taxes, each of which supports government functions at different levels. This classification demonstrates that contemporary tax collection constitutes a complex network of

[43]Kumi and Bannor, "Job Performance, Knowledge and Perceived Power of Tax Officers on Tax Morale amongst Agrochemical Traders in Ghana."

[44]Hasan, Sheikh, and Farooq, "Exploring Stakeholder Perceptions of Tax Reform Failures and Their Proposed Solutions: A Developing Country Perspective."

obligations, rather than a single mechanism. Hossain et al.[45], through a systematic review of 423 articles, found that non-compliance is linked to income levels, penalties, tax morale, inefficient reporting systems, policy complexity, weak social interaction, low accountability, and administrative limitations. Consequently, the greater the variety of tax types and collection channels, the greater the need for easily understandable rules and consistent administration. Prabhakar[46] also demonstrates that the success of tax reform is not determined solely by technical design, but is influenced by policy framing, the status quo, and political processes that determine whether tax proposals are acceptable to the public.

In the Indonesian context, the classification in Table 2 shows the categorisation of national taxes such as Income Tax, Value Added Tax, Land and Building Tax within their relevant spheres, Sales Tax on Luxury Goods, and stamp duty, alongside provincial and regency/municipal taxes such as motor vehicle tax, hotel tax, restaurant tax, entertainment tax, advertising tax, parking tax, groundwater tax, and various other local taxes. This diversity reflects the state's need to finance public services through a wide range of revenue sources, but at the same time may create a disconnect between formal obligations and taxpayers' understanding. Rahman et al.[47] found that Islamic educators in Malaysia accept the legitimacy of income tax, but differing understandings of secondary income can lead to unintentional non-compliance. Mohdali and Pope[48] showed that religiosity has a positive, albeit limited, influence on attitudes towards voluntary compliance. Al-Ttaffi et al.[49] even found that beliefs regarding whether or not the government is permitted to levy taxes are linked to compliance tendencies. In Muslim societies, therefore, the reasons for compliance do not stop at the threat of sanctions. Legal awareness, religious understanding, perceptions of justice, and the ability to link tax payments to the public interest all contribute to decision-making. Abdullah-Al-Mamun et al.[50] reinforce this by showing that legal awareness, religiosity, and considerations of what is halal and haram influence Muslims' acceptance of tax relief mechanisms on income zakat.

[45]Hossain et al., "Tax Avoidance and Tax Evasion: Current Insights and Future Research Directions from an Emerging Economy."
[46]Prabhakar, "What Are the Barriers to Taxing Wealth? The Case of a Wealth Tax Proposal in the UK."
[47]Rahman, Yussof, and Isa, "Tax Compliance Behaviour among Islamic Educators in Malaysia."
[48]Mohdali and Pope, "The Influence of Religiosity on Taxpayers' Compliance Attitudes: Empirical Evidence from a Mixed-Methods Study in Malaysia."
[49]Al-Ttaffi, Abdul-Jabbar, and Bin-Nashwan, "Does Religious Perspective Influence Tax Non-Compliance? Evidence from Yemen."
[50]Al-Mamun, Haque, and Jan, "Measuring Perceptions of Muslim Consumers toward Income Tax Rebate over Zakat on Income in Malaysia."

Table 2. Types and Classification of Taxes in Indonesia

No.	Tax Classification	Type of Tax
1.	State Tax	Income Tax (PPh)
		Value Added Tax (VAT)
		Land and Building Tax (PBB)
		Sales Tax on Luxury Goods (PPnBM)
		Stamp Duty
2.	Provincial Local Tax	Motor Vehicle Tax
		Motor Vehicle Re-registration Tax
		Motor Vehicle Fuel Tax
		Surface Water Tax
		Cigarette Tax
3.	Regional Taxes (Regencies/Cities)	Hotel Tax
		Restaurant Tax
		Entertainment Tax
		Advertising Tax
		Street Lighting Tax
		Non-Metal Mineral Tax
		Car Park Tax
		Groundwater Tax
		Swiftlet Nest Tax
		Rural and Urban Land and Building Tax
		Duty on the Acquisition of Rights to Land and Buildings

Technological changes have subsequently transformed the way the state conducts tax collection, particularly through electronic reporting, information portals, digital payments, data integration and technology-based monitoring. The effect is not merely to speed up transactions, but can also alter the relationship between the intention to pay and compliance behaviour. Bhat et al.[51] demonstrate that the adoption of information and communication technology strengthens the link between the intention to pay Islamic tax and compliant behaviour;

[51]Bhat et al., "The Digital Frontier of Islamic Tax Compliance: Unveiling the Influence of ICT as a Moderator."

convenience, process transparency, and a sense of security regarding the payment system are key factors. These findings suggest that self-assessment will be more effective when taxpayers have access to infrastructure that reduces compliance costs and procedural uncertainty. However, digitalisation does not automatically lead to compliance. Chouaibi et al.[52] found a negative relationship between the intensity of blockchain use and tax evasion, whilst also demonstrating that good governance reinforces the function of such technology. In other words, technology operates through the quality of the institutions that regulate it. Nguyen The et al.[53] also demonstrate a non-linear relationship between financial inclusion and tax revenue: expanding financial access can increase revenue up to a certain point, but the impact may change once a certain threshold is crossed. This finding underscores that the modernisation of tax collection must take into account digital capacity, economic structure, the quality of governance, and the state's ability to translate the expansion of formal transactions into effective and equitable revenue.

Contemporary tax collection systems can no longer be fully explained within national boundaries. Capital mobility, multinational enterprises, cross-border transactions and the use of intermediary jurisdictions mean that tax authorities face avoidance issues that cannot be resolved solely through official assessment, self-assessment or withholding at the domestic level. Mason[54] demonstrates that international projects to close corporate tax loopholes have transformed the participants, agenda, institutions, norms and legal forms of international taxation, whilst simultaneously giving rise to new disputes regarding the allocation of taxing rights. Hohmann et al.[55] examine the Multilateral Instrument within the BEPS agenda and demonstrate that its implementation remains incomplete and that treaty shopping has not significantly diminished. These findings indicate that the harmonisation of rules continues to depend on national incentives, domestic implementation, enforcement, and the ability of companies to adapt their behaviour. At the level of individual Muslims, coordination problems arise in different forms. Abdullah-Al-Mamun et al.[56] highlight the importance of integrating

[52]Chouaibi, Ardhaoui, and Affes, "Does Good Governance Moderate the Relationship between Blockchain Technology Use and Tax Evasion? Evidence from STOXX 600."
[53]Nguyen The et al., "Nonlinear Impact of Financial Inclusion on Tax Revenue: Evidence from the Monte-Carlo Simulation Algorithm under the Bayesian Approach."
[54]Mason, "The Transformation of International Tax."
[55]Hohmann, Merlo, and Riedel, "Multilateral Tax Treaty Revision to Combat Tax Avoidance: On the Merits and Limits of BEPS's Multilateral Instrument."
[56]Al-Mamun, Haque, and Jan, "Measuring Perceptions of Muslim Consumers toward Income Tax Rebate over Zakat on Income in Malaysia."

tax and zakat policies to avoid the perception of a double burden, whilst Rahman et al.[57] demonstrate that clarity regarding taxable income determines compliant behaviour. Thus, the effects of contemporary tax collection systems are determined by the ability of national rules to interact with religious norms, technological developments and international coordination without undermining legal certainty for taxpayers.

Compared with previous studies, the findings presented in this section position the tax collection system as a broader issue than mere administrative effectiveness. Hasan et al.[58] focus on the failure of reforms due to weak trust in and capacity of the authorities; Kumi and Bannor[59] emphasise the knowledge and power of officials in shaping tax morality; Mohdali and Pope[60] and Al-Ttaffi et al.[61] highlight religiosity and religious legitimacy; whilst Bhat et al.[62] and Chouaibi et al.[63] focus on technology. Hossain et al.[64] summarise the individual, corporate and administrative factors driving tax avoidance, whilst Mason[65] and Hohmann et al.[66] demonstrate that tax collection issues have extended to international governance. In contrast to these narrow focuses, this study brings together the mechanisms of official assessment, self-assessment, withholding, central-local tax classification, religious dimensions, and digital transformation as a single fiscal ecosystem. In the narrative of students at the State Islamic University, such a structure is important because an understanding of tax obligations does not arise solely from formal rules, but from the convergence of administrative knowledge, moral convictions, perceptions of the state, and lived experiences within the digital economy. Therefore, an effective tax collection system requires procedural simplicity, literacy, legitimacy, reliable

[57]Rahman, Yussof, and Isa, "Tax Compliance Behaviour among Islamic Educators in Malaysia."
[58]Hasan, Sheikh, and Farooq, "Exploring Stakeholder Perceptions of Tax Reform Failures and Their Proposed Solutions: A Developing Country Perspective."
[59]Kumi and Bannor, "Job Performance, Knowledge and Perceived Power of Tax Officers on Tax Morale amongst Agrochemical Traders in Ghana."
[60]Mohdali and Pope, "The Influence of Religiosity on Taxpayers' Compliance Attitudes: Empirical Evidence from a Mixed-Methods Study in Malaysia."
[61]Al-Ttaffi, Abdul-Jabbar, and Bin-Nashwan, "Does Religious Perspective Influence Tax Non-Compliance? Evidence from Yemen."
[62]Bhat et al., "The Digital Frontier of Islamic Tax Compliance: Unveiling the Influence of ICT as a Moderator."
[63]Chouaibi, Ardhaoui, and Affes, "Does Good Governance Moderate the Relationship between Blockchain Technology Use and Tax Evasion? Evidence from STOXX 600."
[64]Hossain et al., "Tax Avoidance and Tax Evasion: Current Insights and Future Research Directions from an Emerging Economy."
[65]Mason, "The Transformation of International Tax."
[66]Hohmann, Merlo, and Riedel, "Multilateral Tax Treaty Revision to Combat Tax Avoidance: On the Merits and Limits of BEPS's Multilateral Instrument."

technology, inter-agency coordination, and evidence that revenue is managed in the public interest in a transparent, fair and sustainable manner.

The Significance of Taxation in Improving the Well-being of the Indonesian People

Taxes are one of the main sources of state revenue, as previously mentioned. Tax revenue is utilised to fund the state's operational systems, including the financing of various strategic national development projects that benefit the welfare of the Indonesian people. For instance, the government constructs dams in various regions of Indonesia, which contribute to the development of hydroelectric power, agricultural irrigation channels, the provision of clean water, and the development of the fisheries and tourism sectors. In addition, the government is constructing motorways that reduce travel times, improve connectivity between regions, and facilitate the distribution of logistics and agricultural produce from one region to another.

According to the respondents, tax collection can already be considered effective and efficient in terms of improving public welfare. However, improvements and innovations are needed to make it easier for the public to access accurate information. DA stated that taxation is beneficial for the sustainability of government programmes. According to , taxation serves to facilitate the country's development. According to NLAW, taxation serves to fund various state projects. According to MFR, taxation serves to improve public welfare through the development of public facilities across various sectors.

As for the advantages and disadvantages of tax collection according to the respondents, these include: *Firstly*, according to DA, the advantage of tax collection is the government's willingness to provide tax services. Meanwhile, the disadvantage is the lack of oversight in the implementation of tax collection and distribution, resulting in widespread misappropriation.[67] *Secondly*, according to NR, the advantage of tax collection is technology-based tax services that are already effective and efficient, making it easier for the public to pay from anywhere and at any time. The disadvantage, however, is the lack of transparency in the allocation of tax revenue, which makes the public feel aggrieved as they do not perceive any significant impact from this distribution.[68] *Thirdly*, according to NLAW, the advantage of tax collection is that, through taxation, one can observe the progress of national development which has a significant impact on the public, such as improved connectivity between regions due to

[67] DA, *Mahasiswa Program Studi Ekonomi Syariah Fakultas Ekonomi Dan Bisnis Islam Salah Satu UIN Di Indonesia* (Indonesia: Interview, October 2, 2023).

[68] NR, *Mahasiswa Program Studi Akuntansi Syariah Fakultas Ekonomi Dan Bisnis Islam Salag Satu UIN Di Indonesia* (Indonesia: Interview, October 2, 2023).

the construction of motorways and other public facilities. The disadvantage is that there is still widespread tax embezzlement for personal gain.[69] Fourthly, according to MFR, the advantage of tax collection is that taxes can provide significant benefits to the public. Meanwhile, the disadvantage is the lack of transparency in tax allocation, with funds being misdirected towards development projects that are off-target or even provide no benefit to the public.[70]

As for students' views on the significance of tax utilisation in Indonesia—and whether it has been able to improve public welfare—these include: DA states that the significance of tax utilisation in improving public welfare depends on the sector in which the tax is used. For example, taxes are used for the construction of motorways, which are expected to make it easier for the public to distribute their harvests to urban areas. However, only those who own vehicles benefit from the motorways, whilst those without vehicles do not benefit from the infrastructure funded by these taxes.[71] According to NR, if all those with wealth consistently pay tax and the allocation of these funds is targeted effectively, the standard of living of the public will improve.[72] According to NLAW, tax has so far been able to improve the standard of living of the public, although not yet evenly. However, the role of tax as the state's primary source of revenue is undoubtedly a mainstay for the state in running the government, including prioritising the interests and meeting the needs of the public through infrastructure development that brings significant benefits to the community.[73] According to MFR, tax collection and the allocation of funds towards various infrastructure development projects have succeeded in improving public welfare across various sectors. However, it is possible that not all members of the public are able to enjoy the fruits of this development; nevertheless, the government has at least channelled tax revenue towards development projects, and it is hoped that, as the public's capacity to benefit from these tax allocations continues to grow, they will increasingly be able to feel the benefits.[74]

[69] NLAW, *Mahasiswa Program Studi Manajemen Keuangan Syariah Fakultas Ekonomi Dan Bisnis Islam Salah Satu UIN Di Indonesia* (Indonesia: Interview, October 3, 2023).
[70] MFR, *Mahasiswa Program Studi Manajemen Fakultas Ekonomi Dan Bisnis Islam Salah Satau UIN Di Indonesia* (Indonesia: Interview, October 3, 2023).
[71] DA, *Mahasiswa Program Studi Ekonomi Syariah Fakultas Ekonomi Dan Bisnis Islam Salah Satu UIN Di Indonesia*.
[72] NR, *Mahasiswa Program Studi Akuntansi Syariah Fakultas Ekonomi Dan Bisnis Islam Salag Satu UIN Di Indonesia*.
[73] NLAW, *Mahasiswa Program Studi Manajemen Keuangan Syariah Fakultas Ekonomi Dan Bisnis Islam Salah Satu UIN Di Indonesia*.
[74] MFR, *Mahasiswa Program Studi Manajemen Fakultas Ekonomi Dan Bisnis Islam Salah Satau UIN Di Indonesia*.

Consequently, students at the Faculty of Islamic Economics and Business (FEBI) perceive that the significance of tax collection and its allocation across various development sectors lies in its ability to enhance public welfare through the conveniences provided by the state to the public via such infrastructure development. Although the development of certain infrastructure may not reach all members of the public to enable them to enjoy its benefits. Nevertheless, this represents a gradual, steady and ever-increasing manifestation of the state's presence, ensuring that tax revenue is genuinely allocated to sustainable, equitable and environmentally sound infrastructure development projects aimed at improving public welfare.

D. Conclusion

This study shows that the role of taxation, as perceived by students at State Islamic Universities, is understood through three interrelated layers of meaning. Firstly, the early history of Islamic fiscal policy demonstrates that state financing did not rely on a single instrument, but rather on a variety of levies such as zakat, jizyah, kharaj, ushr, nawaib and khumus; consequently, modern taxation cannot be directly equated with all of these fiscal instruments. Secondly, the contemporary tax collection system is understood not merely as an administrative procedure involving official assessment, self-assessment and withholding, but as an ecosystem whose success is determined by tax literacy, state legitimacy, trust, transparency, accountability, service quality, technology and legal certainty. Thirdly, the students assessed that taxation has real significance for public welfare because tax revenue supports infrastructure development, public services, regional connectivity, and various government programmes; however, these benefits are not always perceived as being evenly distributed, particularly when tax allocation is deemed to lack transparency, oversight is weak, misappropriation occurs, or development is not directly felt by all sections of society. Conceptually, this study contributes by linking normative memories of Islamic fiscal thought, modern tax administration practices, and perceptions of public welfare within a single framework of Muslim citizenship. Methodologically, the use of narratives from students at the Faculty of Islamic Economics and Business demonstrates how religious knowledge, experiences as prospective taxpayers, and assessments of state performance converge to shape the social legitimacy of taxation. These findings also show that the relationship between taxation and welfare is conditional, not automatic: the more targeted the allocation, the more transparent the information on its use, and the stronger the oversight, the greater the likelihood that the public will view taxation as an instrument for the common good. Conversely, when

development benefits only certain groups or fiscal benefits are not visible, the social legitimacy of taxation may weaken. The students' perspective thus broadens the discussion of taxation from a matter of legal obligation to one of distributive justice, public trust, and the state's responsibility in contemporary society. Consequently, the significance of taxation lies not only in the state's ability to collect revenue, but also in its capacity to manage, distribute, and account for that revenue fairly so that its benefits can be felt more widely. This study nevertheless has limitations as it relies on a qualitative approach with student informants from a single Islamic higher education institution; consequently, the findings are contextual and are not intended to represent all Muslim students or Indonesian taxpayers. Future research should involve a more diverse range of informants, compare several State Islamic Universities in different regions, incorporate the perspectives of tax authorities and the general public, and combine interviews with quantitative data on compliance, trust, transparency and perceptions of the distribution of tax benefits, so that the relationship between fiscal legitimacy and public welfare can be tested more comprehensively.

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