

CALCULATIONS OF THE COMPONENTS AND CRITERIA FOR THE PROVISION OF SHELTER IN DETERMINING THE ELIGIBILITY OF ZAKAT RECIPIENTS IN MALAYSIA

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Abstract	<p><i>In Malaysia, zakat authorities under the administration of State Islamic Religious Councils (SIRCs) established their own poverty calculation known as haddul kifayah in determining zakat recipients (asnafs) under the category of hardcore poor and poor (fakir and miskin). In haddul kifayah, there is a category designated for the provision of shelter. However, the components in the published haddul kifayah by zakat authorities and the criteria on how the components were derived remained sketchy and not clearly defined. The paper aims to identify and propose the components and criteria for the provision of shelter in haddul kifayah, including the formula for the calculations of the said components. The study reported herein employed three data sources which included literature reviews, questionnaire surveys and experts' opinions. The finding is presented in the form of a proposed set of components and criteria, including the formula for the calculation of shelter under haddul kifayah.</i></p> <p>Keywords: Zakat, Haddul Kifayah, Shelter, Component, Criteria</p>
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1. INTRODUCTION

In Malaysia, any issues related to Islamic laws and customs are under the jurisdiction of the respective states, except in Federal territory whereby the Islamic law and administration are governed by the Federal government (Farah, et. al., 2012). Thus, *zakat* administrations are governed by each state, and *Majlis Agama Islam Negeri* (MAIN) or State Islamic religious Council (SIRC) was established as an administrator and to advise the head of states, i.e; Sultans (Farah, et. al., 2012). In addition, some of the states have established *zakat* institutions to manage *zakat* specifically. However, for the purpose of coordinating and increasing efficiency of the activities in all States, the Federal Government has established the *Jabatan Wakaf, Zakat and Haji* (JAWHAR) or the Department of Awqaf, Zakat and Haji with the objectives of improving the management of Muslim wealth in the forms of awqaf, *zakat*, mal and hajj (JAWHAR, 2014 in Sharina, 2021).

Zakat monies are only payable to the eight categories of recipients or *asnafs*. The two most vulnerable categories of *asnafs* are the *fakir* (hardcore poor) and *miskin* (poor). The disbursement of *zakat* collection to eligible *asnaf fakir* and *asnaf miskin* is based on the calculation of *haddul kifayah* as allocated by *zakat* authorities in respective states (Sharina & Khairuddin, 2019, Sharina et. al., 2020 and Sharina, 2021).

There are various components that form the *haddul kifayah*, such as; housing, food, clothing, medical, education and transportation. *Zakat* administrators employ their own standards in determining the appropriateness and adequacy of the components. This paper focuses on the provision of shelter for the household. Shelter is one of the main components

in the calculation of *haddul kifayah*. This is due to its nature as an important basic need for any household.

However, there appears to be lack of studies conducted to examine the components and criteria for *haddul kifayah* and their application in the provision of shelter for the Ummah. The components in the published *haddul kifayah* by *zakat* authorities and the criteria on how the components were derived remained sketchy and not clearly defined. This paper aims to identify and propose the components and criteria, including the formula for the calculation of the provision of shelter in *haddul kifayah*.

2. LITERATURE REVIEW

2.1 *Haddul Kifayah*

Haddul kifayah (poverty line under the *zakat* system) refers to the income of an individual or household, used by *zakat* authorities in determining whether an individual or household is eligible to be categorized as *asnaf fakir* or *asnaf miskin*. Consequently, if they fit into any one of the said *asnaf*, they would be eligible to be given financial assistance via the *zakat* fund. The amount required to cover basic needs differs from an individual or a household to another. In addition, *haddul kifayah* is calculated based on various variables such as the number of members in a household, age group of members, etc. From the context of *haddul kifayah* (JAWHAR, 2009, MAIWP, 2015a, 2015b in Sharina, 2021) *asnaf fakir* and *miskin* are defined as follows:

1. *Fakir* is a person who owns or do not own any asset or sufficient income to cover their daily needs (meal, clothing, accommodation, etc.), able to fulfil less than 50% of his and his dependant's actual daily needs or the amount of *haddul kifayah*.
2. *Miskin* is a person who has asset or income to support only parts of his basic needs but is insufficient for his daily needs and his dependants.

To put it into perspective, *fakir* refers to those at less than 50% level, *miskin* at more than 50% and *haddul kifayah* at 100% (Khairuddin, et. al, 2015a, 2015b, Sharina, et, al., 2017, Sharina & Khairuddin, 2019, Sharina et. al., 2020, Sharina, 2021).

2.1.1 Components Of Basic Needs For *Haddul Kifayah*

The components of basic needs for *haddul kifayah* comprises of shelter, food, clothing, medical, education and transportation (Sharina, 2021). Details of the components are as follows:

Table 1: Components of basic needs for *haddul kifayah*

No.	Components	Description
1	Shelter/ Accommodation	Covering the costs for providing the accommodation for the household including house rent, utility bills and other basic requirements for a living.
2	Food	Any foods or drinks consumed by the household
3	Clothing	Any types of clothing worn by the household, such as daily clothing, school uniforms, work attire, etc.
4	Medical	All forms of medical and equipment taken by the household, such as; treatment, pills and medications procured from pharmacies, etc.
5	Education	All relevant expenditure for education, such as; school/college/university fees, books, etc.
6	Transportation	Expenditures on transportation including fuel, monthly instalment of the vehicle, bus and/or taxi fare, etc.

Source: MAIWP (2015a) & JAWHAR (2009) in Sharina (2021)

As listed in Table 1, shelter is one of the main components in the calculation of *haddul kifayah*. From the context of *haddul kifayah*, shelter covers the costs for providing accommodation for the household. The sub-components include house rent, utility bills such as electricity, water supply, sewerage water treatment and other basic requirements for a living.

3. METHODOLOGY

Methodology adopted for the study reported herein combines extensive review of literature (including content analysis), questionnaire surveys, Focus Group Discussion (FGD) and face to face interviews involving *Shariah* experts, *zakat* administrators and construction practitioners.

3.1 Phase 1: Literature review

Phase 1 involves extensive review of preceding literature on *zakat*, *haddul kifayah* and its *Shariah* legitimacy. This includes content analysis which were conducted on relevant published and unpublished documents on the components of *haddul kifayah*, etc.

Data from literature reviews, content analysis of various documents (published by MAINs, JAWHAR, *Zakat* authorities, Department of Statistics, Malaysia, etc.) were used to construct questionnaires for the surveys and to draft the list of components and criteria to be tested during FGD.

3.2 Phase 2: Questionnaire surveys

Questionnaire surveys were conducted to gather information and data on the actual components related to shelter. The respondents were among residents of selected low-cost housing in Federal Territory of Kuala Lumpur and Selangor, Malaysia: 112 households who reside at three People's Housing Program (Projek Perumahan Rakyat (PPR)) within the Federal Territory of Kuala Lumpur, and 78 households who reside at three People's Housing Program (Projek Perumahan Rakyat (PPR)) within Selangor.

Data collected from the surveys were analysed and synthesized and the results were employed to complement and consolidate the draft list of components and criteria to be tested during FGD.

3.3 Phase 3: Focus group discussion (FGD)

The objective of the Focus Group Discussion was to test and gather expert opinions on the drafted list of components and criteria for the provision of shelter in *haddul kifayah*. A total of 31 experts attended the Focus Group Discussion. They were provided with a set of questions regarding the study. The event was conducted on 26th April 2018 at the Kulliyyah of Architecture & Environmental Design, International Islamic University Malaysia. The participants include experts and representatives from SIRC's, *zakat* authorities, construction industry and academicians. Data collected from the FGD were analysed and the result is a revised list of components and criteria for the provision of shelter in *haddul kifayah*. The revised list was refined and prepared for final stage, including validation through interviews.

3.4 Phase 4: Face to face interview

The objective of the interviews was to validate the developed list of components and criteria for the provision of shelter in *haddul kifayah*. A total of 17 experts and representatives from SIRC's, *zakat* authorities, construction industry and academicians were selected as respondents. Data from literature reviews, questionnaire surveys and FGD were further

analysed and synthesized to form the materials for the interview. The interview materials were prepared as a set of questionnaires containing questions about the appropriateness and comprehensiveness of the listed components and their respective criteria.

The interview results were subsequently used to develop a mathematical formula for calculating the components, which was then reviewed and validated by a mathematician.

4. RESULTS

Result of the study reported herein forms part of the overall frameworks developed for determining adequacy, currency and sufficiency of *haddul kifayah* and their applications in the provision of housing for the *ummah* (Sharina, et.al., 2020).

The FGD results showed unanimous agreement among respondents on the necessity of including all 14 listed components and their respective criteria in the calculation for shelter allocation under *haddul kifayah*. Likewise, all 17 face-to-face interview respondents expressed positive views and validated the presented list and its criteria.

Table 2 represents the outcome whereby a total of 14 components and criteria were proposed. Meanwhile, Table 3 shows the proposed formula for the calculations of the said components. Details were derived from various sources collected, tested and validated through the methodologies mentioned in Section 3 above.

It is important to note that the cost data in Table 2 was modified to suit the current tariff published by the relevant authorities. The original table in Sharina et. al (2020) used the costs derived from references and relevant databases in 2018 (the base year for the cost data was year 2018).

Apart from the components identified, Table 2 also highlights the criteria for each of the components.

Table 2: Proposed Components and Criteria (Modified from Sharina, et. al., 2020)

No	Component	Criteria
1	Rent OR Monthly Instalment	Monthly rental rate for low-cost housing or the type of housing as approved by <i>zakat</i> authorities Monthly loan payment for low-cost housing or the type of housing as approved by <i>zakat</i> authorities
2	Electricity	Monthly electricity bill consumes by the household, according to tariff and subsidies allocated. Not more than 260.4kWh per month (@ 21.80 cent/kWh (1 – 200 kWh) and 33.40 cent/kWh (201-300 kWh) – TNB tariff as of 1st June 2024 or MYR63.77 per month
3	Water supply	Monthly water bill consumes by the household, according to tariff and subsidies allocated. Not more than 211 litres (0.211m ³) per capita per day or approximately an average of RM35.00 per month (Calculation based on 0.211m ³ x 30 days x 4 persons x MYR11.32/m ³).
4	Telephone	Monthly telephone bill of not more than one account. Mobile Post-paid or prepaid local tariff.
5	Sewerage collection	Rate for Indah Water bill, according to tariff allocated.

6	Quit rent	Quit Rent is a form of land tax collected by State Governments and is imposed on owners of all alienated land (freehold and leasehold land). The State Government, via <i>Pejabat Tanah & Galian</i> , or Land Office, will assess and collect all rents.
7	Assessment Tax	Assessment Tax is imposed by local councils on property owners to finance the construction and maintenance of public infrastructure, cleaning services and upgrading works in the area under its jurisdiction. Assessment Tax is collected twice a year
8	Internet	Basic data plan of one internet account of not more than 100Mbps per month, such as: Unifi RM89.00
9	Cable channel	Primary pack Astro RM41.99/month
10	Maintenance	Cost of repair and maintenance of main elements of the building such as roof, door, windows and wall.
11	Insurance (Houseowners)	Basic protection for housing (annually). Pays for loss or damage to the building caused by fire, lightning, explosion, theft, malicious damage, strike & riot, aircraft damage, impact damage, bursting of pipes, floods, and other perils. Building includes fixtures, fittings, interior decorations, walls, gates and fences. Minimum premium (excluding service tax)
12	Insurance (Householders)	Basic protection for home content (annually). Pays for loss or damage to the household contents. Contents include all furniture and personal property belonging to home owner. Minimum premium (excluding service tax)
13	Furnishings, household equipment and routine household maintenance	<ul style="list-style-type: none"> • Cost of basic furniture, such as: Queen Bed (parents), 2 single beds (for 2 children), kitchenette, sofa, etc. including cost of repair/maintenance. • Basic electrical appliances, such as: fan, rice cooker, one door fridge, TV, etc. <p>Average expenditure this category from Department of Statistics Malaysia: RM112.80</p>
14	SST	<p>The Sales and Service Tax rate is fixed at 6%,</p> <ul style="list-style-type: none"> • Sales tax is a tax charged and levied on taxable goods manufactured in Malaysia by a taxable person and sold, used or disposed by him and on taxable goods imported into Malaysia. • Service tax is charged taxable services provided in Malaysia by a registered person carrying on his business

Source: Sharina & Amar (2024)

Table 3: Proposed Formula for The Calculation of The Components
(Modified from Sharina et. al., 2020)

Formula	<p>Total cost of components (A)</p> $A = \sum_{i=1}^{13} \alpha_i x_i, \text{ where } \alpha_i = \begin{cases} 1.00 & \text{if } 1 \leq i \leq 13 \text{ (no SST),} \\ 1.06 & \text{if } 1 \leq i \leq 13 \text{ (with SST)} \end{cases}$ <p>$i = 1, 2, \dots, 13$ are housing components in Table 2 and α_i is a tax coefficient (SST). Note that items, $i = 1$ to 13, will depend on whether it is subjected to SST at 6% or otherwise.</p>
Variables	<p>Components:</p> <ol style="list-style-type: none"> 1. Rental* 2. Electricity 3. Water supply 4. Telephone 5. Sewerage 6. Quit Rent / Joint Management Committee Fee 7. Assessment Tax 8. Internet 9. Cable channel 10. Maintenance 11. Insurance (Houseowners) 12. Insurance (Householders) 13. Furnishing 14. SST (for components that are yet to include SST) <p>*This component only applicable for occupants of rental house or those serving monthly instalment of housing loan. For occupants staying at stay for free home (owned accommodation/owner occupier), the component is not applicable.</p>

Source: Sharina & Amar (2024)

5. DISCUSSION

The 14 components signify the critical items associated with the current cost of living, particularly those related to shelter (low-cost) deemed appropriate for *asnaffakir* or *miskin*. Given the relative movements of the economy, due to inflation and other economic factors, the tables proposed demonstrate how the calculation to allocate the amount of shelter in *haddul kifayah* can be utilized by the *zakat* authorities.

Among the 14 components, Item 1 (rental) applies only to occupants of rental housing or those paying monthly housing loan instalments. It does not apply to those residing in owner-occupied or rent-free homes.

The mathematical formula presented in Table 3 provides a basic calculation for the shelter components. However, it is subject to various factors, including household size, locality, and other relevant considerations. Moreover, the inflation factor must be considered to ensure the calculation remains current and accurate (detail discussion was reported in Sharina et. al, 2020, Khairuddin & Sharina, 2021, Sharina, 2021, 2022).

The formula is essential for ensuring the adequacy of the components and their criteria, the sufficiency of the allocated amount, and its relevance in keeping up with

economic changes, particularly in covering shelter-related costs. Each component, supported by the proposed criteria and mathematical formula, plays a crucial role in assisting zakat authorities in determining an appropriate, up-to-date, and sufficient allocation for the calculation of *haddul kifayah* for shelter, aligning with the actual cost of living.

6. CONCLUSION

This paper discussed *haddul kifayah*, particularly the components and criteria including the formula for the calculation of the provision of shelter. It is part of a study on developing framework for determining adequacy, currency and sufficiency of *haddul kifayah* and their applications in the provision of housing for the ummah. The study's outcome, which includes a comprehensive list of components, criteria, and the formula, plays a vital role in ensuring that the zakat authorities' calculation of *Haddul Kifayah* aligns with the actual cost of living. By incorporating these elements, the calculation becomes more precise and aligned with current economic conditions, ensuring a fair and sufficient allocation for the essential shelter needs of *asnaf fakir* or *miskin*.

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