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Cryptocurrency as a Halal Transaction: An Innovative Study on the Use of Cryptocurrency as a Payment Method in Malaysia

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ABSTRACT

This study aims to evaluate the use of cryptocurrency as a halal payment method for zakat in Malaysia, exploring its compatibility with Islamic principles while considering technological innovation and sharia compliance for efficient, transparent zakat payments. A qualitative approach was employed, involving literature review and regulatory analysis of Malaysian fatwas, financial regulations, and academic sources on Islamic finance and cryptocurrency. Cryptocurrency can serve as a halal medium for zakat if it meets sharia criteria such as transparency, legitimate asset ownership, and avoidance of gharar and riba. Malaysian regulations and fatwas show growing acceptance under strict oversight; blockchain enhances zakat distribution accountability, though value volatility and public understanding remain key challenges. Integrating cryptocurrency could modernize zakat systems, boosting trust and transparency while ensuring sharia compliance. Collaboration among regulators, Islamic scholars, and fintech developers is essential for inclusive digital zakat ecosystems accessible to Malaysia's Muslim community. This study offers an innovative perspective by combining regulatory, technological, and fiqh analyses on halal cryptocurrency for zakat in Malaysia, filling a gap in research on digital Islamic finance solutions in emerging markets.

Keywords: *cryptocurrency, halal transactions, sharia financial technology, Malaysia*

ABSTRAK

Penelitian ini bertujuan untuk mengevaluasi penggunaan cryptocurrency sebagai metode pembayaran zakat yang halal di Malaysia, dengan mengeksplorasi kesesuaiannya dengan prinsip-prinsip Islam sambil mempertimbangkan inovasi teknologi dan kepatuhan syariah untuk pembayaran zakat yang efisien dan transparan. Pendekatan kualitatif digunakan, melibatkan tinjauan pustaka dan analisis regulasi terkait fatwa Malaysia, peraturan keuangan, serta sumber akademis tentang keuangan Islam dan cryptocurrency. Cryptocurrency dapat berfungsi sebagai sarana halal untuk zakat jika memenuhi kriteria syariah seperti transparansi, kepemilikan aset yang sah, serta menghindari gharar dan riba. Regulasi dan fatwa di Malaysia menunjukkan penerimaan yang berkembang di bawah pengawasan ketat; teknologi blockchain meningkatkan akuntabilitas distribusi zakat, meskipun volatilitas nilai dan pemahaman publik tetap menjadi tantangan utama. Integrasi cryptocurrency dapat memodernisasi sistem zakat, meningkatkan kepercayaan dan transparansi sekaligus

memastikan kepatuhan syariah. Kolaborasi antara regulator, ulama Islam, dan pengembang fintech sangat penting untuk membangun ekosistem zakat digital yang inklusif dan dapat diakses oleh komunitas Muslim Malaysia. Studi ini menawarkan perspektif inovatif dengan menggabungkan analisis regulasi, teknologi, dan fiqh mengenai cryptocurrency halal untuk zakat di Malaysia, mengisi kekosongan penelitian tentang solusi keuangan Islam digital di pasar negara berkembang.

Kata kunci: cryptocurrency, transaksi halal, teknologi keuangan syariah, Malaysia

INTRODUCTION

The development of digital technology has brought significant changes across various aspects of life, including the financial and economic sectors. One of the most revolutionary innovations in modern finance is the emergence of cryptocurrency (Hamdi and Junaedi 2023; Hamin 2020). Cryptocurrency is a form of digital currency that utilizes blockchain technology as the basis for decentralized, secure, and transparent transaction records. Since its inception, cryptocurrency has transformed perceptions of assets, investments, and financial transactions, becoming a highly attractive object for the younger generation as well as digital economy actors worldwide, including in Muslim-majority countries such as Malaysia (Fauzi et al. 2022; Rosele et al. 2023).

Malaysia has become a pioneering country officially recognizing cryptocurrency as an asset subject to zakat and even permitting zakat payments using cryptocurrency. This step holds historical and strategic significance, as Malaysia is recorded as the first country in the world to legalize zakat payments in the form of digital assets. This decision was initiated by the Zakat Collection Center of the Federal Territory Islamic Religious Council (PPZ-MAIWP), which recognizes the need for Muslims to adapt religious obligations to advances in modern financial technology (Khairi et al. 2022).

With the rapid increase in cryptocurrency investments in Malaysia, especially among young people aged 18 to 34 who make up more than 54.2% of digital asset investors, Malaysia holds digital assets valued at around RM16 billion that are subject to zakat at a rate of 2.5%, equivalent to the zakat rate on general trade. This indicates a paradigm shift in the management and distribution of zakat wealth, which has traditionally been limited to conventional assets such as gold, silver, and agricultural products. Through blockchain technology, the zakat payment process becomes more efficient, transparent, and targeted, while simultaneously reducing the risk of zakat fund misuse (Alaydrus 2025).

This innovation not only carries practical implications but also sparks academic and religious debates about the status of cryptocurrency in Islamic law. Some traditional scholars remain skeptical of cryptocurrency due to its volatility and speculative nature, whereas Islamic scholars and economic experts in Malaysia tend to adopt a progressive approach by categorizing cryptocurrency as a legitimate commodity that can be traded and subjected to zakat principles. The Federal Islamic Law Advisory Committee has played an important role by issuing a fatwa stating that cryptocurrency can be subject to trade zakat at a rate of 2.5%, payable on the ownership of digital assets held for one Hijri year. This approach provides a strong legal and social foundation for zakat implementation using cryptocurrency in Malaysia (Sergeenkov 2025).

The payment of zakat using cryptocurrency in Malaysia also represents a paradigm shift in Islamic financial systems. From a rigid system limited to conventional assets, it has now transformed into an adaptive and responsive system that meets contemporary needs. The use of blockchain technology enables full transparency and auditability in zakat management, fulfilling an essential requirement in Islamic law to minimize errors and fraud. This technology also opens financial inclusion opportunities for groups previously difficult to reach, including young people who are more familiar with digital assets and cashless payments (Basaruddin et al. 2022; Bin-Nashwan et al. 2024).

This study is motivated by the revolutionary phenomenon in Islamic finance, where Malaysia is the first country in the world to officially permit zakat payments using cryptocurrency or digital assets. The study is also important for exploring the sharia legal and regulatory aspects underlying the recognition of cryptocurrency as a zakat object. Opinions of scholars and regulators in Malaysia categorize digital assets as tradeable commodities subject to trade zakat. This legal approach demonstrates how Islamic law can continue to evolve and adapt in line with the needs of the community and technological development, while upholding core sharia principles such as justice, transparency, and public welfare.

For academia, the study of cryptocurrency zakat in Malaysia opens multidisciplinary research opportunities covering sharia, Islamic economics, blockchain technology, and financial regulation. This research is vital to evaluate implementation, challenges, and opportunities in harmonizing religious obligations with highly dynamic technological innovations. Moreover, such research provides valuable references for policymakers and zakat institutions in formulating more effective and inclusive zakat management strategies for the future.

METHODS

This research method employs a qualitative approach with a case study design to explore the use of cryptocurrency as a tool for zakat payment in Malaysia within the context of halal transactions. Data is collected through an in-depth literature review covering sharia principles related to halal transactions and zakat, religious fatwas from Malaysian authorities, as well as government policies concerning cryptocurrency and zakat. Additionally, document and official publications analysis from zakat institutions and financial regulators is conducted to gain a comprehensive understanding. Data analysis uses content analysis techniques to identify sharia aspects and technological innovations in the application of cryptocurrency for zakat payments. Data validity is maintained through source triangulation and examination of the relevant legal and religious context. This study does not involve direct interviews or surveys but focuses on literature and document analysis as the primary sources of information. The results are expected to provide a critical understanding of the potential and challenges of using cryptocurrency in zakat transactions that comply with halal principles in Malaysia.

RESULTS AND DISCUSSION

Crypto in the View of Malaysian Sharia Institutions

HelloGold, a gold-backed cryptocurrency originating from Malaysia, and Islamic Coin, a cryptocurrency emphasizing ethical values and operating on the HAQQ blockchain, represent innovations developed to address concerns from some Islamic scholars regarding cryptocurrencies. Islamic Coin is privately supported by

blockchain and fintech entrepreneurs aiming to provide ethical financial services compliant with sharia principles, while the HAQQ blockchain has been integrated with various leading private and government services in the United Arab Emirates (Afifah et al. 2024; Ezahar et al. 2020). The establishment of a Sharia Board consisting of five prominent regional experts, along with support from approximately 40 banks including renowned institutions such as Standard Chartered, Abu Dhabi Islamic Bank, and Dubai Islamic Bank, enables Islamic Coin to ensure its projects comply accurately with Islamic law (El-Gheriani and Hashish 2025; Khan et al. 2019).

The distinction between blockchain technology and cryptocurrency opens significant potential for halal investment applications. For instance, *sukuk* (Islamic bonds) can be pegged to digital tokens because recording on the blockchain offers high transparency, helping investors assess the issuer's credibility and make informed decisions. Assets managed via blockchain gain enhanced security since all transactions, profits, and up-to-date information are presented to investors in real time (Wan Mohamed Salleh et al. 2022; Zaman et al. 2025). The development of sukuk has enabled participation by Muslim investors through risk-sharing and linking payment to the performance of reference assets. Token-based bonds must follow several principles, such as using halal assets (gold, property), conducting transactions on a secure and transparent blockchain, and adhering to ethical principles like justice and social responsibility to prevent illicit activities like money laundering. Experts proficient in Islamic finance and blockchain technology must be involved to ensure sharia compliance. Transactions are also directed to support real economic activities, not pure speculation (Ariff et al. 2024; Mohd Nor et al. 2021).

Islamic Coin innovatively uses smart contracts to guarantee that transactions are ethical and sharia-compliant. These smart contracts resemble conventional contracts but are coded into the blockchain, making them immutable. For example, Blossom Finance's Smart Sukuk connects the real economy with the crypto ecosystem through sukuk contracts supporting small and medium enterprises in Indonesia, simultaneously enhancing financial inclusion. The use of smart contracts and blockchain can also improve zakat processes by increasing transparency and automating procedures, thereby enhancing efficiency (Beik et al. 2019; Zaman et al. 2025).

The term "halal crypto" is not only relevant for Muslim-majority countries because most buyers of Islamic Coin, not all of whom are Muslim, are attracted by the ethical nature of the product. However, globally, halal crypto products have yet to become a fully regulated mainstream asset class. Most countries limit crypto asset oversight to compliance with anti-money laundering rules. Unlike Malaysia, where halal crypto is regulated by the Securities Commission (SC), companies raising funds through this method must conduct an Initial Public Offering (IPO) on an approved digital asset exchange platform. Although regulations favorable to *halal* crypto are emerging, significant work remains to build investor trust in these products' compliance with Islamic law.

Islam, known as a mercy for all creation and full of legal provisions, provides guidance for its followers in all aspects of life, including clear rules regarding cryptocurrency systems and mechanisms. The Qur'an, as the primary source for Muslims, establishes norms covering all human life aspects and is expected to be followed by everyone. The main goal of Islamic law is to protect and realize the welfare of the community. In financial transactions, Islam specifically regulates systems that avoid gambling (*maysir*), interest (*riba*), and uncertainty *(gharar*)

(Afrizal and Marliyah 2021; Harahap et al. 2024).

Activities involving one or more of these three elements are considered prohibited (haram) under sharia. *Maysir* refers to gambling involving betting, where profits come from the losses of others. Riba is understood as any increase in value in a transaction without risk for the party receiving the profit, even if the business incurs losses. *Gharar* means an element of uncertainty that may cause fraud and unclear risks in transactions. These three concepts are relevant in the context of cryptocurrency, given its use as a medium of exchange and store of value (Wahid 2023).

Several Muslim-majority countries such as Egypt, Turkey, Algeria, Iran, Iraq, and Indonesia reject cryptocurrency because it is considered incompatible with sharia principles. Conversely, countries like Malaysia, the United Arab Emirates, and Qatar permit the use of cryptocurrency as assets and regard them as sharia-compliant according to local scholars. On the other hand, non-Muslim countries such as the United States, Canada, Australia, and the European Union legalize Bitcoin solely for investment purposes (Alshehri et al. 2024).

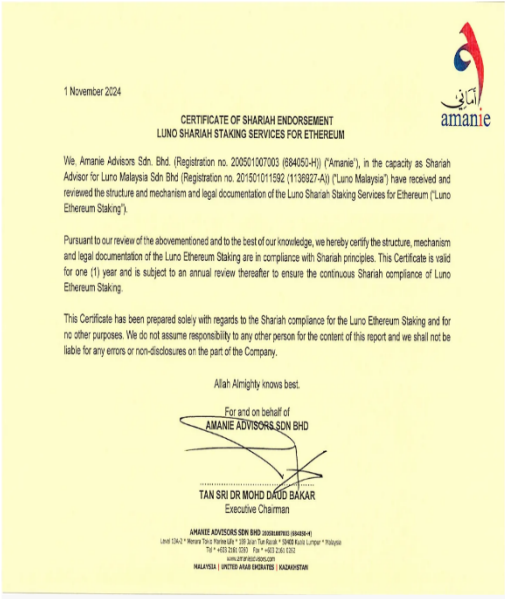
Views on crypto assets within Islamic finance vary among countries. For example, in Malaysia, the Securities Commission has authorized crypto asset trading within a sharia investment framework under strict supervision, provided that clear underlying value exists and it does not contradict *maqashid sharia* (the objectives of Islamic law). Bahrain has also issued regulations allowing crypto assets to operate under the supervision of its central bank. These differences reflect the challenges in determining the legal status of crypto assets in Islamic economics. On one side, digital assets are seen as innovations that could enhance financial inclusion, especially in large Muslim communities. On the other, risks such as high price volatility, potential money laundering, and regulatory uncertainty hinder their widespread adoption (Arofansyah 2025; *The Emergence of Islamic Fintech and Bahrain* 2024).

Philosophically, this innovation raises an important question about the nature of Islamic law in responding to technological advancements: should the law be rigid or adaptable to the changing times? The case of Malaysia demonstrates that Islamic law can be adaptive, provided it follows the principles of *maqashid sharia*, which aim to preserve public welfare, avoid harm, and uphold justice. Malaysia's approach marks the beginning of an international discussion on the future of digital Islamic finance and the potential for other Islamic countries to adopt similar technologies in religious practice.

Malaysia has taken a more open stance towards cryptocurrency.

The Securities Commission Malaysia has established regulations permitting digital asset trading under strict supervision. In the context of Islamic law, the Malaysian Shariah Fatwa Council recognizes that cryptocurrency can be used as an investment instrument, provided it avoids excessive elements of *gharar* (uncertainty) and *maysir* (gambling). Malaysia is also beginning to develop a shariah-compliant blockchain-based fintech ecosystem aligned with Islamic economic principles.

The openness of regulations in Malaysia has positively impacted the rapid growth of shariah fintech in the country. Under strict supervision, more fintech companies are launching digital asset trading platforms that comply with shariah principles, opening halal investment opportunities for Muslims. Malaysian Islamic financial institutions are also exploring blockchain technology for various business activities, including payment systems, transaction recording, and investment fund management (Rizieq and Baidhowi 2025).



1 November 2024

CERTIFICATE OF SHARIAH ENDORSEMENT
LUNO SHARIAH STAKING SERVICES FOR ETHEREUM

We, Amanie Advisors Sdn. Bhd. (Registration no. 200501007003 (684050-H)) ("Amanie"), in the capacity as Shariah Advisor for Luno Malaysia Sdn Bhd (Registration no. 201501011592 (1136927-A)) ("Luno Malaysia") have received and reviewed the structure and mechanism and legal documentation of the Luno Shariah Staking Services for Ethereum ("Luno Ethereum Staking").

Pursuant to our review of the abovementioned and to the best of our knowledge, we hereby certify the structure, mechanism and legal documentation of the Luno Ethereum Staking are in compliance with Shariah principles. This Certificate is valid for one (1) year and is subject to an annual review thereafter to ensure the continuous Shariah compliance of Luno Ethereum Staking.

This Certificate has been prepared solely with regards to the Shariah compliance for the Luno Ethereum Staking and for no other purposes. We do not assume responsibility to any other person for the content of this report and we shall not be liable for any errors or non-disclosures on the part of the Company.

Allah Almighty knows best.

For and on behalf of
AMANIE ADVISORS SDN BHD

TAN SRI DR MOHD DAUD BAKAR
Executive Chairman

Figure 1. Crypto Exchanges Required to Meet Sharia Certification
source: Tiger Research

All local crypto exchanges in Malaysia are required to comply with Shariah standards. Exchanges such as Luno and Hata have obtained halal certification for their services, including Ethereum staking products. This approach makes Muslim investors feel safer and more assured when transacting. This regulation arises from the fact that Malaysia's Shariah financial sector accounted for 47% of the total national financial system in 2024 and is projected to continue growing.

Since the Malaysian Shariah Advisory Council approved digital asset trading in July 2020, the cryptocurrency market in Malaysia has shown positive trends. The public has started to view digital assets as attractive investment options. According to The Malaysian Reserve, Modh Daud Bakar believes that digital asset development, including crypto, holds great potential, though challenges remain due to the limited public understanding of these asset types, which hampers broader adoption (Alrasheed 2025).

Three months after the decision, Malaysian scholars began to view cryptocurrency as a promising investment. Modh Daud Bakar, Chairman of the Shariah Advisory Council of the Malaysian Securities Commission, stated that with the majority of Malaysia's population being Muslim, there is great potential for Muslim traders to participate in digital assets. Currently, the country has three licensed exchanges including Luno Malaysia, Tokenize Malaysia, and Sinegy Technologies, while Binance has yet to obtain official operating permission in Malaysia but supports Ringgit Malaysia.

At a fintech conference in Kuala Lumpur in October 2020, Modh Daud Bakar revealed that only about 2% of Malaysians understand cryptocurrency. He stated that crypto can be categorized as halal because its nature resembles fiat money, including value fluctuations. Blockchain technology is also considered helpful in combating money laundering. The Securities Commission Shariah Advisory Council classifies cryptocurrency not as currency but as a commodity or '*urudh*'. If supported by real assets such as gold or silver, it follows the rules of *ribawi (riba*-related goods). Digital tokens are acceptable if their benefits and returns comply with shariah principles (Ibrahim et al. 2024).

To ensure cryptocurrency fully complies with shariah, its use must meet the principle of wealth protection (*maqashid al-shariah*). Therefore, strong government regulation and asset-backed guarantees, such as oil, gold, or silver, are important to safeguard users' wealth. According to Ziyaad Mahomed, an Islamic finance expert and Chairman of HSBC Amanah Malaysia's Shariah Committee, gold and silver are currencies clearly accepted in Islam. Although cryptocurrencies differ, the key Islamic consideration is the recognition and acceptance of value in transactions by society. However, crypto volatility raises concerns that may cause doubt, so he advises investors to exercise caution before investing

in cryptocurrencies. Overall, his view tends to consider crypto halal but with a very cautious approach (Haig 2025).

The Securities Commission's Shariah Advisory Council reaffirmed its stance at Invest Malaysia 2020, stating that in principle they permit investment and trading of digital currencies and tokens on registered exchanges. SC Chairman Datuk Syed Zaid Albar described this decision as an innovative step that can encourage greater development and investment in digital assets. Established since 1996 with support from Malaysia's Ministry of Finance, the Shariah Advisory Council is responsible for ensuring the implementation of Islamic capital markets complies with shariah principles and provides comprehensive advice on the development of Islamic capital markets.

Malaysia is also the first country in the world to accept zakat payments using cryptocurrency, as a measure to encourage Muslims to embrace blockchain technology and digital assets in dynamic religious practice. With the largest Muslim population in Southeast Asia, Malaysia opens opportunities for digital innovation in religious activities. Data from Statista places Malaysia among the top 30 countries with the largest cryptocurrency transaction volumes globally (Jais 2025).

The collection of zakat via digital assets is an initiative of the Federal Territory Islamic Religious Council's Zakat Collection Center (PPZ-MAIWP), aiming to educate Muslims about zakat obligations in the new technological era. Malaysians reportedly hold digital assets worth RM16 billion subject to zakat, with many active young investors aged 18–34 in the crypto market. Datuk Abdul Hakim Amir Osman views crypto as a new source of wealth and zakat, especially among the younger generation.

The Federal Islamic Law Advisory Committee decided that digital currencies are categorized as tradeable commodities subject to business zakat at a rate of 2.5%. The digitalization of worship practices shows how Islam can continuously adapt to the times. Zakat collection from digital assets increased significantly, rising 73% to approximately RM44,991.97 in 2023 (Sukumaran et al. 2022; Yudha 2025).

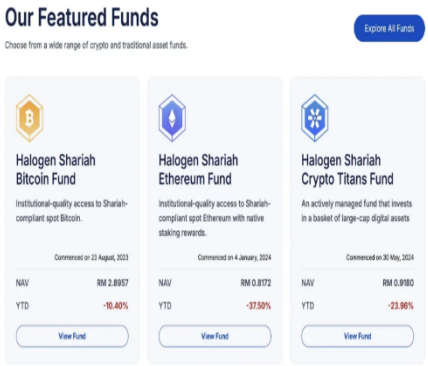


Figure 2. Halal Crypto Funds

source: Tiger Research

Halogen Capital, a Shariah-based asset manager, now manages over $75 million in Bitcoin and Ethereum funds compliant with Islamic principles. This product is certified by Amanie Advisors, an official Shariah advisory institution registered with the Securities Commission of Malaysia. Moreover, Nawa Finance has become one of the first DeFi protocols to receive halal certification. They have partnered with Solv Protocol to offer Shariah-compliant passive income products based on Bitcoin. Nawa Finance's total value locked (TVL) has reached $50 million, marking a significant milestone for the Islamic DeFi world.

Cryptocurrency Regulation as a Zakat Payment Method in Malaysia

The conditions for someone to be obligated to pay zakat are as follows: *First,* the person must be free, meaning they are able to meet their own basic needs and those of their family without depending on others. *Second,* zakat obligation applies only to Muslims, so non-Muslims are not required to

pay zakat. *Third,* zakat is only imposed on individuals who have reached puberty and are sane, as children and mentally incapacitated persons are not held responsible for zakat on their wealth. *Fourth,* zakat is imposed only on certain types of wealth that are subject to zakat, such as gold, silver, securities, mining yields, trade goods, crops, fruits, and livestock (Dewi and Rodiah 2023; Faisal and Yuliani 2018).

Fifth, the wealth must reach the minimum nisab threshold according to sharia provisions. Sixth, the wealth must be fully owned and under the complete control and authority of the owner. Seventh, the wealth must have been held for a full lunar year (*haul*), which is usually calculated based on the 12-month lunar calendar, although in practice it may be adjusted to the solar calendar for ease of calculation. Eighth, the wealth must not be in debt. *Ninth,* the value of the wealth must exceed basic needs, so items like primary residence, work equipment, transportation tools, or money saved to pay debts are not included in zakat objects. *Tenth,* the wealth must be acquired legally and through good means. Finally, zakat is imposed on wealth that grows or has the potential to increase or generate profits either directly by the owner or through others who manage it (Efendi 2021; Ikhsan 2023).

In the era of the Industrial Revolution 4.0, Indonesia has begun adopting financial technologies such as FinTech, Robotic Process Automation (RPA), Artificial Intelligence (AI), and the Internet of Things (IoT), including blockchain technology. These technologies are capable of rapidly transforming the foundation of various industrial sectors, improving work efficiency with lower costs. In the context of zakat management organizations (OPZ) that handle public funds, blockchain utilization greatly supports increased efficiency, transparency, and accountability in zakat fund management (Mohd Nor et al. 2021; Sugiyanti 2019).

Cryptocurrency, as a digital asset in the form of digital currency, uses blockchain technology and cryptography for security. Cryptocurrency has no physical form and is not controlled by a central authority such as a central bank. The zakat ruling on cryptocurrency has not reached ijma' (consensus) among scholars due to its relatively new phenomenon. However, several viewpoints have emerged from fatwa institutions or individual scholars. *First,* the Islamic Fiqh Academy (*Majma'al-Fiqh al-Islami*) and some contemporary scholars tend to categorize cryptocurrency as mal (wealth) that has exchange value and thus is subject to *zakat* if it meets the conditions for trade zakat, gold, or silver. *Second,* the DSN-MUI fatwa has not explicitly regulated zakat on cryptocurrency, but general zakat principles can serve as a basis, especially if crypto is used as an investment or trade instrument. *Third,* according to Yusuf Al-Qardawi, all forms of wealth with economic value that are traded can be subjected to zakat if they meet the criteria for *zakat mal* (Akbar and Huda 2022; Gumilang 2025).

From the perspective of *zakat* obligations, cryptocurrency meets these criteria. For example, as mentioned in the fourth point, wealth that is zakatable includes securities, gold, and mining yields. Cryptocurrency itself is categorized as digital "mined goods." Zakat on cryptocurrency must only be paid if the total value of digital assets reaches nisab and has been held for a haul of one year. The zakat calculation is based on the latest market value of the owned digital assets. Muslims are obligated to calculate the value of their cryptocurrency holdings when determining zakat, which is 2.5% of the market value. If the value increases within the one-year period, zakat should also be calculated based on the new value even if the asset has not been sold.

Malaysia became the first country to allow zakat payment using digital assets, including cryptocurrencies. The Selangor Zakat Board (MAIS), together with Universiti Teknologi Malaysia (UTM), launched a blockchain-based zakat platform enabling Muslims to use cryptocurrencies for zakat payment. Datuk Abdul Hakim Amir Osman, CEO of PPZ-MAIWP, stated that this initiative aims to facilitate fulfilling zakat obligations in the digital technology era. The use of blockchain in zakat payments in Malaysia marks a significant shift from traditional methods, as blockchain ensures transparency and security of zakat transactions. Furthermore, the use of digital assets provides opportunities for Muslims to apply technological advancements in religious practices (Wiranto 2025).

The Federal Territory Shariah Law Advisory Committee of Malaysia has even ruled that digital currencies are categorized as commodities subject to 2.5% business zakat. This demonstrates how Islam can continue to evolve and adapt to the needs of its followers in the modern age, although the specific types of digital currencies permitted for zakat payment are yet to be determined. Malaysia's breakthrough deserves appreciation because it combines secure, transparent, and efficient crypto technology to support religious activities. PPZ-MAIWP also cooperates with Sharlife Sdn Bhd as a crypto zakat collection agent to facilitate asset-based zakat payments (Uljanah and Revitalina 2025).



Figure 3. The Sharlife platform now facilitates zakat payments

source: Tiger Research

The Sharlife platform now facilitates zakat payments using cryptocurrency. This service operates in collaboration with the Federal Territory Islamic Religious Council (MAIWP), demonstrating that crypto is not only an investment tool but can also be utilized for transparent Islamic philanthropic activities. This crypto zakat uses blockchain technology to ensure transparency, auditability, and ease of reporting, making it a modern solution for fulfilling the social obligations of Muslims.

Known as Sharlife.my, the platform is run in partnership with SharLife, a company that focuses on shariah technology and Islamic digital finance. SharLife has been appointed by PPZ-MAIWP as the first official agent managing zakat collection using cryptocurrencies. Muhammad Arham Munir Amir Fiesal Merican, SharLife's Managing Director, explained that this innovation simplifies the zakat payment process because the platform integrates directly from digital wallets to the zakat payment system. Previously, investors had to convert their cryptocurrencies to Malaysian Ringgit (RM) before paying zakat. Now, this method is faster and complies with shariah principles. The Sharlife.my system also filters tokens in the payer's digital wallet to ensure compliance with Islamic law before calculating the 2.5% zakat payment. The

platform is specifically designed to support blockchain-based cryptocurrencies such as Solana and Ethereum, which contain thousands of tokens (Yudha 2025).

To reduce the risk of high price volatility of digital assets, payers are encouraged to exchange their tokens for stablecoins, such as the US Dollar Tether (USDT), before making zakat payments. This aims to maintain the zakat value and ensure it is optimally accepted by beneficiaries. With official recognition from PPZ-MAIWP, the platform is expected to attract more zakat payers, especially young investors active in digital assets (Khairi et al. 2022).

Moreover, Malaysia's decision to allow zakat payment through digital assets reflects an appropriate response to the global trend of adopting cryptocurrencies in payment activities. As a country with a Muslim majority, Malaysia's move has the potential to serve as a model for other countries in accommodating technological advancements within religious practices. This step also underscores Malaysia's commitment to promoting innovation and technology as part of its digital economy development strategy. By linking religious obligations with technological progress, Malaysia demonstrates readiness to adapt to the times while supporting the independence of Muslims in managing digital finance (Ayedh et al. 2021; Kamis and Abd. Wahab 2022).

Of course, as with the adoption of digital assets in other financial areas, there are risks and challenges that must be closely monitored. Strict regulations and consumer protection are essential to prevent potential misuse of blockchain technology in zakat payments. Education about the benefits and risks of using digital assets in zakat obligations also needs to be enhanced so that the public can use this technology wisely. As a country open to innovation and technology, Malaysia sends a positive signal for the advancement of the digital financial ecosystem. There is great hope that Malaysia's initiative will become an example for other countries in integrating innovative technology into religious practices.

By implementing a zakat payment system using digital assets, Malaysia shows its readiness to be at the forefront of embracing change and offering modern solutions to meet today's needs. In an increasingly connected digital world, this decision has gained international attention as an example of religious adaptation to technological developments. Overall, this step represents progress that reflects openness to evolving technological needs and is expected to inspire other countries to relax regulations on digital asset use in other religious domains (Redzuan 2025).

The Purpose and Implications of Cryptocurrency in Zakat Payments for the Future of Zakat in Malaysia

The interaction between crypto assets and regulatory frameworks in many countries, both Muslim and non-Muslim, is complex and often controversial. Anti-money laundering regulations and consumer protection pose significant challenges, further complicated by the need for sharia compliance. However, important progress has been made, such as in Malaysia, which regulates halal crypto with strict requirements and approved exchanges. The presence of Islamic crypto exchanges like HelloGold and Islamic Coin provides more guidance and regulation for Muslims who wish to invest in ways consistent with their principles. Malaysia even made history as the first country to allow zakat payments using digital assets—an initiative from PPZ-MAIWP addressing the needs of its community in the blockchain and cryptocurrency era (Indodax.com 2025).

Malaysia has become the first country worldwide to permit zakat payments using cryptocurrency or blockchain-based digital assets. This move shows innovative

adaptation of the country's zakat system to keep pace with modern financial technology while meeting the needs of young Muslims increasingly involved in digital asset markets. As a country with a large Muslim community and an established zakat management system, this cryptocurrency-based zakat payment innovation has the potential to bring substantial change to Malaysia's zakat future—in terms of ease, transparency, and accessibility.

The primary goal of implementing zakat payments via cryptocurrency is to facilitate Muslims in fulfilling their zakat obligations in the digital age. The CEO of the Federal Territory Islamic Religious Council's Zakat Collection Center (PPZ-MAIWP), Datuk Abdul Hakim Amir Osman, stated that this initiative is driven by the fact that Malaysians' digital assets have reached a value of around RM16 billion. The majority of investors in these crypto assets are young people aged 18 to 34, a key demographic for sustaining and advancing the zakat system in the future. Therefore, formalizing zakat payments on digital assets is intended to prevent religious mistakes and simultaneously open new wealth sources for zakat.

From an Islamic legal perspective, the 134th session of the Federal Islamic Law Advisory Committee decided that digital currencies are commodities that can be traded, and business zakat on these digital assets is levied at 2.5%. This serves as an important sharia foundation for zakat in the context of cryptocurrency, officially recognizing and permitting this zakat payment system under Malaysian Islamic law.

The implications of using cryptocurrency in zakat payments are extensive. *First,* regarding convenience, Muslims can now pay zakat directly using various cryptocurrencies such as Solana and Ethereum via platforms managed by PPZ-MAIWP and authorized collection agents like the Sharlife platform. Cryptocurrency payments also adopt stablecoins such as USDT to address high price volatility, ensuring the zakat value received remains stable and compliant with obligations. The system automatically calculates zakat based on asset ownership and haul duration (minimum holding period), making implementation easy, fast, and transparent (Giovanny 2025).

Second, concerning transparency and accountability, blockchain technology underlying cryptocurrency enables real-time and automatic tracking of zakat funds. Blockchain provides encrypted security and an immutable system, ensuring zakat distribution complies with sharia principles and is not misused. This also allows zakat managers to be more efficient administratively and reduce operational costs.

Third, in terms of accessibility, this innovation opens opportunities for more Muslims, especially digitally active youth, to participate in zakat activities. Considering the significant digital asset ownership among young people, cryptocurrency-based zakat payments bridge traditional and modern gaps, facilitating their social and religious engagement. Furthermore, the use of cryptocurrency in zakat payments in Malaysia also has the potential to open new cross-border zakat management channels with lower transfer costs and faster payment settlement times thanks to blockchain technology. This is evidence of how zakat as Islam's fourth pillar can adapt to global technological advances and meet umat needs in the digital financial context.

Regarding risks, cryptocurrency value volatility remains a major challenge to overcome, especially to ensure zakat values paid are sharia-compliant without harming either payers or recipients. The use of stablecoins is a primary solution for this. However, religious awareness and good digital literacy are also crucial so that the

community can understand their zakat obligations with these new instruments correctly and orderly (Beik et al. 2019).

Looking to the future of zakat in Malaysia, the cryptocurrency-based zakat payment initiative serves as a progressive model that other countries with large Muslim populations and rapid fintech development can adopt. This model shows that applying blockchain technology in zakat systems not only broadens zakat sources from new assets but also increases efficiency, transparency, and community participation—especially among youth—in fulfilling their religious obligations in a modern and relevant way.

Although Malaysia has made efforts to regulate cryptocurrencies, significant challenges remain. According to a study published in the Selangor Fatwa and Falak Journal, the current regulatory framework lacks comprehensive laws specifically designed for digital assets. This gap creates uncertainty for businesses and investors operating in the crypto sector.

One key issue, highlighted in research from the Journal of Theory and Practice in Management, is the absence of clear consumer protection guidelines in cryptocurrency transactions. Unlike traditional financial products, crypto investments lack safeguards against fraud or market manipulation. Furthermore, the regulatory framework is insufficient to address the complexities of blockchain technology and decentralized finance. To improve its regulatory landscape, Malaysia could consider: *First*, developing comprehensive cryptocurrency laws to provide legal clarity. *Second,* implementing stronger consumer protection measures for crypto investors. *Third,* establishing licensing frameworks for crypto businesses similar to Singapore's model. *Fourth,* enhancing collaboration between regulatory bodies to address the multifaceted nature of cryptocurrencies (Juliana Hajirul@Ajirul et al. 2023; Khairi et al. 2024).

Said Andrey Kuznetsov, co-founder and CTO of Haqq Blockchain, in a statement via email. "*Regulations may also vary by state, as each region might have different local rules, especially relating to Islamic financial principles. This regulatory diversity may pose challenges for crypto businesses and users who must comply with both federal guidelines and specific state regulations*," Balancing innovation with regulatory compliance will be crucial for cryptocurrencies in Malaysia (Sergeenkov 2025).

Challenges of Blockchain Technology and Cryptocurrency in Zakat Payments in Malaysia

Malaysia's goal to become a global pioneer in accepting zakat payments with cryptocurrency is to create a more modern, inclusive zakat system capable of reaching the younger generation who are increasingly familiar with digital assets. However, this innovation comes with fundamental challenges that must be addressed to ensure the successful and sustainable implementation of cryptocurrency-based zakat (Jalal and Che Abdullah 2024).

One major challenge is the volatility of cryptocurrency values. Digital currency prices are highly volatile and can change drastically within a short period. This makes it difficult for zakat managers and payers to determine the correct zakat amount to be paid and received in accordance with shariah requirements. If zakat is calculated when cryptocurrency prices are extremely high, there is a risk of overpayment, which could disadvantage the payer. Conversely, if prices fall, zakat recipients may receive insufficient funds. Malaysia addresses this issue by using stablecoins as a payment option and calculating zakat value based on the stablecoin rate at the time of the transaction, but price volatility remains a concern.

Additionally, the level of digital literacy and religious knowledge among the public poses a significant challenge. Many Muslims, especially conservatives and those less familiar with technology, do not fully understand how cryptocurrency works and its legal implications in zakat. This requires zakat institutions to conduct intensive education programs so that the community understands how to calculate, their obligations, and the benefits of paying zakat using digital assets. Without sufficient education, the risk of payment mistakes and doubts about the legitimacy of crypto zakat will increase.

Another challenge lies in regulation and security. Although Malaysia has issued fatwas permitting zakat on digital assets and set the zakat rate at 2.5%, regulations regarding transaction security and user data protection still need strengthening. Cryptocurrencies are vulnerable to cybercrimes such as hacking, fraud, and asset theft. Zakat managers must ensure that blockchain technology systems and digital wallets adhere to high-security standards to protect zakat funds and maintain public trust.

Differences in opinion among scholars and conservative communities generate further challenges. Although Islamic legal authorities in Malaysia have classified cryptocurrencies as commodities and established zakat rules, not all groups readily accept this. Some remain skeptical about the halal status and legitimacy of cryptocurrency as zakatable property, particularly due to its novelty and limited widespread understanding. Widespread socialization and clear fatwas are crucial for increasing acceptance levels.

Technological infrastructure is another barrier. Cryptocurrency-based zakat payments demand accessible blockchain infrastructure and digital transaction platforms usable by all societal layers. Uneven internet connectivity in some areas and limited access to digital devices may restrict the reach of this innovation. Zakat managers need to develop user-friendly interfaces and provide technical support to ensure no one is left behind in benefiting from digital zakat payment conveniences. The implications of these challenges are significant for the future of zakat in Malaysia. On the one hand, cryptocurrency-based zakat payments enable more transparent, faster, and accountable collection of zakat funds thanks to blockchain technology. Modern zakat management is expected to boost public trust, expand the base of zakat payers—especially from previously untapped digital assets—and optimize efficient zakat distribution (Nor Paizin 2021; Yusof et al. 2021).

However, risks from digital asset price volatility and cyber security threats must be seriously addressed to prevent disruptions and harm to stakeholders. Failure to manage these risks could create uncertainty and undermine public confidence in zakat institutions. Furthermore, the community's lack of understanding regarding technology and sharia related to digital zakat remains a major obstacle. The implementation of digital zakat systems must be accompanied by comprehensive, inclusive education programs so that all societal segments, especially the youth who are the main users of cryptocurrency, comprehend their zakat obligations and the correct methods of digital zakat payments.

From a socio-religious perspective, adopting zakat payments through cryptocurrency sparks new paradigm discussions about the concept of zakatable wealth. This requires scholars and zakat institutions to actively provide contextual and responsive explanations aligned with contemporary developments while upholding sharia principles. More broadly, Malaysia's step opens opportunities for other Muslim countries to learn and adopt innovative models for more adaptive zakat

management in the digital era. However, this adaptation process must balance technological advancement with religious principles and ingrained social norms.

Conclusion

Cryptocurrency as a halal transaction, specifically in its innovative use as a tool for zakat payment in Malaysia, demonstrates how Islamic finance can adapt to technological advancements without compromising sharia principles. Malaysia has become a global pioneer in allowing digital assets as a medium for zakat payment, providing an important example of how blockchain technology can be utilized to improve the efficiency, transparency, and accessibility of fulfilling religious obligations.

Malaysia's progressive approach not only facilitates Muslims in meeting their zakat obligations but also reaches the younger generation, who are increasingly familiar with digital payment and investment tools. With strict regulations and clear fatwas, Malaysia ensures that cryptocurrency use remains within the framework of Islamic law. This is essential to maintain public trust and avoid practices contrary to sharia, such as gharar (uncertainty) and maysir (gambling).

The innovation of paying zakat through cryptocurrency enables faster processes and automatic calculation of zakat based on the market value of digital assets and the specified holding period (haul). Blockchain technology also supports transparency and accountability in zakat distribution, minimizing the risk of misuse. Moreover, the use of stablecoins as a payment option addresses the challenge of high price volatility, ensuring the zakat amount received remains consistent and compliant with religious obligations. However, despite these significant potentials, several key challenges remain to be addressed for the system to operate successfully and sustainably. The volatility of cryptocurrency prices requires mature mechanisms to fairly calculate zakat for both payers and recipients. Additionally, digital literacy and religious understanding related to using digital assets for zakat need to be enhanced through intensive and inclusive education programs.

Security and data protection in digital transactions are also crucial issues. Blockchain systems and digital wallets must comply with high-security standards to prevent cybercrimes such as hacking, fraud, and asset theft. Comprehensive regulations and strict oversight by relevant authorities are pivotal to the success of this implementation. Differences in opinions among scholars and conservative communities continue to pose challenges for widespread acceptance. Although Islamic legal authorities in Malaysia have classified cryptocurrencies as commodities and set zakat guidelines, some still doubt the halal status and legitimacy of cryptocurrencies as zakatable property, especially due to their novelty and limited general understanding. Effective outreach and socialization accompanied by clear and accessible fatwas are vital to increasing acceptance.

The implications of these challenges are significant for the future of zakat in Malaysia. On one hand, cryptocurrency-based zakat payments facilitate more transparent, faster, and accountable zakat fund collection thanks to blockchain technology. Modern zakat management is expected to boost public trust, expand zakat payer base—especially from previously untapped digital assets—and optimize efficient zakat distribution. However, risks from digital asset value volatility and cybersecurity threats must be seriously managed to avoid disruptions and harm to stakeholders. Failure to handle these risks could create uncertainty and reduce public confidence in zakat institutions.

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