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Cryptocurrency Zakat in the Perspective of Fiqh Wāqi'iyyah: Takyīf Fiqhī and Legal Implications for Bitcoin and Tether (USDT)

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Abstract:
This study examines the zakat obligations of digital assets, specifically Bitcoin (BTC) and Tether (USDT), through the framework of Fiqh Wāqi'iyyah, addressing contemporary jurisprudential uncertainty (*ikhtilāf*) regarding their Shariah status and zakatability. Employing a normative-doctrinal legal research method, this study analyzes Islamic legal principles, classical and contemporary jurisprudential perspectives, and the characteristics of digital assets, while comparing Malaysia's operational approach to digital zakat governance with Indonesia's conceptual framework. The findings indicate that both Bitcoin and USDT fulfill the legal criteria of *māl* and *māl mutaqawwam* based on social recognition (*'urf*) and economic utility. However, their distinct characteristics require different jurisprudential classifications (*takyīf fiqhī*). Bitcoin is classified as a trade commodity (*'urūḍ al-tijārah*), with zakat calculated based on its market value at the end of the *ḥawl*. In contrast, USDT is categorized under *zakat al-nuqūd* because of its stable value relative to fiat currencies. However, it does not fully qualify as *naqdayn* because it lacks legal tender status and carries issuer-related risks. This study suggests that digital zakat governance requires context-sensitive ijtihad, clearer regulatory guidance, and harmonized assessment standards to ensure Shariah compliance, legal certainty, and consistency in managing digital asset zakat.

INTRODUCTION

The acceleration of digitalization across the global economy has fundamentally shifted how value is defined, stored, and transferred (Billah, 2021). Driven by blockchain technology, decentralized financial networks have given rise to digital assets that lack physical tangibility yet command immense economic value (Muneem et al., 2023; Siswantoro, 2022). Far from being a marginal phenomenon, crypto adoption has reached significant global scale, with registered crypto investors exceeding 18 million in Indonesia under the regulation of the Commodity Futures Trading Regulatory Agency (Bappebti) and active digital asset exchanges operating under the Securities Commission in Malaysia (Yulia & Hosen, 2024; Kepli & Bustami, 2023; Kepli & Mohamad, 2022). Furthermore, the market relies heavily on two distinct asset classes: volatile cryptocurrencies like Bitcoin (BTC), which serve primarily as investment vehicles, and fiat-backed stablecoins like Tether (USDT), which process hundreds of billions of dollars in daily transaction volume for value preservation and cross-border liquidity (Oziev, 2023; Zahid & Abdul-Rahman,

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2023). From a disciplinary standpoint, this rapid market expansion is not a theological issue; rather, as Rosele et al. (2025), Izadin et al. (2025), and Usmani (2021) emphasize, it has generated considerable jurisprudential uncertainty regarding the Sharīʿah status, ownership, and zakatability of crypto assets.

To evaluate these contemporary financial instruments, prior scholarly literature can be synthesized into three primary thematic streams. The first stream examines the Sharīʿah status and *māl* qualification, where scholars like Al-Ikhwan Bintarto et al. (2022), Hudaefi and Badeges (2022), Rosele et al. (2022), and Yaacob and Che Seman (2021) have established that digital assets meet the essential criteria of *māl* (property) and *māl mutaqawwam* (valuable property) based on economic utility (*manfaʻah*) and contemporary social custom (*ʻurf*). The second stream focuses on the zakat assessment of digital assets, where researchers such as Muneeza et al. (2020), Muneeza et al. (2021), Siswantoro (2022), and Izadin et al. (2025) have analyzed zakat obligations and portfolio diversification. However, these studies predominantly treat cryptocurrencies as a monolithic category or focus narrowly on Bitcoin as commercial merchandise (*ʿurūḍ al-tijārah*). The third stream addresses institutional and regulatory governance, with studies by Jalal and Abdullah (2024), Nisa (2025), Siti-Nabiha and Rahmat (2023), Rahman and Abdullah (2021), and Zul Kepli and Bustami (2023) highlighting structural disparities between Malaysia's operational state-level fatwa frameworks and Indonesia's conceptual phase.

Despite these contributions, a critical research gap persists: previous studies have not explained why structural differences between price volatility and price stability serve as decisive legal determinants for *takyīf fiqhī* (juridical characterization). Existing literature has not systematically demonstrated how extreme price volatility introduces excessive *gharar* (uncertainty) and *maysir* (speculation) that precludes volatile assets from serving as functional money (*nuqūd*) and reclassifies them as commercial commodities (*ʿurūḍ al-tijārah*), whereas price stability via fiat-backing eliminates such *gharar* and aligns an asset's function with monetary savings (*zakat al-nuqūd*) (Azela et al., 2023; Huda et al., 2025; Oziev, 2023; Zahid & Abdul-Rahman, 2023).

To resolve this legal ambiguity, this study employs the framework of *Fiqh Wāqiʻiyyah,* a responsive methodology of *ijtihad* that anchors legal derivation (*inzāl al-ḥukm*) in a holistic understanding of technical architecture, economic function, and market realities (*taṣawwur al-mas'alah*) (Hudaefi & Badeges, 2026; Zulfaqar & Muneer, 2024). This study advances the central legal proposition that *Fiqh Wāqiʻiyyah* requires determining cryptocurrency zakat by an asset's actual economic function and risk characteristics rather than by its common technological label. Accordingly, this paper systematically re-evaluates the qualification of Bitcoin and USDT as *māl mutaqawwam*, establishes a differentiated *takyīf fiqhī* based on market behavior, formulates standard 2.5% zakat assessment rules based on end-of-*ḥawl* valuations, and compares the regulatory readiness and institutional zakat governance between Indonesia and Malaysia.

RESEARCH METHODS

This study adopts a normative-doctrinal legal research design as its primary methodology to analyze the legal status, juridical characterization (*takyīf fiqhī*), and zakat implications of cryptocurrencies (Marzuki, 2021). To operationalize this legal inquiry, the research integrates conceptual and comparative analytical approaches as complementary tools (Kepli & Bustami, 2023). The conceptual approach evaluates how contemporary digital assets align with classical jurisprudence principles, while the

comparative approach systematically contrasts the regulatory frameworks and institutional zakat governance between Indonesia and Malaysia (Jalal & Abdullah, 2024; Nisa, 2025). In accordance with doctrinal legal research conventions, the study does not collect primary empirical field data; rather, it relies exclusively on authoritative legal materials categorized into three formal tiers (Marzuki, 2021). Primary legal materials consist of binding statutory sources such as Indonesia's Currency Law No. 7 of 2011 and Bappebti Commodity Regulations alongside official fatwas issued by national and state religious bodies, including DSN-MUI Fatwa No. 13 of 2011, the 2021 DSN-MUI decree, and state fatwa decisions from Selangor and Perlis in Malaysia (Dewan Syariah Nasional-MUI, 2021; Yulia & Hosen, 2024). Secondary legal materials comprise classical fiqh treatises, legal methodology literature, and peer-reviewed scholarly journals indexed in Sinta and Scopus (Al-Zuhayli, 2018; Rosele et al., 2025). Tertiary legal materials include authoritative legal dictionaries and encyclopedias, such as *Al-Mawsūʻah al-Fiqhiyyah al-Kuwaytiyyah* (Kementerian Wakaf dan Urusan Agama Kuwait, 2006).

The qualitative analysis of these legal materials employs legal content analysis and Islamic legal reasoning (*takhrīj al-furūʿ ʻalā al-uṣūl*) through the explicit three-stage procedural framework of *Fiqh Wāqiʻiyyah* (Hudaefi & Badeges, 2026; Usmani, 2021). The first stage, *taṣawwur al-wāqiʻ* (understanding the reality), analyzes the technical and economic reality of Bitcoin and USDT using specific empirical indicators: asset underlying backing, value stabilization mechanisms, historical price volatility metrics, and market utility (Oziev, 2023; Zahid & Abdul-Rahman, 2023). The second stage, *takyīf fiqhī* (juridical characterization), maps these empirical realities onto classical Islamic jurisprudence categories using defined legal indicators, including corporeal existence (*ʻain*), economic utility (*manfaʻah*), customary social recognition (*ʻurf*), exclusive ownership control (*milk al-tām*), and the presence of contractual uncertainty (*gharar*) or speculation (*maysir*) (Al-Ikhwan Bintarto et al., 2022; Muneem et al., 2023; Yaacob & Che Seman, 2021). The third stage, *inzāl al-ḥukm* (legal application), formulates the precise zakat rules and 2.5% assessment mechanics by determining whether an asset constitutes commercial merchandise (*ʿurūḍ al-tijārah*) or functional money (*nuqūd*) (Izadin et al., 2025; Rosele et al., 2025; Siswantoro, 2022). Furthermore, to prevent subjective confirmation bias, the *Maqāṣid al-Sharīʻah* framework evaluates these rulings using clear hierarchical indicators: balancing individual property protection (*ḥifẓ al-māl*) at the complementary level (*ḥājiyyāt*) against the imperative to prevent public economic harm and mental distress (*ḥifẓ al-nafs* and *ḥifẓ al-ʻaql*) at the essential level (*ḍarūriyyāt*) (Azela et al., 2023; Dusuki & Bouheraoua, 2011). Through systematic legal interpretation, this methodological design produces prescriptive, evidence-based legal findings aimed at realizing public welfare (*maslahah*).

RESULTS AND DISCUSSION

Results

Contemporary Ontology of *Māl*: Reconstructing Wealth in Islamic Law

Before formulating zakat obligations on digital assets, the essential epistemic step is verifying whether cryptocurrencies qualify as property (*māl*) and valuable property (*māl mutaqawwam*) within Islamic jurisprudence. Classical jurists were divided on the definition of *māl*. The Hanafi school adopted a restrictive view, requiring physical corporeality (*ʻain*) and tangibility (*taqabbuḍ*), which creates theoretical barriers for non-physical instruments. Conversely, the majority (*Jumhūr*) of Maliki, Shafiʻi, and Hanbali jurists defined *māl* substantively based on utility (*manfaʻah*), economic worth (*qīmah*), and customary social recognition (*ʻurf*). To audit the legal reasoning under *Fiqh*

Wāqiʿiyyah, Table 1 presents a systematic criteria matrix that evaluates Bitcoin (BTC) and Tether (USDT) against classical *māl* criteria, alongside relevant legal counterarguments.

Table 1. Legal Criteria Matrix for Māl and Māl Mutaqawwam Qualification

Legal Criterion	Bitcoin (BTC) Legal Status	Tether (USDT) Legal Status	Counterarguments & Legal Caveats
Utility (*Manfaʿah*)	High utility as a decentralized store of value and peer-to-peer settlement network.	High utility as a digital liquidity tool, cross-border payment mechanism, and value-peg.	Volatility in BTC and counterparty default risks in USDT may impair long-term utility.
Economic Worth (*Qīmah*)	Established via market supply-demand pricing on global exchanges.	Pegged to USD fiat value (1 USDT ≈ $1 USD).	Lacks intrinsic physical value; worth is entirely dependent on market sentiment or fiat backing.
Social Custom (*ʿurf*)	Widespread global acceptance (*ʿurf ʿām*) as an investable asset class.	Accepted across crypto ecosystems as a dominant medium of exchange.	Local regulatory bans in certain jurisdictions restrict its recognition as customary property (*ʿurf khāṣ*).
Storability & Control	Secured via cryptographic private keys on blockchain ledgers.	Tokenized control maintained via smart contracts and digital wallets.	Irrecoverable private key loss terminates control over the underlying wealth.
Transferability	Execution of peer-to-peer cryptographic transfers.	On-chain transferability across multiple blockchain networks.	Network congestion, high gas fees, or smart contract freezes can temporarily impede transfers.
Lawful Use (*Ibāḥah*)	Recognized as tradeable futures commodities (e.g., Bappebti in Indonesia).	Utilized for lawful digital commerce, hedging, and cross-border remittances.	Illicit use (e.g., money laundering or darknet transactions) negates Sharia legitimacy (*mutaqawwam*).
Complete Ownership (*Milk al-Tām*)	Achieved exclusively through self-custody private key management.	Achieved via self-custody; subject to issuer smart-contract blacklist mechanisms.	Custodial exchange accounts yield conditional beneficial ownership rather than absolute legal control.

Furthermore, zakat liability depends fundamentally on how assets are held. Full legal ownership (*milk al-tām*) requires both exclusive right of disposition (*tasarruf*) and full physical/digital possession (*qabd*). In crypto assets, four custody structures must be distinguished: (1) Self-custody wallets, the holder retains exclusive control of private keys, fulfilling *milk al-tām* and triggering full zakat liability. (2) Custodial exchange accounts: the exchange holds private keys on behalf of users. While users possess beneficial entitlement, withdrawal limits, insolvency risks, or custodial holds render *milk al-tām* conditional. Zakat applies only to accessible funds. (3) Restricted or frozen assets, tokens locked by smart contracts, administrative blocklists (e.g., Tether issuer freezes), or legal sanctions lack the element of full disposition (*qudrah ʿalā al-tasarruf*); hence, zakat is deferred until control is restored. (4) Inaccessible wallets: wealth lost due to forgotten private keys or corrupted storage devices loses the character of *māl* due to permanent loss of utility and access, fully lapsing zakat obligations.

Jurisprudential Characterization (*Takyīf Fiqhī*): Bitcoin vs. Tether (USDT)

Fiqh Wāqiʿiyyah rejects homogenizing all cryptocurrencies under a single legal classification. Through legal analysis of secondary regulatory and market data, distinct legal rulings (*takyīf fiqhī*) emerge for volatile cryptocurrencies versus fiat-backed stablecoins. Bitcoin functions primarily as a digital commodity (*ʿurūḍ al-tijārah*) due to its severe price volatility, which introduces excessive uncertainty (*gharar*) and speculation (*maysir*) when positioned as a primary medium of exchange. Under Fatwa DSN-MUI No.

140/DSN-MUI/VIII/2021 and similar contemporary rulings, BTC is recognized as a tradeable digital asset, classifying its zakat treatment under commercial goods rules (*zakāt al-tijārah*).

In contrast, Tether (USDT) shows strong functional similarity to fiat currency because of its price stability and its use as a unit of account and medium of exchange in digital markets. However, functional similarity must not be confused with strict legal identity (*naqdayn*). Legally, USDT is a centralized, private liabilities token issued by Tether Limited. It is not sovereign legal tender; its reserves consist of mixed commercial paper and treasury assets subject to counterparty and audit risks, and the issuer's terms of service govern its redemption rights. Therefore, USDT is classified juridically as an asset backed by monetary debt or claims (*dayn*) or functional fiat representations, subjecting it to currency savings rules (*zakāt al-nuqūd*) without granting it sovereign currency status.

Table 2. Comparison of Bitcoin and USDT Economic Characteristics from a Fiqh Perspective

Economic Characteristic	Bitcoin (BTC)	Tether (USDT)
Asset Category	Digital Commodity / Speculative Investment Asset (Hudaefi & Badeges, 2026)	Fiat-backed Stablecoin (Muneeza et al., 2021)
Value Volatility	Very High and Extremely Volatile (Paizin, 2021)	Extremely Low and Constant against USD (Rahman & Abdullah, 2021)
Primary Function	Investment Diversification and Capital Accumulation (Hudaefi & Badeges, 2026)	Hedging, Remittance, and Value Preservation (Zul Kepli & Bustami, 2023)
Level of *Gharar*	High – caused by massive price uncertainty (Azela et al., 2023)	Minimal – minimized by real asset backing (Muneeza et al., 2021)
Classical Fiqh Analogy	*'Urūḍ al-Tijārah* (Commercial Goods) (Hudaefi & Badeges, 2026)	*Zakat al-Nuqūd* (Currency Savings) (Rahman & Abdullah, 2021)

Legal Formulation and Mathematical Zakat Models

The derivation of zakat obligations on cryptocurrencies requires precise mathematical modeling based on end-of-period (ḥawl) market valuation and threshold (*niṣāb*) determination.

Threshold (Niṣāb) and Valuation Mechanics

The minimum threshold for cryptocurrency zakat is established by analogical deduction *(qiyās)* based on 85 grams of pure gold. Let P gold denote the prevailing market price of pure gold per gram in local fiat currency (C). The fiat monetary value of *niṣāb* (N C) is defined as: N C =85×P gold. To assess whether an asset balance fulfills *niṣāb*, the total portfolio value in fiat currency (V C) at the closing date of ḥawl (t h) must meet or exceed N C : V C (t h) ≥N C.

where V C (t h) for an asset quantity Q with unit fiat market price P asset (t h) is calculated as: V C (t h) =Q×P asset (t h).

Bitcoin ('Urūḍ al-Tijārah) Zakat Formulation

For hold-and-trade or passive Bitcoin investments, zakat is levied at the standard rate of 2.5% (0.025) on the total fiat market value at the end of ḥawl: Z BTC =0.025× [Q BTC ×P BTC (t h)]. When Bitcoin is actively traded within a business entity or dedicated trading portfolio, realized net profits (Π realized) generated during the ḥawl period are reinvested into total capital. To prevent double-counting realized gains that are already reflected in the closing portfolio valuation, total active trade portfolio value (V active) is defined strictly as the sum of ending crypto asset market value plus uninvested net fiat cash reserves (C net) remaining at t h :

$V_{active}(t_h) = [Q_{BTC}(t_h) \times P_{BTC}(t_h)] + C_{net}(t_h)$

$Z_{BTC_active} = 0.025 \times V_{active}(t_h)$ provided $V_{active}(t_h) \geqslant N_C$.

Tether (USDT) Zakat Formulation

Because USDT functions as a digital representation of fiat monetary value, its zakat follows currency savings principles (zakat al-nuqūd). The zakat base comprises total cumulative USDT holdings (Q_{USDT}) plus accrued lawful yields (R) at the end of ḥawl: $Z_{USDT_unit} = 0.025 \times [Q_{USDT}(t_h) + R(t_h)]$. In local fiat currency terms (C), given the spot exchange rate $E_{USDT/C}$: $Z_{USDT_fiat} = 0.025 \times [(Q_{USDT}(t_h) + R(t_h)) \times E_{USDT/C}(t_h)]$.

Case Operationalization: Selangor Fatwa Standard Simulation

To demonstrate the practical application of these legal models, a case simulation is conducted based on the Ruling of the Selangor State Fatwa Committee Meeting (17 August 2021).

Simulation Parameters:

Individual *(Muzakkī)*: Ahmad (holds self-custody of Bitcoin via private keys).

Asset Holdings (Q_{BTC}): 0.20 BTC held continuously for one Hijri year *(ḥawl).*

Closing Market Parameters (at t_h):

Gold Price (P_{gold}): RM 300.00 per gram.

Bitcoin Market Price (P_{BTC}): RM 258,107.00 per unit.

Step 1: Operationalizing *Niṣāb* Determination Before executing the zakat calculation, the legal threshold condition ($V_C \geq N_C$) must be formally proven:

$N_C = 85 \text{ grams} \times \text{RM } 300.00/\text{gram} = \text{RM } 25{,}500.00$

$V_C(t_h) = 0.20 \text{ BTC} \times \text{RM } 258{,}107.00/\text{BTC} = \text{RM } 51{,}621.40$

Since RM 51,621.40≥RM 25,500.00, the asset balance officially exceeds the *niṣāb* threshold, confirming that zakat is mandatory.

Step 2: Zakat Amount Calculation Applying the 2.5% assessment formula:

$Z_{fiat} = \text{RM } 51{,}621.40 \times 0.025 = \text{RM } 1{,}290.535 \approx \text{RM } 1{,}290.54$

Alternatively, if settled directly in crypto asset units:

$Z_{BTC_unit} = 0.20 \text{ BTC} \times 0.025 = 0.005 \text{ BTC}$. The calculated obligation of RM 1,290.54 (or 0.005 BTC) may be paid in fiat currency to official zakat institutions or transferred directly as 0.005 BTC to institutional digital wallets equipped with immediate fiat conversion protocols to protect beneficiary *(mustahiq)* distribution value.

Discussion

Integration of Fiqh Wāqiʻiyyah and Maqāṣid al-Sharīʻah: A Layered Analytical Framework

To establish a methodologically sound legal evaluation, this study clarifies the sequential relationship between *Fiqh Wāqiʻiyyah* and *Maqāṣid al-Sharīʻah*. Rather than treating these two concepts as parallel analytical labels, this research positions *Fiqh Wāqiʻiyyah* as the preliminary diagnostic tool responsible for empirical identification (*taṣawwur al-wāqiʻ*) and juridical characterization (*takyīf fiqhī*), whereas *Maqāṣid al-Sharīʻah* operates as the evaluative framework that assesses the welfare consequences (*maʼālāt al-afʻāl*) of the resulting legal classifications. Through *Fiqh Wāqiʻiyyah*, the objective reality of digital assets comprising blockchain protocols, price dynamics, and user behaviors is mapped onto classical legal categories. Once an asset is categorized, *Maqāṣid al-Sharīʻah* evaluates whether applying a specific zakat rule serves the public interest (*maṣlaḥah*) by balancing individual rights against collective social welfare across the classical hierarchy of needs (*ḍarūriyyāt*, *ḥājiyyāt*, and *taḥsīniyyāt*).

Applying this integrated framework reveals a critical tension between individual economic rights and preserving public welfare. At the *ḥājiyyāt* (secondary-complementary) level, individual ownership and trading of digital assets facilitate portfolio diversification, lower cross-border transaction friction, and expand financial inclusion without reliance on traditional intermediaries. This finding confirms the baseline assertions of Rosele et al. (2023) and Hudaefi and Badeges (2026), who established that non-physical digital assets satisfy the substantive criteria of *māl* (property) and *māl mutaqawwam* (valuable property) based on utility (*manfaʿah*) and contemporary social custom (*ʿurf*). However, at the *ḍarūriyyāt* (primary-essential) level, uncontrolled exposure to unbacked, highly volatile cryptocurrencies introduces systemic financial risks that threaten wealth preservation (*ḥifẓ al-māl*). Furthermore, high-frequency trading in speculative digital assets has been associated in some behavioral economics and mental health studies with severe psychological distress, chronic anxiety, and compulsive trading behaviors, directly intersecting with the preservation of intellect (*ḥifẓ al-ʿaql*) and life (*ḥifẓ al-nafs*).

To reconcile this conflict between *ḥājiyyāt* utility and *ḍarūriyyāt* harm, this study proposes a normative mechanism wherein cryptocurrency zakat functions as a stabilizing legal instrument. By imposing a mandatory 2.5% annual levy on end-of-*ḥawl* wealth holdings, zakat introduces a continuous carrying cost on dormant capital and speculative holdings. Theoretically, this normative mechanism offers a hypothesis for future empirical testing: that systematic zakat assessment incentivizes market participants to reallocate passive crypto holdings into productive, real-economy investments while funneling liquidity toward socio-economic welfare programs for beneficiaries (*mustaḥiq*). This conceptual model extends the foundational *maqāṣid* analysis of Azela et al. (2023) by demonstrating how zakat operationalizes *ḥifẓ al-māl* not merely as private asset protection, but as a dynamic mechanism for macroeconomic circulation and risk mitigation.

Synthesis and Positioning Within Existing Scholarly Literature

This study's findings both align with and critically refine the existing body of Islamic jurisprudence literature. Regarding the qualification of digital assets as *māl mutaqawwam*, our results confirm the conclusions of Hudaefi and Badeges (2026) and Al-Ikhwan Bintarto et al. (2022), demonstrating that proprietary control over private keys satisfies the requirement of complete ownership (*milk al-tām*). However, our analysis refines their generalized conclusions by introducing a crucial custody-based distinction. Where previous studies assumed a uniform ownership model, this research argues that *milk al-tām* is fully realized only in self-custody arrangements. In contrast, custodial exchange accounts yield conditional beneficial ownership subject to operational, regulatory, and insolvency risks that can temporarily suspend zakat liability.

Furthermore, this research directly challenges the monolithic analytical models prevalent in earlier literature, such as those presented by Muneeza et al. (2021) and Paizin (2021), which treated the cryptocurrency market as a homogeneous entity or focused exclusively on Bitcoin. By contrasting Bitcoin with Tether (USDT), this study shows that price volatility and underlying asset backing are decisive legal determinants of *takyīf fiqhī*. While our results confirm Muneeza et al.'s (2021) identification of stablecoins as relatively lower-risk instruments, we question any implicit assumption that USDT is legally identical to sovereign currency (*naqdayn*). Although USDT functions as a digital medium of exchange, its legal identity remains a private debt claim (*dayn*) subject

to counterparty default, audit opacity, and centralized issuer control. Consequently, classifying USDT under currency savings zakat (*zakāt al-nuqūd*) is derived from its economic function, not an absolute legal equivalence with fiat currency.

Institutional Governance Disparities: Causes, Meaning, and Regulatory Lessons

Analyzing the institutional readiness of Indonesia and Malaysia offers valuable insights into how constitutional architecture and regulatory philosophy shape the operationalization of Islamic social finance. In Malaysia, the advanced state of digital zakat governance, marked by direct crypto collection wallets integrated with licensed Digital Asset Exchanges (DAX) in Selangor and Perlis, stems from a legal framework where state *fatwa* authorities maintain constitutional jurisdiction over Islamic affairs in coordination with federal capital market regulators such as the Securities Commission. This institutional alignment enables the translation of contemporary *fatwas* into standardized operational procedures. These findings confirm and extend the comparative observations of Jalal and Abdullah (2024) and Zul Kepli and Bustami (2023).

Conversely, Indonesia's lag in operationalizing crypto zakat highlights structural regulatory bottlenecks rather than a lack of institutional intent. Although the Commodity Futures Trading Regulatory Agency (Bappebti) recognizes cryptocurrencies as tradeable commodities and DSN-MUI permits commodity trading, the National Board of Zakat (BAZNAS) faces legal constraints in directly accepting digital tokens due to Law No. 7 of 2011 on Currency, which establishes the Indonesian Rupiah as the sole legal tender for monetary transactions within the national territory. Consequently, Indonesian *muzakkī* may need to liquidate digital holdings into fiat currency before discharging zakat. This comparison suggests that institutional divergence stems primarily from differences in monetary sovereignty legislation and regulatory arrangements rather than theological disagreements.

The theoretical implications of this study advance contemporary Islamic legal methodology by operationalizing *Fiqh Wāqi'iyyah* as a dynamic, data-sensitive bridge between classical legal maxims and modern financial engineering. By demonstrating how volatility, reserve backing, and custody structures influence *fiqh* classifications (*takyīf fiqhī*), this study provides a repeatable analytical framework for jurists evaluating future decentralized finance (DeFi) instruments, tokenized real-world assets (RWA), and central bank digital currencies (CBDCs). This shifts Islamic legal scholarship away from static, label-based rulings toward functional, economic-impact evaluations.

Practically, the findings offer actionable policy lessons for national zakat institutions and financial regulators. For Indonesia, BAZNAS and DSN-MUI could establish a dedicated regulatory sandbox in collaboration with Bappebti and licensed local crypto exchanges. Under a third-party conversion model, *muzakkī* could transfer crypto tokens through exchange payment gateways that automatically liquidate the assets into Rupiah at prevailing market rates before transferring the proceeds to BAZNAS. This approach would accommodate existing legal tender restrictions under the Currency Law while potentially capturing currently untapped digital zakat contributions. For Malaysia and other jurisdictions, zakat authorities should strengthen their risk management protocols by auditing stablecoin reserve compositions and implementing self-custody verification standards before accepting direct digital asset transfers.

CONCLUSION

This study concludes that zakat treatment of digital assets requires a functional, context-sensitive jurisprudential approach rather than a uniform classification of cryptocurrencies. By integrating *Fiqh Wāqiʻiyyah* and *Maqāṣid al-Sharīʻah*, the findings establish that Bitcoin and Tether (USDT) qualify as *māl* and *māl mutaqawwam*. Still, their distinct economic characteristics require different legal classifications (*takyīf fiqhī*). Bitcoin is treated as a trade commodity (*ʻurūḍ al-tijārah*), whereas USDT is assessed under monetary zakat principles (*zakāt al-nuqūd*) based on its monetary function, without equating it with sovereign currency (*naqdayn*). Both are subject to a proposed standardized calculation based on a 2.5% rate and a *niṣāb* equivalent to 85 grams of gold, subject to the applicable *ḥawl* and asset-specific valuation requirements. The study's principal contribution lies in demonstrating how asset volatility, reserve backing, and custody arrangements inform contemporary Islamic legal reasoning and the formulation of digital asset zakat obligations. The comparative analysis further identifies institutional coordination and regulatory compatibility as essential conditions for operationalizing digital zakat, particularly in Indonesia, where monetary regulations present challenges for direct crypto-based collection. Accordingly, this study provides a jurisprudential foundation for developing standardized valuation, custody verification, conversion, and distribution mechanisms that align digital asset innovation with Shariah compliance and the broader objectives of wealth preservation (*ḥifẓ al-māl*) and socio-economic justice.

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CONFLICTS OF INTEREST

No conflict of interest.

USE OF ARTIFICIAL INTELLIGENCE (AI)-ASSISTED TECHNOLOGY

During the preparation of this manuscript, the authors used ChatGPT and Grammarly solely to assist with paraphrasing, enhancing readability, and refining the academic English phrasing of the text. The tool was not used to generate original ideas, conduct analyses, or draw scientific conclusions. After using this service, the author(s) thoroughly reviewed, edited, and verified the output and took full responsibility for the integrity and content of the published article.

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