

# Increasing Profit-Sharing Financing by Tax Incentive Schemes Similar to Venture Capital Companies

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## ABSTRACT

Financing with a profit loss sharing (PLS) scheme has a more positive and significant impact on economic growth compared to that of credit distribution by conventional banks. Financing with a PLS scheme has a high risk, so Islamic banks are careful in increasing this financing. Therefore, incentives are needed to increase this financing. This article used the grounded theory method. Grounded theory is not a theory but a method and a research strategy that aims to produce a theory from data. This article proposes a PLS financing scheme with income tax. Substantively, the PLS financing scheme is like the financing carried out by a venture capital company. With some requirements, the income received by the venture capital company is nontaxable. Therefore, income from financing carried out by Islamic banks that is similar to financing from venture capital companies can be non-taxable, of course, with the same requirements. Affirmation regulations are needed to strengthen the provision of incentives to Islamic banks so that their income is not subject to tax. Increasing financing with a PLS scheme provides benefits by maintaining religion, soul, mind, descendants, and property. In the short term, this income tax incentive harms state revenues, but in the long term, it will have a positive impact by increasing value-added tax and income tax from financing recipients.

**Keywords:** *Finance; Incentive; Income Tax; Islamic bank; Profit Loss Sharing; Venture Capital*

## INTRODUCTION

Ghonyah & Hartono (2020) explained that the difference in the contribution of Islamic banks and conventional banks to the economy's growth lies in the role of profit as a moderator. This profit occurs in the distribution of financing in Islamic banks and the provision of credit in conventional banks. The contribution given by Islamic banks is better than the contribution of conventional banks to the economy's growth. The financing provided by Islamic banks is in the real sector, and credit provided by conventional banks is based on usury and can also be to the non-real sector, such as the financial sector. This is the reason why the role of Islamic banks is better than that of conventional banks in terms of the economy's growth.

On the other hand, the performance in generating returns and efficiency in Islamic banks and conventional banks in Indonesia is very different. Conventional banks are more efficient and generate greater returns than those of Islamic banks. Based on data from Islamic banks and conventional banks in Indonesia, data from 2018 to 2022, it is known that with performance measured by ROA (Return on Asset), the performance of Islamic banks is lower than that of conventional banks. In terms of efficiency calculated by OEOI (Operating Expenses Operating Income), the efficiency of conventional banks is better than that of Islamic banks. Conventional banks can be efficient because of their business scale (Nurrafina et al., 2023).

By using data from Indonesia for the period 2009 to 2018, Masrizal & Trianto (2022) explained that financing with the Profit Loss Sharing (PLS) scheme has a greater influence on economic growth compared to the non-PLS scheme. This influence occurs in the long term and



short term. The results of the data processing are that both financing schemes have a significant influence on economic growth as measured by the Industrial Production Index (IPI). However, financing with the PLS scheme has a greater influence on the IPI than that of the non-PLS. Masrizal & Trianto (2022) research results follow the results of the study by Chowdhury et al. (2018), which used data in Bangladesh from 1984 to 2014.

The distribution of financing with the PLS scheme has a real impact on real economic activities because this financing provides an opportunity to grow the real sector of the economy with the emergence of greater income (Trimulato, 2021). In addition, financing by Islamic banks provides good performance for the industry compared to loans in the form of debt made by conventional banks (Azmi et al., 2019), and this was seen when the economic crisis occurred in 2008. Therefore, efforts need to be made to develop and increase the distribution of financing by Islamic banks with the PLS scheme.

Other studies explain that financing with the PLS scheme has less impact on the economy (Bougatef et al., 2020; Saleem et al., 2021, 2023). The reason for this insignificant impact is that there is a time lag between the funds collected and the distribution financing (Bougatef et al., 2020), and there is an increased risk (Saleem et al., 2021, 2023). By resolving problems in distribution with the PLS scheme, such as timeliness and reduced risk of fund distribution, the distribution of financing with the PLS scheme significantly affects the economy positively.

In addition to addressing the risks as explained by Saleem et al. (2021, 2023), this study looks at other ways to increase financing with the PLS scheme, namely by providing an income tax incentive. Therefore, it is necessary to research and design the incentive so that management is willing to increase the portion of financing with the PLS scheme by considering the existing risks.

Tax regulations in Indonesia provide income tax incentives, and one of them is that income earned by venture capital companies from their business partners is not taxable income. There are similarities in the business processes of venture capital companies and Islamic banks in distributing financing. This article discusses the profit-loss sharing financing scheme carried out by Islamic banks, which can be equated with capital investment carried out by venture capital companies.

## LITERATURE STUDY

### Growth Theory

Growth theory explains that production factors that can create growth are labor and capital. The neoclassical model explains that there are exogenous factors in growth theory, namely technology. When investment increases, additional labor is needed, and as a result, labor wages increase. This is because the demand for labor increases, but the number of laborers remains the same. To reduce labor costs, substitution is carried out, namely replacing labor with capital. In this condition, increasing the growth rate will be very difficult. Therefore, technology is needed that can substitute labor. Technological developments are assumed to be able to be changed intentionally.

This neoclassical model does not clearly explain technology as a factor of production. The rate of technological development is exogenous because it can be constant, uncertain, and mysterious (Solow, 1994). In addition, this technological progress cannot be predicted, whether it will increase or decrease over time. Based on empirical data, some technological development is endogenous because technology develops from existing resources, is used for production, then becomes innovation, and technology is created.

Further research results show that the technological factor in the form of knowledge that continues to grow as fully endogenous in the growth model causes its effectiveness to be diluted, so a new development emerged, namely semi-endogenous growth theory (Barcenilla-Visús et al., 2014). The study of semi-endogenous growth theory initially began with the work of Aghion and Howitt (1998), Dinopoulos and Thompson (1998), and Peretto (1998). The relationship between growth theory and the provision of income tax incentives, which constitute innovation, for financing under the PLS scheme is an increase in financing disbursement and the growth of Islamic banks.

## Maslahah

Islamic Sharia upholds the principles of justice, compassion, and *maslahah* (Asmawi, 2014). Therefore, all legal regulations must follow these three principles. Many texts in the Qur'an and hadith lead to benefit (*maslahah*), especially in the field of *muamalah* (Islamic rules or laws that regulate relations between humans in worldly affairs). This *maslahah* provides a better life for all mankind. Imam Al Ghazali (d. 505 H) gave the meaning of *maslahah* as a form of realizing benefits and eliminating harm. To create *maslahah*, 5 (five) things need to be maintained, namely religion, soul, mind, descendants, and property.

Imam Al Ghazali divided *maslahah* into 3 (three) parts, namely (1) *maslahah mu'tabarah*, (2) *maslahah mulghoh*, and (3) *maslahah mursalah* (Zakaria et al., 2020). *Maslahah al-mu'tabarah* (*maslahah* under consideration) is a benefit whose existence is explicitly explained and acknowledged in the texts (*nash*), Al-Quran, and the Sunnah of the Prophet Muhammad SAW. *Maslahah mulghoh* is a *maslahah* that someone might consider to be *maslahah*, but the Sharia does not consider it to be so; in fact, some arguments reject this *maslahah*. *Maslahah mursalah* is good according to reason with the consideration that it can bring about goodness or avoid evil for humans. This *maslahah* is not mentioned in the *nash* (a phrase that has a clear indication of the intended meaning or a phrase that cannot possibly have another meaning without other factors) but is real and necessary to maintain the law.

*Maslahah mursalah* is not supported by the *nash*; therefore, for it to be used as a guide in determining Islamic law, the act, according to Imam Ghazali, must have certain qualities, namely *dharuriyyah* (primary), *qathiyyah* (certain), and *kulliyah* (universal) (Asiah, 2020; Zaki, 2013). In the economic field, the concept of *maslahah* not only benefits economic actors but also benefits the environment following Sharia guidelines (Aminulloh, 2021).

According to Imam al-Syatibi, based on its quality, the level of *maslahah* consists of 3, namely (1) *maslahah dharuriyyah*, (2) *maslahah hajiyyah*, and (3) *maslahah tahsiniyyah* (Zakaria et al., 2020). *Maslahah ad-dharuriyyah*, namely the *maslahah* related to the basic needs of humanity both in this world and in the hereafter. This *maslahah* is known as the maintenance of *al-mashalih al-khams* (religion, soul, mind, descendants, and property). *Maslahah al-hajiyyah*, namely the *maslahah* needed to perfect the main or fundamental welfare, which includes a relief to maintain and preserve basic human needs. *Maslahah at-tahsiniyyah*, namely the *maslahah*, which is complementary in nature in the form of freedom that can complement the previous welfare.

Based on its changes, *maslahah* is divided into 2, namely (1) *al-maslahah al-tsabitah*, which is *maslahah* that is permanent and will not change until the end of time, and (2) *al-maslahah al-mutagayyirah*, which is *maslahah* that changes according to changes in place, time, and legal subjects.

Several issues related to this research include the distribution of financing by Islamic banks using the PLS scheme which has a positive and significant impact on the economy related to *al-maslahah murlahah*, *al-maslahah al-kulliyah*, and *al-maslahah al-hajiyyah*; and the provision of income tax incentives adjusted to the conditions and facts of certain transactions. Not all transactions receive income tax incentives. The benefits of these incentives depend on the tax subject, type of transaction, and other conditions. This income tax incentive is related to *al-maslahah al-mutagayyirah*.

## Previous Studies

Islamic banks are advised to increase their market share to make it easier to increase financing with the PLS scheme (Abbas & Arizah, 2019). One obstacle in increasing financing with the PLS scheme is that the function of Islamic banks is still as financial intermediaries, so they cannot intervene in customer operations (Abdul-Rahman et al., 2014). Therefore, it is recommended to form Ventura Capital so that there are greater benefits, such as being able to intervene and obtain income tax incentives. The next obstacle is poor governance. In BPRS (Sharia People's Financing Bank), there is still fraud committed by its managers in financing the PLS scheme (Agza & Darwanto, 2017). Some things that Islamic banks have done that can increase their income include disclosure of zakat payments (Al-Homaidi et al., 2020). This information is an indication that Islamic banks comply with existing regulations, although this zakat payment is

not to increase income but can increase profit after tax. The nature of this zakat expenditure is like tax. Therefore, disclosure of zakat and tax can increase profit. When Islamic banks get income tax incentives and these incentives are explained (disclosure), then income tax incentives can increase Islamic bank profits.

The influence of financing with the *musyarakah* scheme is greater than that of *mudharabah* in increasing the profits of Islamic banks (Arsyadona et al., 2019). Financing with the *mudharabah* scheme harms ROA (return on asset). This negative effect occurs because Islamic banks do not follow existing regulations, namely, the profit-sharing agreement is not based on profit-loss sharing. Banks are reluctant to share losses with their customers. Thus, the provision of financing with the PLS scheme must comply with existing regulations and a balanced profit-sharing ratio between the bank and the customer. The implementation of the investment account platform (IAP) in Malaysia can be a lesson on how to increase the distribution of financing with the PLS scheme (Binti Kasri & Muhammad, 2018). With this technology, namely IAP, bank customers get higher investment returns with competitive tax incentives. Therefore, it is necessary to improve and apply technology for financing growth as explained by Solow (1956). However, it is still necessary to study further whether growth using this technology must be subject to certain conditions so that it is not a diminishing return (Dowrick & Rogers, 2002). This technology can be a new financing distribution scheme and can receive tax incentives.

Financing with the PLS scheme has a high risk, which is partly due to the selection of eligible customers (Abdul-rahman & Nor, 2016). Therefore, it is necessary to carry out mitigation by, among others, improving human resources by providing competence as entrepreneurs (Abdul-rahman & Nor, 2016), providing incentives for PLS financing such as tax incentives and strengthening the regulations of the Law on bankruptcy (Alaabed et al., 2016), implementing appropriate social norms (Bhatti & Basov, 2022), and adjusting the financing scheme to the conditions of the bank; for example, Islamic banks concentrate on *mudharabah* or BPRSs concentrate on *musyarakah* (Ernawati, 2016).

## METHODS

This study uses a qualitative approach with the grounded theory method. Grounded theory is not a theory but a method and a research strategy that aims to produce a theory from data (Khan, 2014). This study found strategies and conditions that could be a means of implementing income tax incentives in Islamic banks. Although this study does not aim to produce a new theory, this study uses the grounded theory method because it aims to find a new strategy.

The sampling used in research with grounded theory is called theoretical sampling. Theoretical sampling is an integral part of the grounded theory approach because this sampling will direct researchers to collect further data (Khan, 2014). Theoretical sampling is the process of collecting data to produce a theory where analysts together collect, code, and analyze the data that has been obtained and then decide what data to collect next, where to find the data to develop the theory that will emerge (Glaser & Strauss, 1967). This data collection process is controlled by the emerging theory, both substantive and formal. The decision to start and end data collection is based on the researcher's decision. Theoretical sampling is not determined in advance before the research begins but develops during the research process (Khan, 2014). Sampling is based on concepts that arise when conducting analysis and are related to the developing theory. This sampling is to maximize opportunities by comparing events, incidents, and events to determine categories of various variations (Khan, 2014). Sampling was carried out using purposive sampling, which is a sampling technique based on certain considerations from the researcher. The research process using the grounded theory method is shown in Figure 1.

Figure 1 illustrates that data collection in the form of documents, literature, journals, interview results, and other data can be done more than once. If deemed necessary, researchers can collect the required data whenever needed. Existing data is analyzed by grouping it based on a code called open coding. The codes used are the keywords *musyarakah*, *mudharabah*, income tax, tax incentives, and tax planning.

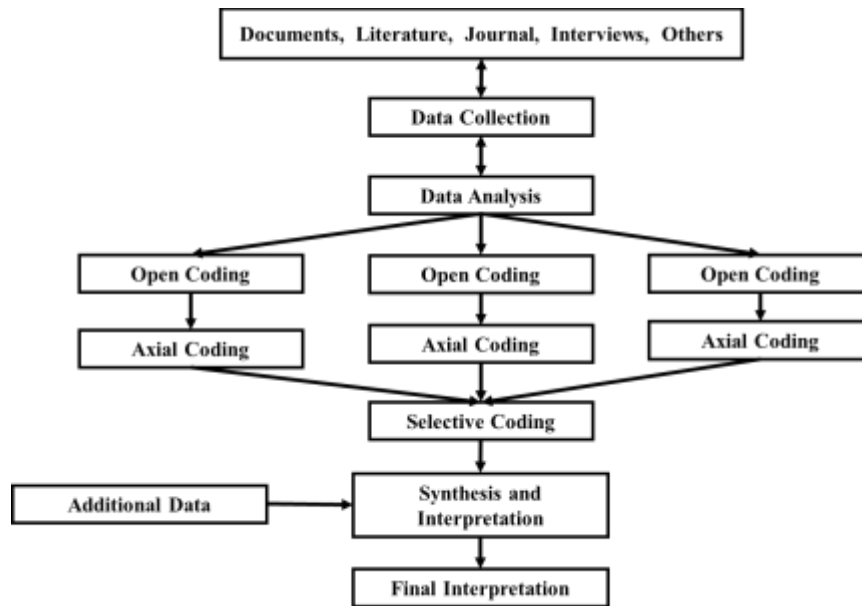


Figure 1.  
Research Process Adopted from (Lowe, 1995) and (Khan, 2014)

After open coding is complete, axial coding is carried out, namely creating codes based on themes. The themes used are financing with the PLS scheme, tax incentives that already have regulations, and proposed tax incentives. After axial coding is complete, selective coding is carried out, namely designing what a reasonable tax incentive can be implemented. In this study, tax incentives were designed using financing references carried out by venture capital companies.

After the tax incentives are designed, synthesis and interpretation are carried out. At this stage, the existing tax incentive scheme is analyzed for its possible implementation. Additional data is sought from legal experts and practitioners. After completion, a final interpretation is carried out to ensure that the tax incentive scheme can be implemented by looking at what needs to be prepared.

## RESULT

The data collected are in the form of fatwa from the National Sharia Council of the Indonesian Ulema Council (DSN MUI), laws, other regulations, and other supporting articles or manuscripts. This data includes the process of collecting funds from the community, distributing financing with the PLS scheme, Islamic banking business processes, and tax regulations related to income tax incentives. There are 12 data in the form of DSN MUI Fatwas, 3 data on laws, 12 data in the form of other regulations related to the distribution of financing and income tax incentives, and 4 data in the form of articles/manuscripts. More detailed data source information is in the Appendix.

The next step is to analyze the existing data by coding (open coding) based on the keywords. 8 data on *musyarakah*, 11 data on *mudharabah*, 3 data on income tax, 9 data on tax incentives, and no data on tax planning. After open coding, the next step is axial coding, which is the process of grouping data based on themes. The themes obtained after analyzing the existing data and adjusting them to the research objectives are the provision of income tax incentives that can be given to Islamic banks from the income received from financing distribution with the PLS scheme with 14 data, and other themes are with 6 data.

After axial coding, selective coding is carried out, namely designing income tax incentives with a more detailed explanation of what income tax incentives can be received by Islamic banks. Based on the results of axial coding, it was decided to design income tax incentives for the distribution of financing with a scheme like venture capital.

After obtaining the Income tax incentive model, the collected data is reviewed again to ensure the existing model. The opinions of several sources are obtained for the synthesis and

interpretation of the model. Reviewing the existing data and the opinions of these sources is an additional data process. The result of this process is that Islamic banks can obtain the Income tax incentive by distributing financing like the distribution of financing by venture capital companies.

## DISCUSSION

### Ventura Capital-like Financing Scheme

Article 4, paragraph (3) letter k of Law No. 7 of 1983 concerning Income Tax as Amended Several Times, Last by Government Regulation in place of Law No. 2 of 2022 concerning Job Creation (Pemerintah Republik Indonesia, 2020) explains that income received or obtained by venture capital companies in the form of a portion of profits from a joint venture entity (investee company) established and carrying out business or activities in Indonesia is not a taxable income, on the condition that the investee company is a micro, small, and medium company, or one that carries out activities in business sectors regulated by or based on the Regulation of the Minister of Finance; and its shares are not traded on a stock exchange in Indonesia;

Regulation of the Minister of Finance Number 18/PMK.010/2012 concerning Venture Capital Companies (PMK 18 of 2012) (Keuangan, 2012) explains that Venture Capital Companies (VCC) are business entities that carry out financing/capital participation in a company that receives financing assistance (Investee Company) for a certain period in the form of share participation, participation through the purchase of convertible bonds, and/or financing based on the business results sharing. Share participation of VCC in the investee company is limited to 10 years. Participation through convertible bonds is limited to a maximum of 10 years from the time the bonds become shares. For participation in the form of financing based on business results sharing, there are no provisions regarding the deadline for participation.

The financing by Islamic banks with the PLS scheme includes financing based on the distribution of business results sharing as in VCC. In substance, the activities of Islamic banks with the PLS scheme are included in one of the activities carried out by VCC.

PMK 18 of 2012 explains that an investee company in a venture capital company is a micro, small, and medium company or business that receives financing assistance and/or participation from a venture capital company. There are limitations to companies that become investee companies for VCC.

The PMK also explains that VCC profit sharing is based on the profit generated from the difference between total revenue and costs (profit sharing); or revenue (revenue sharing). The distribution of the business results sharing is based on a certain percentage that has been agreed upon in advance and must be stated in a written agreement between VCC and the investee company. The income received by VCC based on profit sharing does not explain whether the profit received by VCC has been subject to income tax or not in the investee company. Business results sharing with a revenue sharing scheme is certainly not subject to income tax in the investee company.

VCC activities in distributing funds to the investee company aim to (Article 3 of PMK 18 of 2012) development of a discovery or innovation, development of companies or MSMEs that are experiencing financial difficulties in the early stages of their business, assisting companies or MSMEs that are in the development stage, assisting companies or MSMEs that are in a stage of business decline, development of research and engineering projects, development of various uses of new technology and technology transfer both from within and outside the country; and/or assisting in the transfer of company ownership. Therefore, if the income received by Islamic banks will be given income tax incentives as received by VCC, then the distribution of Islamic bank funds must be the same as that distributed by VCC.

There are no provisions regarding the technicalities of fund distribution from a VCC. Does the VCC provide cash to an investee company, and then the investee company uses the cash according to the proposal, or does the VCC provide assets needed by the investee company according to its proposal? Thus, the technicalities of fund distribution by the VCC to the investee company are left to the interested parties.

The distribution of financing with the PLS scheme by Islamic banks can be the same as that carried out by VCC. If in substance there are similarities in the distribution of funds between VCC

and Islamic banks, then Islamic banks can be advised to obtain income tax incentives as obtained by VCC.

Regulation of the Minister of Finance of the Republic of Indonesia Number 48/PMK.010/2018 concerning Tax Treatment of Capital Participation of Venture Capital Companies in Micro, Small, and Medium Enterprises explains that micro, small, and medium enterprises are companies whose net sales or revenues do not exceed IDR 50 billion per year (Indonesia, 2018). The calculation of net sales is carried out in the tax year before the venture capital makes capital participation.

Decree of the Minister of Finance Number 227/KMK.01/1994 concerning Business Sectors of Investee Company, and Tax Treatment of Capital Participation and/or Transfer of Capital Participation of Venture Capital Companies explains which business sectors, the income of which is obtained by a VCC from investee companies, are not subject to income tax. KMK No. 227/KMK.01/1994 has been revoked with the issuance of PMK No. 48/PMK.010/2018. Thus, the requirements that must be met are only net sales or revenues, which are not more than IDR 50 billion per year. There are no more specific business-sector requirements for the investee company.

Therefore, the distribution of financing with the PLS scheme carried out by Islamic banks and financing carried out by VCC is substantially the same. Consequently, Islamic banks can be given income tax incentives on income received from customers with the PLS scheme.

For Islamic bank income from financing distribution with the PLS scheme to receive income tax incentives as obtained by VCC, the requirements that must be met are the net sales or revenues of customers receiving financing from Islamic banks are no more than IDR 50 billion per year, the customer's business entity is not registered on the Indonesia Stock Exchange, the purpose of distributing Islamic bank financing to its customers is limited to that regulated in Article 3 of PMK Number 18/PMK.010/2012, and Islamic banks are required to keep separate books on their income from financing distribution with the PLS scheme that the substance is the same as the financing distribution carried out by VCC. The sharing method applied by Islamic banks for the PLS scheme to obtain income tax incentives can be profit sharing and revenue sharing.

Example: An Islamic bank receives income from revenue sharing from financing distribution with a PLS scheme that is similar to venture capital participation. The revenues are IDR 500,000,000. Other general revenues of the Islamic banks are IDR 10 billion. The costs incurred by the bank to obtain total revenues of IDR 10.5 billion (IDR 50 billion + IDR 500 million) are IDR 8 billion. The Islamic bank income tax rate is 22%.

Income tax payable by the bank with income tax incentives:

Revenues Taxable (a)	10,000,000,000
Deductible Expenses (b)	7,619,047,619
$(10,000,000,000/10,500,000,000) \times 8,000,000,000$	
Taxable Income (c) = (a-b)	2,380,952,381
Income Tax (c x 22%)	523,809,524

Revenues of IDR 500,000,000 are not calculated for income tax. Expenses as a reduction in taxable income are calculated proportionally because there are expenses for revenues that are not objects of income tax. If there is no income tax incentive, then the income tax payable by Islamic banks is:

Revenues Taxable (a)	10,500,000,000
Deductible Expenses (b)	8,000,000,000
Taxable Income (c) = (a-b)	2,500,000,000
Income Tax (c x 22%)	550,000,000

### Synthesis and Interpretation

At this stage, the scheme for providing income tax incentives to Islamic banks that have been previously reviewed (at the selective coding stage) is tested with other regulations to determine the feasibility of its implementation.

There are no regulations yet explaining that Islamic bank income from financing distribution with the PLS scheme and similar to VCC income is also exempted as an object of income tax. Further regulations are needed in the form of confirmation that there is income received by Islamic banks that is the same as VCC income that is nontaxable. By considering the similarity of the substance of income received by Islamic banks, the form of this confirmation can be in the form of PMK. This PMK will be the basis for the implementation of the incentive.

Additional data obtained after synthesis and related to this income tax incentive were obtained from respondents who were judges at the tax court and legal experts, had been tax practitioners at the Directorate General of Taxes, and other respondents who were practitioners working at PT. Bank Syariah Indonesia Tbk. The information obtained are in Table 1.

Table 1. Data from Respondents

No	Indicator	Data
1	Tax	There are two functions of tax, namely budgetary, which is directly related to securing state revenues, and regulatory, which is not directly related to tax revenues but is broader, covering national and global economic stability, international trade, and protecting developing industries.
		Tax incentives tend to be the regulatory function of taxes.
		Because taxes are mandatory, it is better to provide incentives, objects, subjects, and rates regulated by law; if regulated by government regulations, the limits must be strictly regulated in the law.
		Incentives with transactions similar to VCC can be applied to financing with the PLS scheme. Transactions can be applied preferably by using profit sharing based on revenues.
2	Transaction	Sharia transactions are the same as conventional transactions; only the principles are different, but to provide legal certainty, they need to be regulated specifically because the operational and supervisory institutions are different, and the culture of the perpetrators is also different.
3	Income	The imposition of income tax incentives on Islamic banks that are similar to VCC can be applied to Islamic banks. It needs to be emphasized so that it can be applied, and the form of confirmation is in the form of government regulations. The norms on the income of VCC have been explained in the law.
		Currently, the basis for profit sharing received by Islamic banks is revenue. The definition of revenue is not further explained, whether after being reduced by the costs incurred by the bank for the credit distribution process or other costs incurred by customers and banks to obtain customer revenue.
		Using a revenue basis makes it easier to calculate income and reduces risk.
4	Risk	Determination of Islamic bank risk must follow the existing risk appetite. Currently, profit sharing based on revenue meets the existing risk appetite. If profit sharing is not based on revenue, then further study of the existing risks and how to mitigate them is needed.

Source: Author compilation (2025)

Conceptually, the income tax incentives studied can be implemented. There are no conflicting concepts and principles. This proposal for income tax incentives uses references in the form of tax regulations that are still in effect in Indonesia. Data from respondents did not state that these incentives conflict with existing regulations and taxation principles. All respondents looked more at how to implement these income tax incentives. Respondents focused more on what infrastructure needs to be prepared so that these income tax incentives can be implemented.

To be implemented, regulations are needed to confirm that there will be no disputes between the Directorate General of Taxes and Islamic banks as taxpayers. If analyzed further, there will be many regulations for this confirmation. In the future, there could be rejections and disputes because

they could overlap with existing regulations. Therefore, separate regulations are needed regarding income tax incentives that can be applied to Islamic banks. This regulation is better in the form of a government regulation.

From the side of Islamic banks, the implementation of this income tax incentive will increase the use of resources in Islamic banks. There is an additional business process to ensure that this income tax incentive provides benefits to the bank. Islamic banks need to measure the risks that arise due to restrictions on financing distribution following existing requirements so that income tax incentives can be obtained.

Table 2 explains the advantages and disadvantages of implementing income tax incentives for Islamic banks according to the design of this research.

Table 2. Venture Capital-Like Financing Scheme Comparison

Advantages	Disadvantages
<b>Islamic Bank:</b>	
<ol style="list-style-type: none"> <li>1. Can choose the basis for sharing, from revenue or profit.</li> <li>2. Revenue-based profit sharing is more profitable than other sharing.</li> <li>3. Revenue-based profit sharing is the same as the current business process.</li> <li>4. If sharing is based on revenue, the cash flow is relatively stable and predictable.</li> <li>5. Overall income is greater.</li> <li>6. The total income tax payable is smaller.</li> </ol>	<ol style="list-style-type: none"> <li>1. If profit sharing is not based on revenue: <ol style="list-style-type: none"> <li>a. Supervision of customers will increase.</li> <li>b. It needs additional resources.</li> <li>c. It needs system modification.</li> </ol> </li> <li>2. Financing distribution can only be done to customers with certain criteria in the tax regulations.</li> </ol>
<b>Customers Receiving Financing:</b>	
<ol style="list-style-type: none"> <li>1. Revenue-based profit sharing is more profitable than other sharing.</li> <li>2. If sharing is based on revenue, the cash flow is relatively stable and predictable.</li> <li>3. If based on revenue sharing, the payment process to the bank and supervision from the bank remain.</li> </ol>	<ol style="list-style-type: none"> <li>1. If profit sharing is not based on revenue: <ol style="list-style-type: none"> <li>a. Reports required will increase.</li> <li>b. Hassled with more intensive supervision from the bank</li> </ol> </li> </ol>

Source: Author compilation (2025)

### Analysis

Growth theory explains that growth is influenced by capital and labor. Experts explain that technology can be an endogenous and exogenous factor. Thus, technology will accelerate growth. The Great Dictionary of the Indonesian Language explains that technology is a scientific method to achieve practical goals, applied science, the whole means to provide goods needed for the continuity and comfort of human life. Income tax incentives are included in the scientific method to achieve practical goals such as economic growth.

Income tax incentives that are technology, in the form of transaction schemes and policies, can be factors that positively influence the number of labor and capital. This influence also positively affects growth. The first growth is the increase in the amount of financing with the PLS scheme. With the increase in this financing, the reach of customers who receive financing increases, and finally the economy grows. For Islamic banks, this incentive can reduce the tax burden and improve bank performance.

Income tax incentives encourage Islamic banks to increase their ability and knowledge to determine when incentives can be applied, which customers can receive financing, supervise customers, and more. With the increase in knowledge and skills needed by Islamic banks to implement this incentive, the number of laborers in Islamic banks will also increase. The increase in knowledge of this labor is a technology that influences the laborers. The increase in the labor

related to financing with the PLS scheme will influence economic growth. Besides improving quality, the quantity of labor also increases.

Imam Al Ghazali explained that *maslahah* is goodness obtained by realizing benefits and eliminating harm. It is appropriate to give income tax incentives to Islamic banks if they provide benefits that can be seen from the preservation of religion, soul, mind, descendants, and property.

This income tax incentive aims to increase the amount of funds for financing with the PLS scheme and improve the Indonesian economy. When this increase in financing occurs in activities that do not conflict with Sharia, then the *maslahah* aimed at maintaining religion can be achieved. Optimization can be achieved when the number of beneficiaries of financing distribution with the PLS scheme can increase their worship and faith. Islamic banks must consider the character of the financing recipient customers where Islamic banks receive income tax incentives.

The selection of customers receiving financing in the income tax incentive model must consider the customer's mental and intellectual abilities. In this condition, knowledge from the bank and signals from the customer are needed. Besides seeing the customer's ability to provide optimal results to the bank, it is also necessary to understand the character in the form of the customer's soul and mind. It is better to avoid the customer who uses financing funds not following what they should, for example, funds that should be used for working capital but are used for personal consumption. When the use of funds is under the agreement, and the character of the customer is known, then the benefit in the form of maintaining the soul and mind will be fulfilled.

When the customer gets enough income and blessings, then his descendants will be good. Therefore, the distribution of financing with income tax incentives should pay attention to the condition of the family of the customer receiving the financing. The provision of this financing is expected to improve the economic level and descendants of the customer. Knowledge of the character of the customer is needed. It is recommended that the portion of financing distribution be larger for micro, small, and medium enterprises. From the income tax incentive scheme, the distribution of financing to micro, small, and medium customers can be provided.

Good supervision by Islamic banks of customers receiving financing will protect assets, both those of the bank and the customers receiving financing. Conceptually, the income tax incentive will protect the bank's assets and the customers' assets because the financing avoids usury. However, in its implementation, there must be good governance and knowledge, both from the bank and the customer, which is sufficient so that the existing assets can be maintained.

Based on the criteria, *maslahah* consists of *maslahah mu'tarabah* (its existence is explicitly recognized in the Al-Quran and Sunnah), *maslahah mulqoh* (good for humans is not necessarily good for the *Shari'a*), and *maslahah mursalah* (good according to reason and can be applied). Providing income tax incentives for sharia banks when distributing PLS scheme financing is a *maslahah mursalah*.

Logically and rationally, the income tax incentive for Islamic banks provides benefits to human life and can maintain religion, soul, mind, descendants, and property. There are already regulations that are the same in substance as this income tax incentive, so it is necessary to affirm the implementation of this incentive. This affirmation aims to allow and provide certainty to Islamic banks to implement income tax incentives as an option.

Based on its quality according to the opinion of Imam al-Syatibi, the provision of income tax incentives is *maslahah al-hajiyyah*, namely the benefit needed to perfect the principal benefit. Earning income through a partnership is one of the *maslahah dharuriyah* (related to the basic needs of mankind both for the world and the hereafter). For partnership activities in earning Allah's gifts through trade to run smoothly and continue to increase, a driver is needed, one of which is income tax incentives for Islamic banks.

Based on the changes, this income tax incentive is *maslahah al-mutagayyirah*, which is a benefit that changes according to place, time, and legal subject. Currently, in the short term, the income tax incentive can provide benefits to banks and does not provide benefits to the tax authority. In the long term, the income tax incentive can provide benefits to the tax authority and the Indonesian economy.

## Implications



The practical implications of the income tax incentive in this study are on the economy and taxation. The income tax incentive in this study must have a very large influence on the economy because it influences transactions and gross domestic product. This income tax incentive will increase transactions because one of them is a reduction in the tax burden.

From the taxation side, the implications consist of tax revenue and tax regulations. The implementation of this income tax incentive in the short term will reduce tax revenue. In the long term, tax revenue will increase. This increase in tax revenue is driven by increasing transactions in the form of increasing Value Added Tax (VAT) and increasing profits of financing recipients will increase income taxes. From the tax regulations, cooperation is needed from the Tax Authority to create regulations that facilitate the implementation of this income tax incentive. The type of tax regulation can be in the form of affirmation and can also create new regulations.

Income tax incentives on income received by Islamic banks will increase bank capital due to reduced tax burdens. With this capital increase, Islamic banks will increase the number of customers receiving financing. This increase in customers will require new labor. This condition explains that through income tax incentives, the growth of Islamic banks begins with a capital increase and is followed by an increase in labor.

Growth theory explains that growth is influenced by capital and labor factors. Based on the author's knowledge, there has been no study that explains whether the fulfillment of these growth factors must be done together, capital first, or labor first. If there is a technological factor that influences this growth factor, then Solow explains that the capital factor is the first to be influenced.

When technology is in the form of tax incentives, the first growth factor that is influenced and increased is the capital factor, not the labor factor. Capital growth to a certain extent will affect the increase in labor. This condition also explains that increasing one growth factor will increase the growth of other growth factors. The triggering factor for this growth is technology.

The results of this income tax incentive are different from Harrod-Domar's opinion, which states that there is no relationship between capital and labor if there are no endogenous factors. Then Solow explains that if there is investment, then additional labor is needed. This explains that the first thing to be added is capital. When Solow adds technology as an endogenous factor, then technological improvements will substitute labor. Existing technology can replace labor.

The next opinion explains that technology can be fully endogenous or semi-endogenous (Barcenilla-Visús et al., 2014). However, the existing opinion has not refuted Solow's opinion, which explains that technology replaces labor. This study explains conditions that are different from Solow's opinion. Technology in the form of income tax incentives, which are exogenous factors because there must be legitimacy from outside Islamic banks, influences capital first. In the long term, there is an increase in labor to continue the growth of Islamic banks and ultimately to economic growth. In this study, technology does not substitute labor but adds to the labor.

The income tax incentive with certain conditions from the PLS schema received by Islamic banks has positive implications for Islamic banks and the economy. This income tax incentive will provide additional income for banks and become an incentive to increase financing distribution with the PLS scheme. Previous studies explain that financing with the PLS scheme has a positive influence on the economy, including financing with the PLS scheme provides a positive contribution to Indonesia's economic growth (Masrizal & Trianto, 2022), money creation based on the PLS principle will maintain a strong relationship with the real economy and lead to lower money multiplication (Ben Jedidia & Hamza, 2023), and financing with the PLS scheme has a real impact on the real sector economy (Trimulato, 2021).

In determining the utilization of income tax incentives in the form of nontaxable income, Islamic banks must sort out which customers can be given financing with the PLS scheme. Islamic banks must know and understand the character of their customers. When Islamic banks have decided on the customer, it means that the customer's ability to manage finances is better, and the customer can be trusted better. Indirectly, Islamic banks also help their customers to become better. Ultimately improving the economy.

The income tax incentive from venture capital-like financing distribution has certain requirements. The requirements support small business economic actors and certain business activities. With the income tax incentive on venture capital-like financing, MSMEs will be able to

move up a class or become bigger, and there will be an increase in the workforce, a decrease in the number of unemployed, and an increase in the economy. In addition to MSMEs, venture capital-like financing also encourages the development of technology and innovation (see the requirements for distributing financing whose income is nontaxable income). Technology influences capital and labor, which ultimately improves the economy. This condition follows growth theory.

Bhatti & Basov (2022) explained that to reduce moral hazard in PLS financing, banks provide a larger share to the recipient of the financing (the customer). In this condition, banks certainly reduce their profits for the sake of smooth financing with the PLS scheme. With the existence of income tax incentives for Islamic banks in financing with the PLS scheme, the bank's profit share will increase, and there is a trigger to increase financing with the PLS scheme.

This income tax incentive is especially for financing distribution to MSME entrepreneurs. With this income tax incentive, banks are expected to increase the amount of rupiah and the number of MSME customers who receive financing. The addition of this financing distribution will increase the value of gross domestic product, which is an indicator of economic growth.

Using data from 1997 to 2017, data from Indonesia show that the number of MSMEs is almost 100% but contributes no more than 61% to GDP. This condition can occur because their productivity is low. One of the obstacles and problems faced is the lack of access to bank loans (Tambunan, 2019). The government created a People's Business Credit (KUR) program in 2007. However, MSMEs still experience obstacles in obtaining capital. With the income tax incentive for Islamic banks in financing with the PLS scheme, Islamic banks can play a major role in increasing MSME productivity, especially in capital needs.

Based on data from the city of Makassar, Indonesia, data collection through interviews and questionnaires in 2019, and quantitative data as supporting data from 2017 to 2019, MSME productivity is low, and some of the obstacles include lack of innovation, lack of use of technology, and immature business management (Surya et al., 2021). One of the proposals to increase MSME productivity submitted by Surya et al. (2021) is financing with venture capital. This role can be easily and quickly carried out by Islamic banks when Islamic banks receive an income tax incentive on the distribution of their funds. MSMEs that receive funds from Islamic banks with the PLS scheme will be able to improve their business management because of the supervision and assistance from Islamic banks. Funds from Islamic banks can be used for technology and innovation.

Providing income tax incentives to Islamic banks is one way to reduce the risks faced by Islamic banks (Alaabed et al., 2016). Islamic banks have limitations in transferring risks to the distribution of funds with the PLS scheme. To strengthen risk sharing, Islamic banks need to be given income tax incentives. This income tax incentive can be a trade-off from the risks accepted by Islamic banks. The tradeoff is one way to mitigate risk. Because the risk can be mitigated, the distribution of funds with the PLS scheme can be increased.

## CONCLUSION

Financing with the PLS scheme has a more positive and significant impact on economic growth compared to credit by conventional banks. Incentives are needed so that Islamic banks can increase financing with the PLS scheme. The appropriate incentive is that Islamic banks' income from financing with the PLS scheme is nontaxable. Venture capital companies' income from financing their investee companies with certain conditions is nontaxable. Distribution of financing with the PLS scheme and financing venture capital companies is substantially the same; therefore, the income of the PLS scheme can also be given income tax incentives. One of the conditions that must be met is the distribution of financing to MSME businesses with a business turnover of no more than IDR 50 billion per year.

Besides having a positive impact on economic growth, the provision of income tax incentives also has a positive effect on *maslahah*, namely by maintaining religion, soul, mind, descendants, and property. The incentive effect on tax revenue will decrease in the short term, but in the long term, the effect will be positive. This is due to the increase in the amount of financing and the number of customers receiving financing. This increase results in an increase in value-added tax and income tax from the customers.

In order for this Income Tax incentive to be implemented, further studies are needed to convince the tax authorities to make regulations regarding nontaxable income for Islamic banks. The study discusses how long the shortage of tax revenues from the Islamic banking sector is due to this incentive and how it will affect the increase in tax revenues and the economy in the future.

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#### APPENDIX

Fatwa of the National Sharia Council of the Indonesian Ulema Council (Fatwa of DSN-MUI), consist of:

1. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 01/DSN-MUI/IV/2000 Concerning Giro.
2. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 02/DSN-MUI/IV/2000 Concerning Savings
3. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 03/DSN-MUI/IV/2000 Concerning Deposits
4. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 07/DSN-MUI/IV/2000 Concerning Mudharabah Financing (Qiradh)
5. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 08/DSN-MUI/IV/2000 Concerning Musyarakah Financing
6. Fatwa of the National Sharia Council of the Indonesian Ulema Council No.73/DSN-MUI/XI/2008 Concerning Musyarakah Mutanaqisah
7. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 87/DSN-MUI/XII/2012 Concerning the Income Smoothing Method for Third Party Funds
8. Fatwa of the National Sharia Council of the Indonesian Ulema Council No.113/DSN-MUI/IX/2017 Concerning the Bi Al-Ujrah Wakalah Agreement
9. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 114/DSN-MUI/IX/2017 Concerning the Syirkah Contract
10. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 115/DSN-MUI/IX/2017 Concerning Mudharabah Contracts
11. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 126/DSN-MUI/IX/2019 concerning the Bi Al-Istitsmar Wakalah Contract
12. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 137/DSN-MUI/IX/2020 Concerning Sukuk.

The laws supporting the business processes of Islamic banks, tax regulations, and income tax incentives, consist of:

1. Law no. 21 of 2008 concerning Sharia Banking
2. Law No. 28 of 2007 concerning the Third Amendment to Law No. 6 of 1983 concerning General Provisions and Tax Procedures (KUP).
3. Law No. 7 of 1983 concerning Income Tax as amended several times, last by Law No. 7 of 2021 concerning Harmonization of Tax Regulations.

Other regulations that support the distribution of financing with the PLS scheme, and Income Tax incentives, consist of:

1. Government Regulation No.123 of 2015 concerning Amendments to Government Regulation Number 131 of 2000 concerning Indonesian Income Tax
2. Government Regulation No. 23 of 2018 concerning Income Tax on Income from Business Received or Obtained by Taxpayers with Certain Revenues
3. Government Regulation No. 91 of 2021 concerning Income Tax on Income in the Form of Bond Interest Received or Obtained by Domestic Taxpayers and Permanent Establishments
4. Regulation of the Minister of Finance of the Republic of Indonesia No. 18/PMK.010/2012 concerning Venture Capital Companies
5. Regulation of the Minister of Finance of the Republic of Indonesia No. 48/PMK.010/2018 concerning Tax Treatment of Capital Participation of Venture Capital Companies in Micro, Small and Medium Enterprises
6. Decree of the Minister of Finance of the Republic of Indonesia Number 227/KMK.01/1994 concerning Business Sectors of Partner Companies of Venture Capital Companies and Tax

Treatment of Capital Participation and or Transfer of Capital Participation of Venture Capital Companies

7. Regulation of the Director General of Taxes Number Per-17/PJ/2015 concerning Net Income Calculation Norms (NPPN).
8. Financial Services Authority Regulation No. 18/POJK.04/2015 Concerning Sukuk Issuance and Requirements
9. Financial Services Authority Regulation No.31/POJK.05/2014 Concerning the Implementation of Sharia Financing Business.
10. Bank Indonesia Circular Letter No. 10/14/DPbS of 2008 Concerning the Implementation of Sharia Principles in Fundraising and Fund Distribution Activities and Sharia Banking Service Providers
11. Financial Accounting Standards Statement (PSAK) No. 1 Concerning Presentation of Financial Statements
12. Financial Accounting Standards Statement (PSAK) No. 23 Concerning Income

The articles that support the distribution of financing with the PLS scheme and Income Tax incentives, consist of:

1. Abrorov, S. (2020). The importance of sukuk in the development of economy: As an example of its impact on the income of the Malaysian population. *Journal of Critical Reviews*, 7(2), 776–780. <https://doi.org/10.31838/jcr.07.02.142>
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3. Ahroum, R., & Achchab, B. (2017). Pricing of Sukuk Musharakah with joint venture as underlying, beyond the use of PLS ratio. *Journal of Islamic Accounting and Business Research*, 8(4), 406–419. <https://doi.org/10.1108/JIABR-03-2016-0036>.
4. Arsyadona, Siregar, S., Harahap, I., & Ridwan, M. (2019). The Effects Of Mudharabah And Musyarakah Financing On The Profitability Of Sharia Commercial Banks In Indonesia. *Proceeding International Seminar of Islamic Studies*, 1, 682–689. [http://jurnal.umsu.ac.id/index.php/insis/article/view/4234/pdf\\_90](http://jurnal.umsu.ac.id/index.php/insis/article/view/4234/pdf_90).