

Malaysia Your Profit Centre in Asia



# TAX INCENTIVES FOR GREEN TECHNOLOGY INDUSTRY

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*Clean Technology & Environment Management Division, MIDA*

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# **MIDA** IN BRIEF

# Who Are We?



The principal Malaysian Government agency responsible for the promotion of investments and coordination of industrial development and selected services sectors in the country



*Promotion*



*Evaluation*



*Planning*

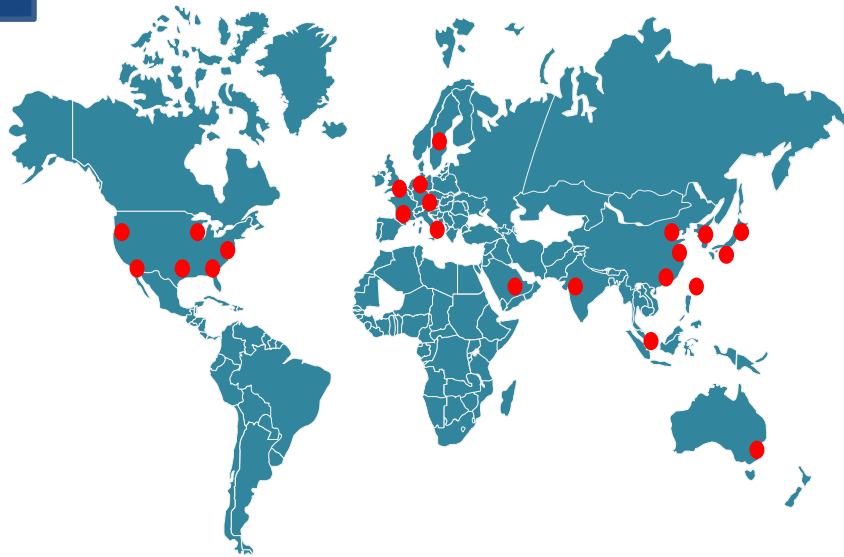


*Follow Up/  
Monitoring*

*First point of contact for investors who intend to set up projects in the manufacturing and services sectors in Malaysia*



## 23 Overseas Centres around the world

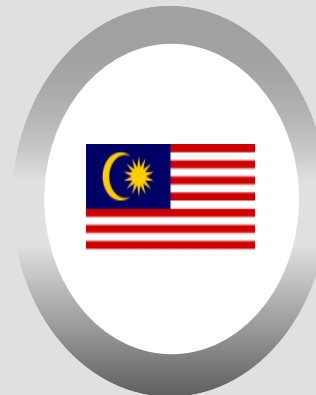


- Los Angeles
- Houston
- New York
- Boston
- San Jose
- Chicago
- London
- Stockholm
- Munich
- Frankfurt
- Milan
- Paris
- Dubai
- Tokyo
- Osaka
- Beijing
- Guangzhou
- Shanghai
- Seoul
- Mumbai
- Singapore
- Taiwan
- Sydney

## 12 State offices



HQ  
KL Sentral,  
Kuala Lumpur



# MIDA as a One Stop Centre

## Based in MIDA



Immigration  
Department



Royal Malaysian  
Customs



Labour  
Department



Telekom Malaysia  
Berhad



**TENAGA NASIONAL**

## Based outside MIDA







# APPROVED INVESTMENTS

# Approved Investments

## EE Projects Approved as at 31 December 2016

Type of Services	No. of Projects	Total Investment (RM mill)
Own Consumption	106	5,962.04
ESCO	23	492.52
<b>Total</b>	<b>129</b>	<b>6,454.56</b>

## RE Projects Approved as at 31 December 2016

RE Projects Based on Sources	No. of Projects	Total Investment (RM mill)
Solar	318	3,288.9
Biomass	126	4,758.0
Biogas	73	1,015.0
Mini Hydro	23	1,630.0
Geothermal	1	506.3
<b>Total</b>	<b>541</b>	<b>11,198.2</b>

\* Approved Incentives since year 2001 - 2016

Source: MIDA



# Approved Investments (cont'.)

## Waste Recycling Projects Approved as at 31 December 2016

Industry	No. of Projects	Total Investment (RM million)
Basic Metal Products	45	1,909.7
Rubber Products	47	1,814.2
Chemical & Chemical Products	43	1,216.4
Plastic Products	73	844.5
Petroleum Products	22	339.4
Fabricated Metal Products	7	269.3
Electronics & Electrical Products	22	202.5

\* Approved Incentives since year 1980- 31 Dec 2016

Source: MIDA

# Approved Investments (cont'.)

## Waste Recycling Projects Approved as at 31 December 2016

Industry	No. of Projects	Total Investment (RM million)
Non-Metallic Mineral Products	5	163.4
Food Manufacturing	4	109.9
Textiles & Textile Products	7	75.7
Paper, Printing & Publishing	4	31.6
Solid / Medical Waste / Waste to Energy	3	392.0
Miscellaneous	3	58.3
<b>Total</b>	<b>285</b>	<b>7,426.9</b>

\* Approved Incentives since year 1980 – 31<sup>st</sup> Dec 2016

Source: MIDA



# GREEN TECHNOLOGY POLICY



# Green Technology Policy



24 July 2009 - National Green Technology Policy was launched by the Prime Minister

## FOUR KEY SECTORS ARE :

- ENERGY
- WATER / WASTE MANAGEMENT
- BUILDINGS
- TRANSPORT



# Tax Incentives for Green Activities

**Investment Tax Allowance (ITA)**

**Income Tax Exemption (ITE)**

**Green Technology Incentive, Income Tax Act, 1967**



# INVESTMENT TAX ALLOWANCE (ITA)



## Eligible companies

- Companies that undertake **investments in promoted projects** that encourage sustainability and green environment
- Either for **own use or business purposes**

## Incentive

- Investment Tax Allowance (ITA) of **100% of qualifying capital expenditure (QCE)** incurred from YA 2013 (not earlier than 25 Oct 2013) until YA 2020.
- The ITA can be utilised to offset against **70% of statutory income**

# Promoted Projects

Industry	Project
<b>Renewable Energy (RE)</b>	Generation of energy such as electricity, steam, heat and chilled water using RE sources like solar*, biomass, biogas, mini-hydro and geothermal <i>*Excluding solar FiT project</i>
<b>Energy Efficiency (EE)</b>	Investment in energy efficient equipment or technologies e.g energy efficient motor, variable speed drive, chiller, cogen etc.
<b>Green Building</b>	Building owners of the commercial / industrial building that have been awarded green building certificates from certification body approved by the Government.
<b>Green Data Centre</b>	Purchase of any energy efficient product or solution for data centre which have been awarded green building certificates from relevant certification body approved by the Government
<b>Integrated Waste Management Activity</b>	Waste recycling / recovery / treatment activities and additional activities such as composting / storage / collection / disposal

# Eligibility Criteria

- Company **must be incorporated** under the Companies Act, 1965
- Company must achieve the following **green results**:
  - minimises the degradation of the environment or reduces greenhouse emission;
  - promotes health and improves environment;
  - conserves the use of energy and/or other forms of natural resources or promotes the use of renewable energy or recycles waste material resources.



# Tax Computation “With” or “Without” Tax Incentive

## Example 1: Assumption: ITA: RM4.6 million

	WITHOUT TAX INCENTIVE (RM)	WITH TAX INCENTIVE (RM)	
Profit before tax	10,000,000	10,000,000	
add/less tax adjustments	2,000,000	2,000,000	
Adjusted income	12,000,000	12,000,000	
Less: Capital allowances	(5,000,000)	(5,000,000)	
Statutory income	<b>7,000,000</b>	<b>7,000,000</b>	
Percentage (%)		<b>70%</b>	<b>30%</b>
		<b>4,900,000</b>	<b>2,100,000</b>
<b>(-) ITA</b>	<b>Nil</b>	<b>4,600,000</b>	<b>-</b>
		<b>300,000</b>	<b>2,100,000</b>
Chargeable income	<b>7,000,000</b>	<b>2,400,000</b>	
Tax liability @ 24%	<b>1,680,000</b>	<b>576,000</b>	

# Tax Computation “With” or “Without” Tax Incentive (cont’.)

## Example 2: Assumption: ITA: RM10 million

	WITHOUT TAX INCENTIVE (RM)	WITH TAX INCENTIVE (RM)	
Profit before tax	10,000,000	10,000,000	
add/less tax adjustments	2,000,000	2,000,000	
Adjusted income	12,000,000	12,000,000	
Less: Capital allowances	(5,000,000)	(5,000,000)	
Statutory income	<b>7,000,000</b>	<b>7,000,000</b>	
Percentage (%)		70%	30%
		4,900,000	2,100,000
(-) ITA	Nil	<b>*10,000,000</b>	-
		0	2,100,000
Chargeable income	<b>7,000,000</b>	<b>2,100,000</b>	
Tax liability @ 24%	<b>1,680,000</b>	<b>504,000</b>	
Balance to be carried forward to next year of assessment		<b>5,100,000</b>	

**\* Only RM4.9 million will be utilised.**



# INCOME TAX EXEMPTION (ITE)



# Income Tax Exemption (ITE)



## Eligible companies

- Companies which provide green services that support investments in green project

## Incentives

- Income tax exemption of **100% of statutory income** from the year of assessment 2013 until year of assessment 2020.

# Promoted Green Services



Industry	Services
<b>Renewable Energy (RE)</b>	Feasibility study, system design & advisory & consultancy, testing & commissioning
<b>Energy Efficiency (EE)</b>	Advisory & consultancy, energy audit & management, measurement & verification, testing & commissioning
<b>Green Building</b>	Design & consultancy, testing & commissioning of green building equipment/system
<b>Green Data Centre</b>	System design & feasibility study, advisory & consultancy, testing & commissioning
<b>Certification or Verification Bodies</b>	Green certification of products, equipment and buildings
<b>Green Township</b>	Advisory & consultancy , design & feasibility study in green township and low carbon cities planning
<b>Electric Vehicles</b>	<ul style="list-style-type: none"> <li>• Installation, maintenance and repair of EV charging equipment, infrastructure and EV charging station.</li> <li>• Operation of EV charging station.</li> <li>• Maintenance, repair and overhaul of EV</li> </ul>

# Eligibility Criteria

- Company **must be incorporated** under the Companies Act, 1965 and has started operation in green services after 25 Oct 2013.
- Company must meet the following:
  - At least one competent / qualified personnel of company in green technology;
  - Company must have a green policy related to environmental/sustainability; and
  - 100% of company's income must be derived from green technology services.



# Tax Computation “With” Tax Incentive

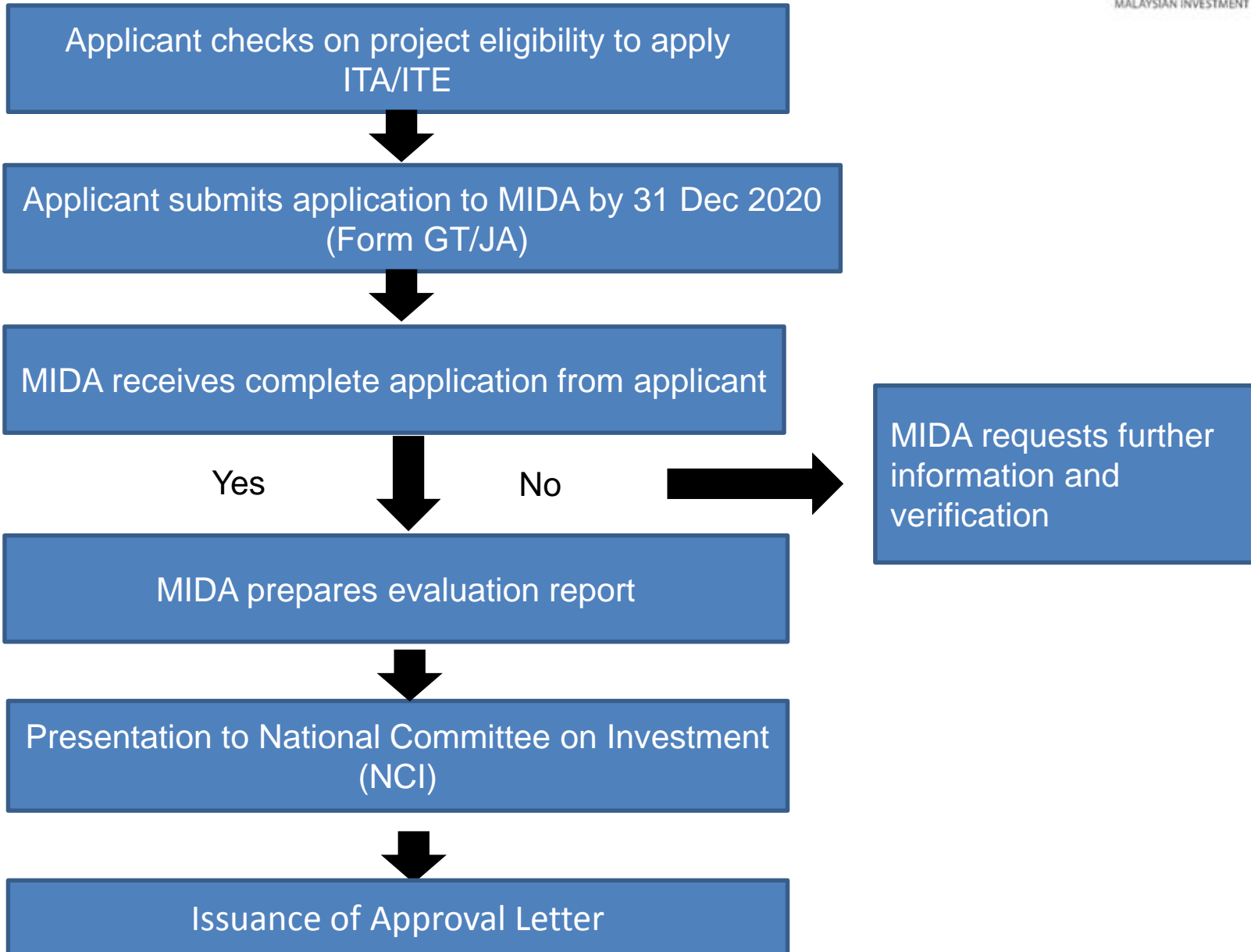
## Example : ITE (Statutory income 100% exempted)

	WITHOUT TAX INCENTIVE (RM)	WITH TAX INCENTIVE (RM)
Profit before tax	10,000,000	10,000,000
add/less tax adjustments	2,000,000	2,000,000
Adjusted income	12,000,000	12,000,000
Less: Capital allowances	(5,000,000)	(5,000,000)
Statutory income	<b>7,000,000</b>	<b>7,000,000</b>
Chargeable income	<b>7,000,000</b>	<b>100% Exempted</b>
Tax liability @ 24%	<b>1,680,000</b>	<b>Nil</b>



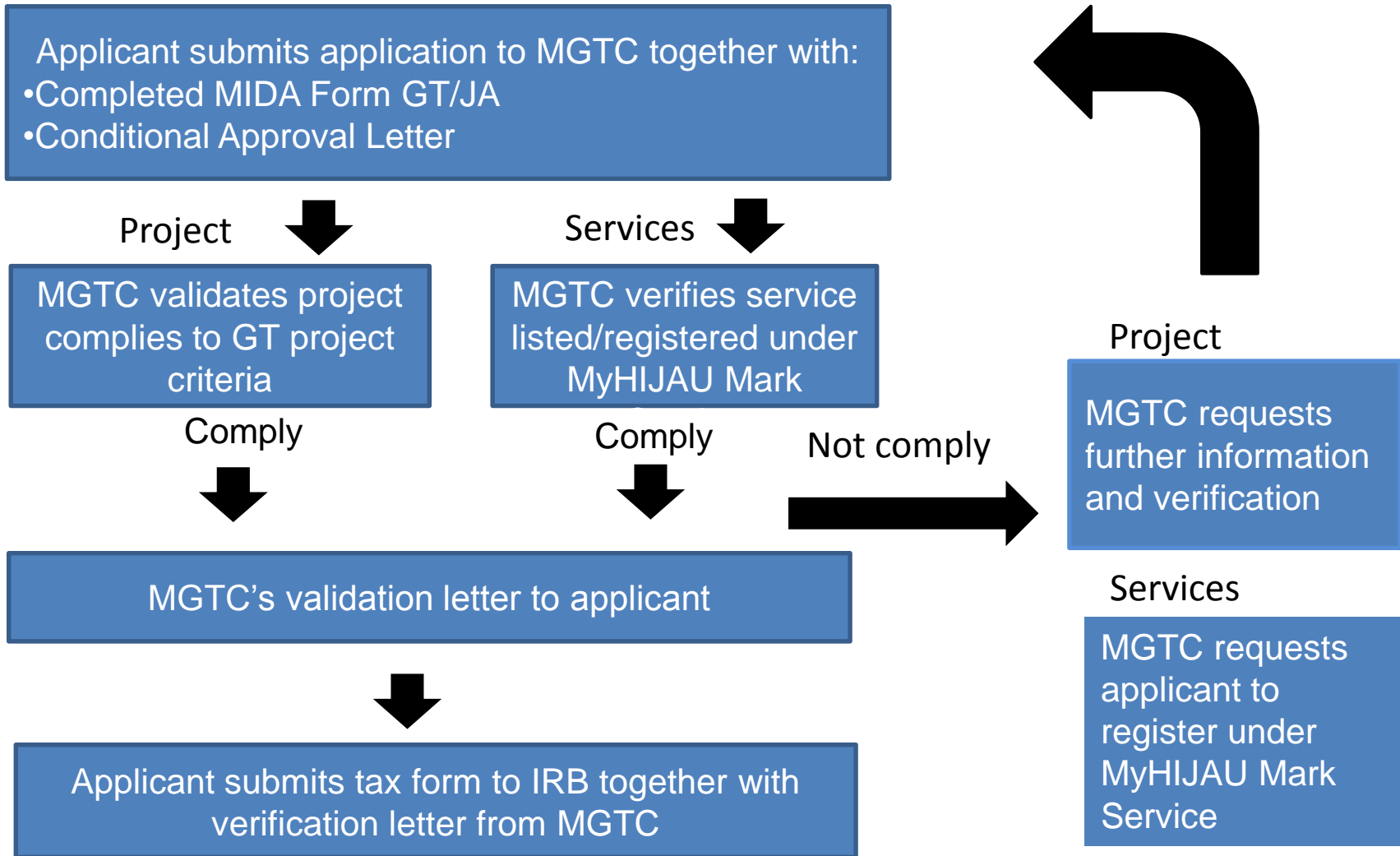
# APPLICATION PROCEDURES

# Application Procedures





# Application Procedures (cont'.)



**CRITERIA OF  
VERIFICATION OF  
ASSETS/PROJECT  
BY MGTC**



# Criteria of Verification by MGTC

## MGTC's role:

- To verify the technical requirement including the main equipment / assets as major components for the performance and green impact from the project

## Documents required

- Application Form (GT/JA) which submitted to MIDA earlier
- Approval Letter from MIDA

## Criteria

- 60% of main equipment/assets in the GITA Project must be recognised and registered under the MyHIJAU Mark or have product certification that is recognised and accepted by GreenTech Malaysia.
- Project's impacts to the environment i.e. GHG emission reduction, waste reduction, fuel savings, environmental improvement, energy consumption savings and water consumption savings

**Application procedure** – refer to Malaysia Green Technology Corporation (MGTC)  
Website: <http://www.greentechmalaysia.my/>



**REQUIREMENT FROM  
ENERGY COMMISSION FOR  
RENEWABLE ENERGY –  
SOLAR POWER FOR OWN  
CONSUMPTION**



# Guidelines on Electricity Supply Licensing

- Company has to apply for license *pepasangan persendirian* under Electricity Supply Act 1990 to generate electricity for own consumption.
- Application for licence *pepasangan persendirian* **below 5MW** can be submitted through ST office in the area.
- Application for license *pepasangan persendirian* **above 5MW** must submit to headquarter (HQ) - ST.
- Types of qualifying activities include generation of electricity for own consumption by using energy efficient technology i.e. co-generation or renewable energy sources (RE) i.e. solar power for own consumption.
- **Application procedure** – refer to *garis panduan tatacara pelesenan pembekalan elektrik*. Website: <http://www.st.gov.my/>



# THANK YOU

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