TAX INCENTIVES FOR GREEN TECHNOLOGY INDUSTRY

By: Zabidah Daud

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.

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
- Dublin
- Tokyo
- Osaka
- Beijing
- Guangzhou
- Shanghai
- Seoul
- Mumbai
- Singapore
- Taiwan
- Sydney

12 State offices

- Penang
- Ipoh
- Selangor
- Seremban
- Melaka
- Johor Bahru
- Kuantan
- Kuala Lumpur
- Kota Bharu
- Kota Kinabalu
- Kuching
- Alor Setar
- Kuala Terengganu

HQ
KL Sentral, Kuala Lumpur
MIDA as a One Stop Stop Centre

Based in MIDA

- Immigration Department
- Royal Malaysian Customs
- Labour Department
- Telekom Malaysia Berhad
- TENAGA NASIONAL

Based outside MIDA

- M F
- KSM
- Tourism Malaysia
- MDEC
- CIDB
### EE Projects Approved as at 31 December 2016

<table>
<thead>
<tr>
<th>Type of Services</th>
<th>No. of Projects</th>
<th>Total Investment (RM mill)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Consumption</td>
<td>106</td>
<td>5,962.04</td>
</tr>
<tr>
<td>ESCO</td>
<td>23</td>
<td>492.52</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>129</strong></td>
<td><strong>6,454.56</strong></td>
</tr>
</tbody>
</table>

### RE Projects Approved as at 31 December 2016

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

*Approved Incentives since year 2001 - 2016*

*Source: MIDA*
### Approved Investments (cont’.)

#### Waste Recycling Projects Approved as at 31 December 2016

<table>
<thead>
<tr>
<th>Industry</th>
<th>No. of Projects</th>
<th>Total Investment (RM million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Metal Products</td>
<td>45</td>
<td>1,909.7</td>
</tr>
<tr>
<td>Rubber Products</td>
<td>47</td>
<td>1,814.2</td>
</tr>
<tr>
<td>Chemical &amp; Chemical Products</td>
<td>43</td>
<td>1,216.4</td>
</tr>
<tr>
<td>Plastic Products</td>
<td>73</td>
<td>844.5</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>22</td>
<td>339.4</td>
</tr>
<tr>
<td>Fabricated Metal Products</td>
<td>7</td>
<td>269.3</td>
</tr>
<tr>
<td>Electronics &amp; Electrical Products</td>
<td>22</td>
<td>202.5</td>
</tr>
</tbody>
</table>

* Approved Incentives since year 1980- 31 Dec 2016

Source: MIDA
## Approved Investments (cont’.)

### Waste Recycling Projects Approved as at 31 December 2016

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

*Approved Incentives since year 1980 – 31st Dec 2016
  Source: MIDA
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

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

<table>
<thead>
<tr>
<th></th>
<th>WITHOUT TAX INCENTIVE (RM)</th>
<th>WITH TAX INCENTIVE (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax add/less tax adjustments</td>
<td>10,000,000 2,000,000</td>
<td>10,000,000 2,000,000</td>
</tr>
<tr>
<td>Adjusted income Less: Capital allowances</td>
<td>12,000,000 (5,000,000)</td>
<td>12,000,000 (5,000,000)</td>
</tr>
<tr>
<td>Statutory income</td>
<td>7,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>(-) ITA</td>
<td>Nil</td>
<td>4,600,000</td>
</tr>
<tr>
<td>(-) ITA</td>
<td>300,000</td>
<td>2,100,000</td>
</tr>
<tr>
<td>Chargeable income</td>
<td>7,000,000</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Tax liability @ 24%</td>
<td>1,680,000</td>
<td>576,000</td>
</tr>
</tbody>
</table>
### Tax Computation “With” or “Without” Tax Incentive (cont’.)

**Example 2: Assumption: ITA: RM10 million**

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

*Only RM4.9 million will be utilised.*
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

<table>
<thead>
<tr>
<th><strong>Industry</strong></th>
<th><strong>Services</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Renewable Energy (RE)</strong></td>
<td>Feasibility study, system design &amp; advisory &amp; consultancy, testing &amp; commissioning</td>
</tr>
<tr>
<td><strong>Energy Efficiency (EE)</strong></td>
<td>Advisory &amp; consultancy, energy audit &amp; management, measurement &amp; verification, testing &amp; commissioning</td>
</tr>
<tr>
<td><strong>Green Building</strong></td>
<td>Design &amp; consultancy, testing &amp; commissioning of green building equipment/system</td>
</tr>
<tr>
<td><strong>Green Data Centre</strong></td>
<td>System design &amp; feasibility study, advisory &amp; consultancy, testing &amp; commissioning</td>
</tr>
<tr>
<td><strong>Certification or Verification Bodies</strong></td>
<td>Green certification of products, equipment and buildings</td>
</tr>
<tr>
<td><strong>Green Township</strong></td>
<td>Advisory &amp; consultancy, design &amp; feasibility study in green township and low carbon cities planning</td>
</tr>
</tbody>
</table>
| **Electric Vehicles**              | • Installation, maintenance and repair of EV charging equipment, infrastructure and EV charging station.  
                                       • Operation of EV charging station.  
                                       • Maintenance, repair and overhaul of EV |
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.
Example: ITE (Statutory income 100% exempted)

<table>
<thead>
<tr>
<th></th>
<th>WITHOUT TAX INCENTIVE (RM)</th>
<th>WITH TAX INCENTIVE (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax add/less tax adjustments</td>
<td>10,000,000 2,000,000</td>
<td>10,000,000 2,000,000</td>
</tr>
<tr>
<td>Adjusted income Less: Capital allowances</td>
<td>12,000,000 (5,000,000)</td>
<td>12,000,000 (5,000,000)</td>
</tr>
<tr>
<td>Statutory income</td>
<td>7,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Chargeable income</td>
<td>7,000,000</td>
<td>100% Exempted</td>
</tr>
<tr>
<td>Tax liability @ 24%</td>
<td>1,680,000</td>
<td>Nil</td>
</tr>
</tbody>
</table>
Applicant checks on project eligibility to apply ITA/ITE

Applicant submits application to MIDA by 31 Dec 2020 (Form GT/JA)

MIDA receives complete application from applicant

MIDA requests further information and verification

MIDA prepares evaluation report

Presentation to National Committee on Investment (NCI)

Issuance of Approval Letter
Applicant submits application to MGTC together with:
• Completed MIDA Form GT/JA
• Conditional Approval Letter

MGTC validates project complies to GT project criteria
Comply

MGTC verifies service listed/registered under MyHIJAU Mark
Comply
Not comply

MGTC’s validation letter to applicant

Applicant submits tax form to IRB together with verification letter from MGTC

MGTC requests applicant to register under MyHIJAU Mark Service

MGTC requests further information and verification
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 COMMISION FOR RENEWABLE ENERGY – SOLAR POWER FOR OWN CONSUMPTION
• 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 *giris panduan tatacara pelesenan pembekalan elektrik*. Website: http://www.st.gov.my/
THANK YOU

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