Investment Opportunities & Tax Incentives in Relation to Building Industry

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Presentation Outline

- Functions of MIDA
- Liberalisation of Equity Policy
- Major Incentives
- National Agenda on Green
- Promoted Activities
- Why Malaysia
The principal Malaysian Government agency responsible for the promotion of investments and coordination of industrial development in the country

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

On 27 March 2004, the Government mandated MIDA to promote investments in the services sector

2011: Restructuring and rebranding of MIDA - Malaysian Investment Development Authority
# MIDA “One-Stop Centre”

## Based outside of MIDA
- Department of Occupational Safety and Health
- Ministry of Finance
- Ministry of Health
- Ministry of Tourism
- Ministry of Human Resource
- Ministry of Higher Education
- Multimedia Development Corp. (MDeC)
- Construction Industry Development Board of Malaysia (CIDB)

## Based in MIDA
- Immigration Department
- Royal Malaysian Customs
- Department of Environment
- Tenaga Nasional Berhad (Electricity)
- Telekom Malaysia Berhad (Telecom)
- Labour Department
MIDA “One-Stop Centre”

- Promotion
- Evaluation
- Planning
- Follow-up & Monitoring
MIDA’s Global Network

24 Overseas Centres
MIDA’s Global Network

12 State Offices
Liberalisation

Manufacturing Sector:

100% foreign equity is allowed

Services Sector:

45 services sub sectors including healthcare, tourism, logistics, education.
Major Incentives

**Pioneer Status**
Income tax exemption ranging from 70% to 100% for a period of 5 to 10 years

**Investment Tax Allowance**
60% to 100% on qualifying capital expenditure for 5 years

**Reinvestment Allowance**
60% on qualifying capital expenditure for 15 consecutive years

**Import Duty & Sales Tax Exemption**
For raw materials/components and machinery and equipment
National Agenda

• To reduce the energy usage rate and at the same time increase economic growth;

• To facilitate the growth of green technology industry and enhance its contribution to national economy;

• To increase national capability and capacity for innovation in green technology development and enhance Malaysia’s competitiveness in green technology in global arena;

• To ensure sustainable development and conserve the environment for future generations; and

• To enhance public education and awareness on green technology and encourage its widespread use.
RENEWABLE ENERGY (RE)
Renewable Energy (RE) Incentives

- **PIONEER STATUS**
  Income tax exemption of 100% of statutory income for 10 years; or

- **INVESTMENT TAX ALLOWANCE**
  Investment tax allowance of 100% on the qualifying capital expenditure incurred within a period of 5 years
RE Incentives Criteria

• The company must generate the following energy forms:-
  (i) Electricity
  (ii) Steam
  (iii) Chilled water
  (iv) Heat
The company must use renewable energy sources below:

i. Palm oil mill / estate waste
ii. Rice mill waste
iii. Sugar cane mill waste
iv. Timber / sawmill waste
v. Paper recycling mill waste
vi. Municipal waste
vii. Biogas (from landfill, palm oil mill effluent and others)
viii. Hydro power (not exceeding 10 MW)
ix. Solar power
Promoted Activities

- Energy Efficiency
- Renewable Energy
- Waste Recycling
- Building technology
- Green Transport
ENERGY EFFICIENCY (EE)
Eligibility for EE Incentives

(a) Companies Providing Energy Conservation Services

(b) Companies which incur capital expenditure for conserving energy for own consumption
Eligibility for EE Incentives

(a) Companies Providing Energy Conservation Services

- Pioneer Status (PS) with tax exemption of 100% of statutory income for 10 years; or

- Investment Tax Allowance (ITA) of 100% on qualifying capital expenditure incurred within a period of 5 years to be utilised against 100% of the statutory income for each year of assessment.
EE Incentives Eligibility

i. Companies which provide EE services must carry out **Energy Performance Contracting (EPC)** services activities to conserve the usage of energy.

**Energy Performance Contracting (EPC) Services Activity**

- Undertake the EE project on behalf of the client (including financing), on the basis of recovery of all costs from agreed sharing of EE savings over a specified period based on EPC.
The following services are also taken into account under the performance contracting services activity for consideration of tax incentives:

- Consultancy and Advisory Services (energy audit, training, energy management services, feasibility studies)
- Project Management (design and tendering, procurement, supervision and commissioning of the project)
(b) Companies which incur capital expenditure for conserving energy for own consumption

- ITA of 100% on qualifying capital expenditure incurred within a period of 5 years to be utilised against 100% of the statutory income for each year of assessment.
IMPORT DUTY & SALES TAX EXEMPTION

Exemption from import duty and sales tax on imported machinery, equipment, materials, components, spare parts/replacement parts and consumables.

Exemption from sales tax on machinery, equipment, materials, components, spare parts/replacement parts and consumables purchased from local manufacturers.
Import Duty & Sales Tax Exemption

Criteria

- Used directly for the RE projects
- Not manufactured locally
- For Sabah and Sarawak, items are not produced in the respective States
- Locally manufactured items cannot meet requirements (in terms of quantity or specifications)
Import Duty & Sales Tax
Exemption

- Exemption is considered for a period of one (1) year
- Exemption starts from the date the application received by MIDA
Expiry Of Tax Incentives

RE & EE Incentives applicable for application received until
31 December 2015:

- Pioneer Status
- Investment Tax Allowance
- Import Duty
- Sales Tax Exemption
Promoted Activities

- Energy Efficiency
- Renewable Energy
- Waste Recycling
- Building technology
- Green Transport
WASTE RECYCLING
INCENTIVES FOR WASTE RECYCLING

- PIONEER STATUS (PS)
  Income tax exemption of 70% of the statutory income for a period of 5 years; or

- INVESTMENT TAX ALLOWANCE (ITA)
  Investment tax allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years
Waste Recycling

CRITERIA

(a) Companies has not commenced operation
(b) Fulfill 2 out of the 3 criteria stated below:
   - Level of value added
   - Level of technology as measured by the Managerial, Technical and Supervisory (MTS) Index
   - Industrial linkages

Note: Companies are only allowed to recycle waste/scrap obtained within Malaysia. Imports of scrap/waste are not allowed.
Promoted Activities

- Energy Efficiency
- Renewable Energy
- Green Transport
- Building technology
- Waste Recycling
Green Transport

- Assembly or Manufacture of hybrid and electric vehicles
  Customised incentives up to 10 years based on the merit of each project

- Manufacture of selected critical components supporting hybrid and electric vehicles such as:
  Electric motors
  Electric batteries
  Battery management system
  Inverters
  Electric air conditioning
  Air compressors
  Customised incentives up to 5 years based on the merit of each project
Other Clean/Green Projects Promoted by MIDA

Manufacturing

- Solar PV panel
- AC/DC inverter
- Advanced power cell / battery (including lithium) power lighting / LED
- Bio fuel
- Palm biomass product
Osram Wafer Technologies (M) Sdn Bhd and Philips Lumileds Lighting Company SDn Bhd approved in 2007 and 2011 respectively.

Investment from Tokuyama Corporation approved in 2009

Polycrystalline Silicon


Solar Wafers / Cells / Modules

As at 2013, 29 companies approved with total investments RM25.8 billion, including First Solar Malaysia SDn Bhd, AUO Sunpower SDn Bhd, Panasonic Energy Malaysia SDn Bhd

Lithium Ion Battery

Samsung SDI Energy (M) SDn Bhd approved in Nov 2011

LED

Inverter
BUILDING TECHNOLOGY
Manufacture of clay-based, sand-based and other non-metallic mineral products:

- High alumina/basic refractories
- Laboratory, chemical/industrial waste
- Synthetic diamonds
- Crystallised/moulded glass (e.g., bricks, tiles, slabs, pellets, paving blocks and squares)
- Absorbent mineral clay
- Marble and granite products
- Panels, boards, tiles, blocks/similar articles of natural and synthetic fiber agglomerated with cement, plaster/other mineral binding substance

Customised incentives based on the merit of each project
Why Malaysia

- Political & Economic Stability
- Pro-business Government
- Liberal Investment Policies
- Transparent Policies
- Policy of Welcome
- Sound Banking System
- Well Developed Infrastructure
- Harmonious Industrial Relations
- Trainable & Educated Labour Force
- Quality of Life
- Excellent Track Record

"Gentlemen, MALAYSIA is still our choice location"
Thank You !!

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