



# GBI Roadshow 2017

## NEW TAX INCENTIVES FOR GREEN BUILDINGS

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# **NEW TAX INCENTIVES FOR GREEN BUILDINGS**

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## **GBI and Tax Incentives**

**A Seminar by GBI**

**Ar Von Kok Leong**  
**Past President, MGBC**  
**Past Chair, GBIAP**

# New ITA Gazette

## INTRODUCTION

- In Budget 2014, the Govt announced new ITA that encourages the development of green technology
  - **New gazette was developed by MGTC and MIDA.**
    - **It was finally unveiled in 2016**
- ▪ GBI was invited to participate in the finalising of the gazette
  - **general info available on MIDA website**
  - New gazette is valid until 31 Dec 2020, ie it continues from where we left off from earlier gazette without break
- ▪ **assessment of Green Cost Certs shall remain as per stringent process carried out by GBIAP, recognized by both MIDA and MGTC, and accepted by LHDN**
- ▪ **QE shall be based on incremental costs only**

# **New ITA Gazette**

**I. INTRODUCTION**

**II. QUALIFYING ACTIVITIES**

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**VI. PROCEDURE FOR APPLICATION FOR  
ITA PROJECT AND ITE SERVICES**

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# New ITA Gazette

## OBJECTIVES

1. Encouraging investments in green technology industries on a **project basis** either for business purposes or own consumption and the adoption of green technology by selected services/system providers;
2. Encouraging companies to acquire / purchase **assets** that have been verified as green technology assets by the Malaysian Green Technology Corporation (MGTC) and these assets are listed under MyHijau Directory;
3. Facilitating the **transition of expiring existing tax incentives** relating to renewable energy (RE) and EE projects.
4. Widening the coverage across various priority green technology industries such as energy, transportation, building, and waste management and supporting **services activities**.

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A company which undertakes a green technology project or services activity should submit the application to Malaysian Investment Development Authority (MIDA).

## Investment Tax Allowance (ITA)

ITA Project

ITA Asset

## Income Tax Exemption (ITE)

ITE Services

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## Investment Tax Allowance (ITA)

### PROJECT

ITA (Project) of 100% of **qualifying capital expenditure** incurred on a green technology project from the year of assessment 2013 (date on which the first qualifying capital expenditure incurred is not earlier than 25 October 2013) until the year of assessment 2020.

- The allowance can be offset against 70% of statutory income and can be carried forward until they are fully absorbed.

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## Qualifying Activities for PROJECT

renewable energy,  
energy efficiency,  
**green buildings,**  
**green data centre,**  
waste management.



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## Qualifying Activities for PROJECT

### Green Buildings

Building owners of the **commercial / industrial** building that have been awarded green building certificates from locally developed rating tool/certification body approved by the Government.

➤ Note : Residential projects do not qualify

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## Green Cost Certifications 15 Aug 2016

Tool	Number of Projects with Approved Green Cost	Green Costs Claimed (RM)	Approved Green Cost Value (RM) (Incremental Costs)
NRNC	12	175,159,825.66	99,961,340.56
RNC	8	23,988,196.74	8,598,561.34
NREB	1	3,662,823.50	3,662,832.50
INC/IEB	3	3,710,525.43	2,300,734.28
<b>Total</b>	<b>24</b>	<b>206,521,371.33</b>	<b>114,523,468.68</b>

Type of Project	GBI tool and rating	Green Cost Claimed (RM)	Approved Green Cost Value (RM) (Incremental Costs)	QE (%)
House	RNC Platinum	301,843	224,297.73	10.7 %
Office	NRNC Platinum	4,532,524	4,532,524.40	6.7 %
Residential	RNC Gold	6,053,852	1,468,269.72	3.4 %
Office	NRNC Gold	28,378,912	20,266,072.83	8.9 %
Office	NRNC Gold	8,002,576	3,646,861.14	7.6 %
Mall	NRNC Silver	8,055,906	6,397,540.50	2.8 %
Office	NRNC Silver	28,326,285	13,056,475.96	5.9 %
House	RNC Certified	80,073	80,073.50.00	7.3 %
Warehouse + Office	INC Certified	2,910,537	1,562,155.18	7.4 %
Factory	INC Certified	465,929	465,929.00	3.4 %
Office	NREB Certified	3,662,823	3,662,832.50	55 %
Office	NRNC Gold	33,700,918	22,587,366.42	12.4 %

Type of Project	GBI tool and rating	Green Cost Claimed (RM)	Approved Green Cost Value (RM) (Incremental Costs)	QE (%)
Office	NRNC Certified	11,500,691	9,291,252.31	6.6 %
Office	NRNC Certified	1,589,649	1,468,269.72	1.1 %
Warehouse	NRNC Gold	4,284,573	3,641,769.73	7.3 %
Residential	RNC Certified	4,552,655	1,350,008.16	1.8 %
Residential	RNC Certified	1,500,908	1,015,207.86	1.0 %
Residential	RNC Silver	3,321,341	2,920,426.34	2.9 %
Residential	RNC Certified	6,332,385	794,032.83	1.3 %
Residential	RNC Certified	1,845,136	746,245.20	0.7 %
Factory	IEB Certified	334,059	272,650.10	
Office	NRNC Certified	33,057,646	3,741,530.41	0.7 %
Office	NRNC Certified	6,713,707	6,701,890.76	2.5 %
Office	NRNC Certified	7,016,433	5,521,489.13	5.4 %

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## Investment Tax Allowance (ITA)

### ASSET

A company which purchases green technology **assets** listed in MyHijau Directory should submit its application to MGTC. ITA (**Asset**) of 100% of qualifying capital expenditure incurred on green technology **asset** from the year of assessment 2013 (date on which the first qualifying capital expenditure incurred is not earlier than 25 October 2013) until the year of assessment 2020.

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## Investment Tax Allowance (ITA) ASSET

The allowance can be offset against 70% of statutory income in the year of assessment.

Unutilised allowances can be carried forward until they are fully absorbed.

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## Qualifying products for ASSET

electrical transformers up to 3.3kV,  
solar airconditioners,  
thermal energy storage systems,  
VAV, VRV systems  
electric vehicles,  
electric bus, electric MPV/trucks  
EV charging equipment

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## Income Tax Exemption (ITE) SERVICES

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

The company must comply with the conditions stated in the approval letter.



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## Qualifying Activities for SERVICES

renewable energy,  
energy efficiency,  
electrical vehicles,  
➤ green buildings,  
green data centre,  
green certification and verification,  
green township

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## Qualifying Activities for SERVICES

### Energy Efficiency

Services related to energy efficiency such as advisory and consultancy, energy audit and management, measurement and verification, testing and commissioning.

### Green Building

Services related to testing and commissioning of green building equipment and system, and services related to  
➤ green building design and consultancy services.

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## Qualifying Activities for SERVICES

### Green Certification and Verification

Services related to green certifications of products, equipment and buildings.

### Green Township

Services related to advisory and consultancy, design and feasibility study in Green township and low carbon cities planning.

**recap**

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## INCENTIVES

### Investment Tax Allowance (ITA)

ITA Project

ITA Asset

### Income Tax Exemption (ITE)

ITE Services

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## ELIGIBILITY CRITERIA

1. The company must be incorporated under the Companies Act, 1965 and **resident in Malaysia.**
2. A **new or existing company** undertaking green activities as prescribed in Appendix I for business purposes or own consumption / use is eligible to be considered for Green Technology Incentive.

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3. For a company which undertakes a green technology **project** or acquires green technology **assets**, it must achieve the following green results:-
- a) minimises the degradation of the environment or reduces greenhouse emission;
  - b) promotes health and improvement of environment;
  - c) conserves the use of energy and/or other forms of natural resources or promotes the use of renewable energy or is able to recycle waste material resources.

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4. For a company which undertakes green technology **services** activities, the company must meet the criteria of green services as follows:-
- a) At least **one competent** / qualified **personnel** in green technology;
  - b) Must have a **green policy** related to environmental/ sustainability; and
  - c) **100% income must be derived** from green technology services.

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5. Green technology **asset** listed in MyHijau Directory means a green technology product, equipment or system used to conserve the natural environment and resources which minimizes and reduces the negative impact of human activities; and approved by the Minister of Finance (MOF).



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## Notes:

1. A **competent personnel** is defined as someone holding a certificate of competency as a service provider in the related field of green technology.
2. Green Policy is a statement about the commitment to sustainability and environment management by the company.

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## EFFECTIVE DATES

- **a) 25 October 2013**  
First QE  
Registration of new services company
  
- **b) 31 December 2020**  
Project & Services to MIDA  
Asset to MGTC

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## **PROCEDURE**

**for application for ITA Project**

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1. Register project with GBI.
2. Apply to MIDA for Project Approval (Must submit with **GBI DA <or CVA> certificate**).
3. MIDA grants Conditional Approval for **ITA project**.
4. Complete project and obtain **CVA** from GBI.
5. Obtain **Green Cost Certificate** from GBI/LAM.
6. Submit to MGTC for **QE Approval** (Must have Green Cost Cert). MGTC will verify if there are duplicate claims under ITA Assets.
7. Submit to LHDN for claim enclosing all 3 approvals.

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## **PROCEDURE**

**for application for ITE Services**

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1. New company must be registered after **25 October 2013**.
2. Submit application to **MIDA for approval** under ITE.
3. Register with **MGTC and renew** annually.
4. Ensure at least one competent / qualified personnel in green technology (**GBI Facilitator or GBI CxS**).
5. Must have a **green policy** related to environmental sustainability; and ensure **100%** of company's income is derived from green technology services only.
6. For submission to LHDN, use Income Tax MSIC business code **71109** (for GBIF company) or **71200** (for CxS company).

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**Thank You**