TAX INCENTIVES FOR GREEN TECHNOLOGY INDUSTRY

Presented By: Shahzul Jayawirawan Mohd Yunus
Green Technology Division
MIDA

11 Oct 2017
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

USA
- Los Angeles
- Houston
- New York
- Boston
- San Jose
- Chicago

Europe
- London
- Stockholm
- Munich
- Frankfurt
- Milan
- Paris

Asia + Australasia
- Tokyo
- Osaka
- Beijing
- Guangzhou
- Shanghai
- Taiwan
- Seoul
- Dubai
- Mumbai
- Singapore
- Sydney

12 State Offices

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

- Advise and assist investors on matters relating immigration, customs, labour, utilities and occupational safety & health.

- Coordinate applications for approval and other matters under the purview of the relevant ministries and departments.
INVESTMENT STRATEGIES & POLICIES
Quality Investments

Quality Investment (FDI & DDI)

- High Technology & Knowledge Intensive
- High Value Added
- Strong Linkages with Domestic Industries
- Capital Intensive
- Completing the ecosystem
- Iconic/Pioneer Project
- Skills Intensive
- Utilization of natural resources
- Green & Clean Technology
- High Income Jobs
Business Friendly Policies

OWNERSHIP
Manufacturing & selected services sectors can be wholly foreign-owned

CAPITAL
Freedom to Repatriate Capital, Interest, Dividends and Profits – No Restrictions

EXPATRIATE POST
Liberal policy, based on merit of each case
The Industrial Coordination Act, 1975 requires manufacturing companies with shareholders’ funds of RM2.5 million and above or engaging 75 or more full time paid employees to apply for a Manufacturing Licence (ML). ML application will be evaluated by MIDA.
TAX INCENTIVES FOR GREEN TECHNOLOGY
Tax Incentives for Green Technology

- Investment Tax Allowance (ITA)
- Income Tax Exemption (ITE)

Green Technology Incentive, Income Tax Act, 1967
INVESTMENT TAX ALLOWANCE
Eligible Company

- Company that **undertakes investment in a specific project that promotes sustainability and green environment**

Incentive

- Investment Tax Allowance (ITA) of **100%** of qualifying capital expenditure (QCE) incurred **from the date of application received by MIDA until 31st December 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>
</table>
| **Renewable Energy (RE)**        | Generation of energy such as electricity, steam, heat and chilled water using RE sources like solar*, biomass, biogas, mini-hydro and geothermal  
|                                  | *Excluding solar FiT project                                            |
| **Energy Efficiency (EE)**       | Investment in energy efficient equipment or technologies e.g energy efficient motor, variable speed drive, chiller, cogen etc. |
| **Green Building**               | Building owners of the commercial / industrial building that have been awarded green building certificates from certification body approved by the Government. |
| **Green Data Centre**            | 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 |
| **Integrated Waste Management Activity** | 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**:
  
  ❖ conserves the use of energy and/or other forms of natural resources or promotes the use of renewable energy or recycles waste material resources;
  
  ❖ minimises the degradation of the environment or reduces greenhouse emission;
  
  ❖ promotes health and improves environment.
## Tax Computation “With” or “Without” Tax Incentive (cont’.)

**Example : 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 (+/-) 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></td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>30%</td>
</tr>
<tr>
<td>(-) ITA</td>
<td>Nil</td>
<td><em>10,000,000</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</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
Eligible companies
• Company which provides green services that support investments in green project

Incentives
• Income tax exemption of 100% of statutory income from the year of assessment when the date of application received by MIDA until the year of assessment 2020.
# Promoted Green Services

<table>
<thead>
<tr>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy (RE)</td>
<td>Feasibility study, system design &amp; advisory &amp; consultancy, testing &amp; commissioning</td>
</tr>
<tr>
<td>Energy Efficiency (EE)</td>
<td>Advisory &amp; consultancy, energy audit &amp; management, measurement &amp; verification, testing &amp; commissioning</td>
</tr>
<tr>
<td>Green Building</td>
<td>Design &amp; consultancy, testing &amp; commissioning of green building equipment/system</td>
</tr>
<tr>
<td>Green Data Centre</td>
<td>System design &amp; feasibility study, advisory &amp; consultancy, testing &amp; commissioning</td>
</tr>
<tr>
<td>Certification or Verification Bodies</td>
<td>Green certification of products, equipment and buildings</td>
</tr>
<tr>
<td>Green Township</td>
<td>Advisory &amp; consultancy, design &amp; feasibility study in green township and low carbon cities planning</td>
</tr>
</tbody>
</table>
| Electric Vehicles (EV)          | • 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 **green services**:
  - 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>
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<th>WITHOUT TAX INCENTIVE (RM)</th>
<th>WITH TAX INCENTIVE (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Before Tax (+/-) Tax Adjustments</td>
<td>1,000,000  200,000</td>
<td>1,000,000  200,000</td>
</tr>
<tr>
<td>Adjusted Income Less: Capital Allowances</td>
<td>1,200,000  (500,000)</td>
<td>1,200,000  (500,000)</td>
</tr>
<tr>
<td>Statutory Income</td>
<td>700,000</td>
<td>700,000</td>
</tr>
<tr>
<td>Chargeable Income</td>
<td>700,000</td>
<td>100% Exempted</td>
</tr>
<tr>
<td>Tax Liability @ 24%</td>
<td>168,000</td>
<td>Nil</td>
</tr>
</tbody>
</table>
APPLICATION PROCEEDURES
# Application Form

## A Manufacturing Sector

- Forms and Guidelines

## B Services Sector

- Forms and Guidelines

## C Tax Incentives for Green Industry

- Forms and Guidelines

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**APPLICATION FOR INCENTIVE AND/OR EXPATRIATE POST(S) FOR GREEN TECHNOLOGY**

<table>
<thead>
<tr>
<th>TYPE OF APPLICATION (PLEASE TICK (✓) WHERE RELEVANT)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Application</strong></td>
</tr>
<tr>
<td>Please tick (✓) where relevant</td>
</tr>
<tr>
<td>• Investment Tax Allowance</td>
</tr>
<tr>
<td>• Expatriate Post(s)</td>
</tr>
</tbody>
</table>

| Purpose:                                   |             |             |
| • Business                                 | □           | □           |
| • Own consumption / use                   | ■           | □           |

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GTIJA (10.12.2015)  
www.mida.gov.my
Application Procedures

1. Applicant checks on project eligibility to apply ITA/ITE

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

3. MIDA receives complete application from applicant

4. MIDA prepares evaluation report

5. Presentation to National Committee on Investment (NCI)

6. Issuance of Interim Approval Letter

If the application is complete, MIDA will prepare an evaluation report and present it to the National Committee on Investment (NCI). If the application is not complete, MIDA will request further information and verification.
Applicant submits application to MGTC together with:
- Completed MIDA Form GT/JA
- Interim Approval Letter

MGTC validates project complies to GT project criteria
Comply

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

MGTC requests further information and verification

MGTC’s Validation Letter to applicant

Applicant submits tax form to IRB together with validation letter from MGTC
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
• Interim 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
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/
Wan Hashimah Wan Salleh (Ms)
Director
Green Technology Division, Level 25
MIDA Sentral, No. 5, Jalan Stesen Sentral 5
KL Sentral, 50470 Kuala Lumpur
Tel: 03 – 2267 3540
Fax: 03 – 2274 8470
Email: whashimah@mida.gov.my

Website: www.mida.gov.my

Malaysia Your Profit Centre in Asia

Thank You