INVESTMENT OPPORTUNITIES IN GREEN TECHNOLOGY INDUSTRY

Presented By: Green Technology Division, MIDA
TAX INCENTIVES IN GREEN TECHNOLOGY INDUSTRY
**Tax Incentives for Green Activities**

- Investment Tax Allowance (ITA)
- Income Tax Exemption (ITE)
- Promoted List under PIA, 1986
- Green Technology Incentive, Income Tax Act, 1967
- Promotion of Investments Act (PIA), 1986
INVESTMENT TAX ALLOWANCE
Eligible Company

A company which 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 31 December 2020.

The ITA can be utilised to offset against 70% of statutory income.
## Promoted Projects – ITA

<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 |
Company must be incorporated under the Companies Act, 1965 / 2016.

Company must achieve the following green results:

- Conserve the use of energy and/or other forms of natural resources or promote the use of renewable energy or recycles waste material resources;
- Minimise the degradation of the environment or reduces greenhouse emission; and
- Promote health and improves environment.
## Tax Computation ‘With’ & ‘Without’ Tax Incentive

### 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 add/less Tax Adjustments</td>
<td>15,000,000 2,000,000</td>
<td>15,000,000 2,000,000</td>
</tr>
<tr>
<td>Adjusted Income Less: Capital Allowances</td>
<td>17,000,000 (5,000,000)</td>
<td>17,000,000 (5,000,000)</td>
</tr>
<tr>
<td>Statutory Income</td>
<td>12,000,000</td>
<td>12,000,000</td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>*70% 30%</td>
<td></td>
</tr>
<tr>
<td>(-) ITA</td>
<td>Nil</td>
<td><strong>10,000,000</strong> -</td>
</tr>
<tr>
<td>Chargeable Income</td>
<td>12,000,000</td>
<td>3,600,000</td>
</tr>
<tr>
<td>Tax Liability @ 24%</td>
<td>2,880,000</td>
<td>864,000</td>
</tr>
<tr>
<td>Balance to be carried forward to next year of assessment</td>
<td></td>
<td>1,600,000</td>
</tr>
</tbody>
</table>

* Offset against 70% of statutory income  ** Only RM8.4 million will be utilised.
Income Tax Exemption (ITE)

Eligible Company

Companies which provide green services that support investments in green project

Incentive

Income tax exemption (ITE) of 100% of statutory income from the year of assessment where the date of application received by MIDA until year of assessment 2020.
## Promoted Green Services

<table>
<thead>
<tr>
<th>Industry</th>
<th>Services</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 (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                                             |
Company must be incorporated under the Companies Act, 1965 / 2016 and has started operation in green services after 25 Oct 2013.

Company must meet the following green services:

- Employing at least five (5) full time employees including at least one (1) competent personnel in green technology;
- Company must have a green policy related to environmental/sustainability; and
- Income that qualifies for exemption must be derived from green technology services. Income derived from other activities is not eligible for income tax exemption.
## Tax Computation ‘With’ & ‘Without’ Tax Incentive

**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>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>
Incentives for WEP

Tax Incentives for Establishment of Waste Eco Park (WEP)

- WEP Developer
- WEP Manager
- WEP Operator
WEP - Developer

ELIGIBILITY CRITERIA

Company must develop infrastructure within WEP with incorporates the following elements:
1. Basic infrastructure e.g. roads, drainage system, utilities and sewerage;
2. Building & facility for waste receiving and separation;
3. Waste water treatment;
4. Building for recycling/recovery/treatment facility;
5. Building education & awareness centre and/or
6. Disposal facility.

Minimum amount of investments in fixed assets RM50 million (excluding land).

WEP must be approved by National Solid Waste Management Department (JPSPN), relevant Waste Authorities, State Government or Local Authorities.

INCENTIVE

Income Tax Exemption of 70% of statutory income derived from:
- Rental of building;
- Rental received from the usage of waste collection and separation facility;
- Rental received from waste water treatment facility located in the WEP effective for Y.A. 2016 until Y.A. 2025.
INCENTIVE

Income Tax Exemption of 70% of statutory income for derived from services activities including management; maintenance; supervision and marketing of the WEP effective for Y.A. 2016 – Y.A. 2025.

ELIGIBILITY CRITERIA

- Company must be appointed by the WEP Developer to provide services activities approved by Government;
- Company is not allowed to import waste from other countries; and
- Reporting on wastes received/processed to WEP developer.
INCENTIVE

Income Tax Exemption of 100% of statutory income for a period of 5 years derived from the qualifying activities undertaken in the WEP; or

Income Tax Exemption equivalent to 100% of qualifying capital expenditure (ITA) incurred within 5 years period. The allowance can be offset against 70% of statutory income for each assessment year.

ELIGIBILITY CRITERIA

Type of activity : Waste Recovery, Recycling, Treatment;

Periodically submit to WEP Manager all data on waste received/processed/sold to domestic or export market; and

Company is not allowed to import waste from other countries.
APPLICATION PROCEDURES
Application Procedure – GITA / GITE

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
   - Yes: MIDA prepares evaluation report
   - No: MIDA requests further information and data verification

4. Presentation to National Committee on Investment (NCI)

5. Send *Surat Perakuan* to Ministry of Finance (MoF)

6. MIDA receives MoF Letter

7. Issuance of *Interim Approval Letter*
Applicant submits application to MGTC together with:
- Completed MIDA Form GT/JA
- Conditional Approval Letter

Project

MGTC validates project complies to GT project criteria
Comply

Services

MGTC verifies service listed/registered under MyHIJAU Mark Service
Comply

Not comply

MGTC requests further information and verification

MGTC’s Validation Letter to applicant

Project

Services

MGTC requests applicant to register under MyHIJAU Mark Service

Applicant submits Tax Form to IRB together with Validation Letter from MGTC
Submit form to MIDA:
A. WEP-D/JA – Developer
B. WEP-M/JA – Manager
C. ICA/JA-1 - Operator

MIDA received complete application from applicant

Yes  No

MIDA prepare evaluation report

Presentation by MIDA to NCI and issue decision letter within 6 weeks

MIDA request 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 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/
The First Point of Contact for Investors

Opening hours:
Mon - Fri
8.30 a.m. - 5.00 p.m.

Business Information Centre (BIC) 2nd Floor of the MIDA Sentral

Investors are also invited to visit MIDA’s Business Information Centre (BIC)

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