TAX INCENTIVES AND FACILITIES FOR RENEWABLE ENERGY AND ENERGY CONSERVATION/ENERGY EFFICIENCY

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OBJECTIVES

• Ensure long term energy security
• Encourage usage of wastes
• Reduce GHG emissions
• Reduce cost of manufacture
• Enhance competitiveness
TYPES OF TAX INCENTIVES

- **Promotion of Investments Act, 1986**
  - Pioneer Status (PS)
  - Investment Tax Allowance (ITA)

- **Income Tax Act, 1967**
  - Incentive to reduce Green House Gases (GHG)

- **Customs Act 1967 and Sales Tax Act 1972**
  - Exemption from import duty and/or sales tax on machinery, equipment, components and materials
Generation of energy using renewable energy resources is a promoted activity under the Promotion of Investments Act, 1986.

Incentives in the form of Pioneer Status or Investment Tax Allowance.

The incentives are applicable for applications received until 31 December, 2010.

The project must be implemented within 1 year from date of approval of incentive.
RENEWABLE ENERGY

(i) PIONEER STATUS

• Exemption from income tax on 100% of statutory income for 10 years.

• Unabsorbed capital allowances and accumulated losses can be carried forward and deducted from post pioneer period.

• Exemption commences from the date the company makes its first sales / date of first invoice of company
(i) PIONEER STATUS cont.

Gross Income from RE project
Less : Revenue (operating) Expenses
= Adjusted Income
Less : Capital Allowance
= Statutory Income (100% exempted)
(ii) INVESTMENT TAX ALLOWANCE

• 100% of qualifying capital expenditure incurred within a period of 5 years to be utilised against 100% of the statutory income for each year of assessment.

• Qualifying capital expenditure means capital expenditure incurred on building, plant and machinery used for the purpose of RE activities.
(ii) INVESTMENT TAX ALLOWANCE \textit{cont.}

- Unutilised allowances can be carried forward to subsequent years until fully utilised
- Effective date of ITA – date when first qualifying capital expenditure is incurred
(ii) INVESTMENT TAX ALLOWANCE cont.

Gross Income from RE projects
Less : Revenue (operating) Expenses
= Adjusted Income
Less : Capital Allowance
= Statutory Income
Less : ITA 100%
ELIGIBLE COMPANIES

(A) Companies Generating RE for Sale
   - PS with tax exemption of 100% of statutory income for 10 years; or
   - ITA of 100% for 5 years to be offset against 100% of the statutory income.

(B) Companies Generating RE for Own Consumption
   - ITA of 100% for 5 years to be offset against 100% of statutory income.
ELIGIBLE COMPANIES cont.

(C) Companies Generating RE for Sale/Own Consumption

- PS with tax exemption of 100% of statutory income for 10 years for energy sold; or
- ITA of 100% for 5 years to be offset against 100% of the statutory income for the whole project.

**Note:** Companies eligible for ITA of 100% for generating RE for own use include manufacturing companies, as well as companies managing office buildings/condominiums, shopping complexes, hotels, supermarkets, etc., provided expenditure is incurred by these companies.
ELIGIBLE COMPANIES cont.

- With effect from 8 September 2007, other companies in the same group are eligible for the same incentives as above even though one company in the group has been granted the incentive.

- Applications received by 31 December 2010 are eligible for the incentives
CRITERIA

• The company must be locally incorporated under the Companies Act 1965

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

• The company must use renewable energy resources
RENEWABLE RESOURCES

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, animal waste and others)
viii. Hydro power (not exceeding 10 MW)
ix. Solar power
RENEWABLE ENERGY

PROCEDURE

• Applications should be submitted using Form RE/JA in 3 sets to:

  The Director General
  Malaysian Industrial Development Authority (MIDA)
  2nd Floor, Block 4, Plaza Sentral
  Jalan Stesen Sentral 5
  Kuala Lumpur Sentral
  50470 Kuala Lumpur
  (Attention: Director, Business and Other Services Division)
ENERGY CONSERVATION / ENERGY EFFICIENCY
PROMOTION OF INVESTMENTS ACT, 1986

- Company intending to undertake performance contracting service activities to conserve usage of energy or company which incur capital expenditure for conserving energy for own consumption.

- Incentives in the form of Pioneer Status or Investment Tax Allowance.

- The incentives are applicable for applications received until 31 December, 2010.

- The projects must be implemented within 1 year from date of approval of incentive.
ENERGY CONSERVATION

(i) PIONEER STATUS

• Exemption from income tax on 100% of statutory income for 10 years.

• Unabsorbed capital allowances and accumulated losses can be carried forward and deducted from post pioneer period.

• Exemption commences from the date the company makes its first sales / date of first invoice of company
(i) PIONEER STATUS cont.

Gross Income from EC/EE project
Less : Revenue (operating) Expenses
= Adjusted Income
Less : Capital Allowance
= Statutory Income (100% exempted)
(ii) INVESTMENT TAX ALLOWANCE

- 100% of qualifying capital expenditure incurred within a period of 5 years to be utilised against 100% of the statutory income for each year of assessment

- Qualifying capital expenditure means capital expenditure incurred on building, plant and machinery used for the purpose of EC/EE activities
(ii) INVESTMENT TAX ALLOWANCE cont.

- Unutilised allowances can be carried forward to subsequent years until fully utilised

- Effective date of ITA – date when first qualifying capital expenditure is incurred
(ii) INVESTMENT TAX ALLOWANCE cont.

Gross Income from EC/EE projects
Less : Revenue (operating) Expenses
= Adjusted Income
Less : Capital Allowance
= Statutory Income
Less : ITA 100%
ENERGY CONSERVATION cont.

ELIGIBLE COMPANIES

(a) Companies Providing Energy Conservation Services

- PS with tax exemption of 100% of statutory income for 10 years; or

- 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.
ELIGIBLE COMPANIES cont.

(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.
Companies which provide EC/EE services must carry out performance contracting services activities to conserve the usage of energy

Performance Contracting Services Activity

- Undertake the EC/EE project on behalf of the client (including financing), on the basis of recovery of all costs from agreed sharing of EC/EE savings over a specified period based on performance contract
ELIGIBILITY CRITERIA cont.

- 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)
ENERGY CONSERVATION

PROCEDURE

• Applications should be submitted using Form EE/JA in 3 sets to:

  The Director General
  Malaysian Industrial Development Authority (MIDA)
  2nd Floor, Block 4, Plaza Sentral
  Jalan Stesen Sentral 5
  Kuala Lumpur Sentral
  50470 Kuala Lumpur
  (Attn.: Director, Business and Other Services Division)
INCENTIVE TO REDUCE GREEN HOUSE GASES
INCENTIVE TO REDUCE GREEN HOUSE GASES

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

- Provided under Income Tax Act, 1967
- Incomes derived from trading of Certified Emission Reductions (CERs) certificates are given income tax exemption.
- Effective from YA 2008 to YA 2010.
IMPORT DUTY AND SALES TAX EXEMPTION UNDER CUSTOMS ACT 1967 AND SALES TAX ACT, 1972
TYPES OF EXEMPTION

- Exemption from import duty and sales tax on imported machinery, equipment, materials, components, spare parts/replacement parts and consumables
  - Section 14(2) Customs Act 1967

- Exemption from sales tax on machinery, equipment, materials, components, spare parts/replacement parts and consumables purchased from local manufacturers
  - Section 10 Sales Tax Act 1972
IMPORT DUTY AND SALES TAX EXEMPTION

CRITERIA

- **Used directly** for the generation of energy using renewable energy resources or for energy conservation/energy efficiency
- **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 AND SALES TAX EXEMPTION

DURATION OF EXEMPTION

- Exemption is considered for a period of one (1) year
- Exemption starts from the date the application is received by MIDA
IMPORT DUTY AND SALES TAX EXEMPTION

APPLICATION PROCEDURE

• Applications should be submitted using form PC Services (2007) complete with Appendix ‘A’ or Appendix ‘A1’ in 4 sets to:

The Director General
Malaysian Industrial Development Authority (MIDA)
2nd Floor, Block 4, Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral 5
50470 Kuala Lumpur
(Attn. : Director, Business and Other Services Division)
IMPORT DUTY AND SALES TAX EXEMPTION

BUDGET 2009

EXEMPTION ON IMPORTED / LOCALLY PURCHASED RE EQUIPMENT

• Import duty and sales tax exemption on solar photovoltaic system equipment for the usage by third parties given to importers, including photovoltaic services providers approved by the Energy Commission

• Sales tax exemption on the purchase of solar heating system equipment from local manufacturers

• Effective for applications received by Ministry of Finance from 30 August 2008 till 31 December 2010
BUDGET 2009

EXEMPTION ON IMPORTED / LOCALLY PURCHASED RE EQUIPMENT (cont.)

Criteria

- Applicants must be service providers or importers of RE equipment approved by Energy Commission (EC)

- Confirmation from EC on EE equipment (Applicants must obtain EC’s confirmation before submitting the applications)

- Equipment is for end user
IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

BUDGET 2009

EXEMPTION ON IMPORTED / LOCALLY PURCHASED EE EQUIPMENT

• Import duty and sales tax exemption on EE equipment such as high efficiency motors and insulation materials given to importers, including authorised agents approved by EC.

• Sales tax exemption on the purchase of locally manufactured EE consumer goods, such as refrigerators, air conditioners, lightings, fans and televisions.

• Effective for applications received from 30 August 2008 until 31 December 2010.
IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

BUDGET 2009

EXEMPTION ON IMPORTED / LOCALLY PURCHASED EE EQUIPMENT (cont.)

Criteria

- Applicants must be importers including authorised agents by EC
- Confirmation from EC on EE equipment (Applicants must obtain EC’s confirmation before submitting the applications)
- Equipment is for end user
THANK YOU

Website: www.mida.gov.my