GBI Roadshow 2016

NEW TAX INCENTIVES FOR GREEN BUILDINGS
GOVERNMENT FACILITATION AND INCENTIVES FOR GREEN BUILDING

Presenter:
Hazli Jemaat, Deputy Director
Clean Technology & Environmental Management Division, MIDA
SDCC Kuala Lumpur, 15 Dec 2016
Presentation Outline

- MIDA’s Role
- Investment Policies
- National Green Technology Policy
- Approved Investments
- Green Technology Tax Incentive
- Promoted Industries
- Tax computations “With” or “Without” Tax Incentive
- Criteria for Green Technology Tax Incentive
- Criteria for verification by MGTC
- Other incentives / facilitation
- Contact us
In 1967 Malaysian Industrial Development Authority (MIDA) was established under Act of Parliament, 1965

Principal Malaysian government agency responsible for investment promotion and industrial development

Point of contact for investors intend to set up projects in manufacturing and services sectors

In Mar 2004 Government mandated MIDA to promote investments in services sector

In 2011 restructuring and rebranding - Malaysian Investment Development Authority
### MIDA’s Role

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Evaluation</th>
<th>Planning</th>
<th>Follow-up / Monitoring</th>
</tr>
</thead>
</table>
| - Foreign Direct Investment  
- Domestic Investment  
- Business matching through E-BizMatch  
- Manufacturing & Services | - Manufacturing licence  
- Tax incentive  
- Expatriate post  
- Duty exemption  
- Principal hub and R&D status | - Planning for industrial development  
- Recommend policies and strategies on industrial promotion and development  
- Formulation of strategies, programmes and initiatives for international economic cooperation | - Assist companies in the implementation and operation of their projects  
- Facilitate exchange & co-ordination among institutions engaged in or connected with industrial development  
- Advisory Services |
MIDA’s Global Network

23 Overseas Centres
MIDA State Offices

ALOR SETAR
KOTA BHARU
KUALA TERENGGANU
KUANTAN
SEREMBAN
MELAKA
JOHOR BAHRU
KUCHING

KOTA KINABALU

12 State Offices
Quality Investments

Quality Investment (FDI & DDI)

- High Technology & Knowledge Intensive
- Iconic/Pioneer Project
- Skills Intensive
- Utilization of natural resources
- Green & Clean Technology
- High Income Jobs
- 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
- High Value Added
- Strong Linkages with Domestic Industries
- Capital Intensive
- Completing the ecosystem
24 July 2009 - National Green Technology Policy was launched by the Prime Minister
Definition of Green Technology

The development and application of products, equipment and systems used to conserve the natural environment and resources, which minimizes and reduces negative impact of human activities.
Criteria

• *minimises the degradation* of the environment
• has *zero or low greenhouse gases* emission;
• *safe for use and promotes* healthy and improved environment;
• *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.
Application of GT in all energy utilisation sectors, power generation and in the energy supply management

Adoption of GT in construction, management, maintenance and demolition of buildings

Adoption of GT in management & utilisation of water resources, waste treatment, solid waste & sanitary landfill

Incorporation of GT in the transportation infrastructure & vehicles, in particular, biofuels & public road transport

Focus Areas

Energy

Building

Water & Waste Management

Transportation
## EE projects approved as at 31 Dec 2015

<table>
<thead>
<tr>
<th>Type of Services</th>
<th>No. of projects</th>
<th>Total Investment (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Consumption</td>
<td>95</td>
<td>6,042,695,406</td>
</tr>
<tr>
<td>ESCO</td>
<td>16</td>
<td>449,926,952</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>111</strong></td>
<td><strong>6,492,622,358</strong></td>
</tr>
</tbody>
</table>

## RE projects approved as at 31 Dec 2015

<table>
<thead>
<tr>
<th>RE Projects Based on Sources</th>
<th>No. of projects</th>
<th>Total Investment (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar</td>
<td>234</td>
<td>2,616,512,396</td>
</tr>
<tr>
<td>Biomass</td>
<td>121</td>
<td>4,428,434,077</td>
</tr>
<tr>
<td>Biogas</td>
<td>61</td>
<td>874,921,807</td>
</tr>
<tr>
<td>Mini Hydro</td>
<td>13</td>
<td>823,365,032</td>
</tr>
<tr>
<td>Geothermal</td>
<td>1</td>
<td>506,289,635</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>430</strong></td>
<td><strong>9,249,522,947</strong></td>
</tr>
</tbody>
</table>

* Approved Incentives since year 2001 - 2015

Source: MIDA
Waste Recycling projects approved as at 31 Dec 2015

<table>
<thead>
<tr>
<th>Industry</th>
<th>Approved Incentives</th>
<th>Total Investment (RM million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plastic Products</td>
<td>39</td>
<td>313.5</td>
</tr>
<tr>
<td>Rubber Products</td>
<td>30</td>
<td>1,364.8</td>
</tr>
<tr>
<td>Basic Metal Products</td>
<td>16</td>
<td>224.01</td>
</tr>
<tr>
<td>Chemical &amp; Chemical Products</td>
<td>12</td>
<td>149.7</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>5</td>
<td>43.6</td>
</tr>
<tr>
<td>Textiles &amp; Textile Products</td>
<td>1</td>
<td>7.6</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3</td>
<td>63.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>106</strong></td>
<td><strong>2,166.3</strong></td>
</tr>
</tbody>
</table>

* Approved Incentives since year 1980-2015

Source: MIDA
GREEN TECHNOLOGY
TAX INCENTIVE
## PREVIOUS INCENTIVE FOR GREEN BUILDING

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Income Tax / Stamp Duty Incentives</th>
</tr>
</thead>
</table>
| Building Expenditure incurred by a person or company (Income Tax (Exemption) (No. 8) Order 2009) | • **100% tax exemption** on additional capital expenditure to obtain GBI certificate  
• Set off against **100% statutory income**  
• Incentive claimed once certified issued for **new buildings and upgrade of existing buildings**  
• Effective date: Buildings awarded **GBI certificates from 24 October 2009 to 31 December 2014**                                                                 |
| Property buyers (Stamp Duty (Exemption) Order 2009)                       | • **Stamp duty exemption** based on additional cost to obtain GBI certificate  
• **Buildings & residential properties** with GBI certificate  
• Applies only to purchase from developers  
• First property owner only  
• Effective date: **Sales and purchase agreements executed from 24 October 2009 until 31 December 2014**                                                                 |

**Note:** The incentives are subject to the conditions set by the Malaysian Investment Development Authority (MIDA).
NEW INCENTIVE UNDER GREEN TECHNOLOGY

- Introduced in Budget 2014 (Budget announcement on 25 Oct 2013)

- Objective - Encourage companies to utilize green technology/ invest green equipment for own use/benefit or business purposes

- Cover wider scope of industries: RE, EE, GB, Waste, Support Services

- Meet the criteria of Green Technology as defined in the National Green Technology Policy

- Application received by 31/12/2020

- Eligible for developers / owners of projects and service providers for green project
**GREEN TECHNOLOGY INCENTIVE, INCOME TAX ACT, 1967**

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>SERVICES</th>
<th>ASSET</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition</strong></td>
<td>Investment in assets/equipment/system to undertake a Green Technology project</td>
<td>Provision of services to Green Technology user/project</td>
</tr>
<tr>
<td><strong>Incentive</strong></td>
<td>Investment Tax Allowance (ITA) of 100% of qualifying capital expenditure incurred from the YA 2013 until the YA 2020. (offset against 70% of statutory income)</td>
<td>Income Tax Exemption (ITE) of 100% of statutory income from the YA 2013 until the YA 2020</td>
</tr>
<tr>
<td><strong>Evaluating Agency</strong></td>
<td>MIDA</td>
<td>MIDA</td>
</tr>
</tbody>
</table>
Energy
- Renewable Energy
- Energy Efficiency

Building
- Green Building
- Green Data Centre

Integrated Waste Management
- Waste recycling
- Waste recovery
- Waste treatment

Supporting Services
- Certification & verification bodies
- Green Township
- Electric Vehicle Services
Building owners of the commercial / industrial building that have been awarded green building certificates from certification body approved by the Government.

Design & consultancy, testing & commissioning of green building equipment/system.
Project

Investment in any energy efficient product or solution for data centre which have been awarded green building certificates from relevant certification body approved by the Government

Services

System design & feasibility study, Advisory & consultancy, Testing & commissioning
Services

Services related to advisory & consultancy, design & feasibility study in green township and low carbon cities planning
## EXAMPLES OF QUALIFYING EXPENDITURE FOR GREEN BUILDING

<table>
<thead>
<tr>
<th>Category</th>
<th>Types of Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Buildings</strong></td>
<td></td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>• Insulation wall</td>
</tr>
<tr>
<td></td>
<td>• Motion sensor</td>
</tr>
<tr>
<td></td>
<td>• High efficiency motor</td>
</tr>
<tr>
<td></td>
<td>• Variable Speed Drive</td>
</tr>
<tr>
<td>Water Efficiency</td>
<td>• Rainwater Harvesting System</td>
</tr>
<tr>
<td></td>
<td>• Water recycling system</td>
</tr>
<tr>
<td>Indoor Environmental Quality</td>
<td>• Air filter</td>
</tr>
</tbody>
</table>

*Note: The amount of qualifying expenditure for ITA is based on Green Cost Certificate issued by Green Building Certification Bodies*
**TAX COMPUTATIONS “WITH” OR “WITHOUT” TAX INCENTIVE**

**Example 1: Assumption: ITA RM4.6 million**

<table>
<thead>
<tr>
<th></th>
<th>WITHOUT TAX INCENTIVE (RM Million)</th>
<th>WITH TAX INCENTIVE (RM Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits before tax add/less 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>70%</td>
<td>30%</td>
</tr>
<tr>
<td>(-) ITA</td>
<td>Nil</td>
<td>4,600,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>300,000</td>
</tr>
<tr>
<td>Chargeable income</td>
<td>7,000,000</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Tax liability @ 24%</td>
<td>1,680,000</td>
<td>576,000</td>
</tr>
</tbody>
</table>
### Tax Computations “With” or “Without” Tax Incentive

**Example 2: Assumption: ITA RM10 million**

<table>
<thead>
<tr>
<th>Description</th>
<th>Without Tax Incentive (RM Million)</th>
<th>With Tax Incentive (RM Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits before tax add/less tax adjustments</td>
<td>10,000,000</td>
<td>10,000,000</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>70%</td>
<td>30%</td>
</tr>
<tr>
<td>(-) ITA</td>
<td>Nil</td>
<td>10,000,000</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>
## PROJECT

### Criteria

| a) | Company must be incorporated under the Companies Act, 1965 |
| b) | New or existing company undertaking green project which do not commence operation in green project earlier than 25 October 2013 |
| c) | Company must achieve the following green results: |
|    | - minimises the degradation of the environment or reduces greenhouse emission; |
|    | - promotes health and improves of environment; |
|    | - conserves the use of energy and/or other forms of natural resources or promotes the use of renewable energy or recycles waste material resources. |

### Main Conditions

| a) | Asset verified by MGTC (must be registered in Myhijau Directory or certified by recognised certification bodies by GreenTech Malaysia) |
| b) | Annual verification on project by MGTC |
## SERVICES

### Criteria

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>Company must be incorporated under the Companies Act, 1965</td>
</tr>
<tr>
<td>b)</td>
<td>Eligible for new or existing co which do not commence operation in green services activities earlier than 25 October 2013</td>
</tr>
</tbody>
</table>
| c) | Company must meet the following green services:  
  i) At least one competent / qualified personnel of company in green technology  
  ii) Company must have a green policy related to environmental/sustainability; and  
  iii) 100% of company’s income must be derived from green technology services.  |

### Main Conditions

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>Services registered in Myhijau Services</td>
</tr>
<tr>
<td>b)</td>
<td>Annual verification on services by MGTC</td>
</tr>
</tbody>
</table>
### DOCUMENTS REQUIRED

<table>
<thead>
<tr>
<th>Project</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>GT/JA Form in three (3) sets</td>
<td>GT/JA Form in three (3) sets</td>
</tr>
<tr>
<td>Copy of the Design Assessment (DA) / completion and verification assessment (CVA) / Green Cost Certificate</td>
<td>Details of competent personnel in Green Technology with a recognized qualifications for providing GT services as provided in MyHijau Directory</td>
</tr>
<tr>
<td>Proof of building ownership</td>
<td>Information on Company’s Green Policy</td>
</tr>
<tr>
<td>Certificate of Incorporation, Form 24 (return of Allotment of Shares), Form 49 (Particulars of Directors)</td>
<td>Certificate of Incorporation, Form 24 (return of Allotment of Shares), Form 49 (Particulars of Directors)</td>
</tr>
<tr>
<td>Other relevant supporting documents</td>
<td>Other relevant supporting documents</td>
</tr>
</tbody>
</table>
APPLICATION FLOW FOR PROJECT AND SERVICES

1. Applicant checks on project eligibility to claim ITA Project

2. Applicant submits application to MIDA - Form GT/JA & relevant documents

3. MIDA receives complete application from applicant

   Yes → MIDA prepares evaluation report

   No → MIDA requests further information and verification

4. Presentation by MIDA to National Committee on Investment (NCI) and issues conditional approval to applicant
APPLICATION FLOW FOR PROJECT AND SERVICES (CONT’.)

1. Applicant submits application to MGTC together with:
   - Completed MIDA Form GT/JA
   - Conditional Approval Letter
   - CVA & Green Cost Certificate

2. MGTC validates project complies to GT project criteria

3. MGTC validation letter to applicant

4. Applicant submits application to MGTC for CVA and Green Cost Certificate

5. MGTC verifies service listed/registered under MyHIJAU Mark

6. MGTC requests further information and verification

7. Applicant submits tax form to IRB together with verification letter from MGTC

8. MGTC requests applicant to register under MyHIJAU Mark Service

Compliance Flow:
- Project: Comply → MGTC validation letter to applicant
- Services: Comply → MGTC requests further information and verification
  - Not comply → MGTC requests applicant to register under MyHIJAU Mark Service
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
• Completion and Verification Assessment Certificate
• Green Cost Certificate

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 MGTC.
• 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/
APPLICATION PROCEDURE

Project / Services
GT/JA form (www.mida.gov.my)

Evaluation of incentives
Clean Technology & Environment Management Div.
Malaysian Investment Development Authority (MIDA)
MIDA SENTRAL
Level 25, No. 5, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

Submission by 31/12/2020

From
1/1/2016

Verification of project/services
• Malaysian Green Technology Corporation (MGTC)
  No. 2 Jalan 9/10
  Persiaran Usahawan Seksyen 9
  43650 Bandar Baru Bangi
  Selangor Darul Ehsan
FACILITATION & INCENTIVES FOR MANUFACTURING OF GREEN PRODUCTS
Guidelines on Manufacturing Licence

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 processed by MIDA.
**Pioneer Status**
Income tax exemption ranging from 70% or 100% for a period of 5 or 10 years

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

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

**Import Duty Exemption**
For raw materials/components and Machinery and Equipment
EXAMPLE:

(1) Alternate energy equipment, products, systems, devices or components such as solar cells / panels / module / system
(2) Energy saving lightings
(3) Building materials such as clay-based, sand-based and other non-metallic mineral products
(4) Industrialized building system (IBS)
(5) Specialised machinery / equipment for specific industry
(6) Waste equipment / waste water treatment plant

CRITERIA: Specified value added, MTS, level of D&D, local employment, etc.
APPLICATION PROCEDURES

Applicant check eligibility criteria for ML and incentive

Submit Form ICA/JA to relevant Divisions in MIDA (based on finished product)

MIDA evaluates application and tabled at National Committee on Investments

Decision letter will be issued within 6 weeks from complete information received

Company needs to apply for compliance / determination of effective date of incentive to Licensing & Incentive Compliance & Monitoring Division, MIDA (within 24 months)
Licensing & Incentive Compliance and Monitoring Division, MIDA evaluates application

BORANG PIA '86 (ITA)-95(II)
Verification of Compliance to Investment Tax

BORANG PIA '86 (ITA)-(I)
Application for the Determination of Effective Date of Investment Tax (ITA 1)

APPROVED INVESTMENT TAX ALLOWANCE (ITA)

Submission within 24 month from the date of approval

BORANG PIA '86
Application for Pioneer Certificate

Comply

Applicant submit tax form to IRB

Comply
OTHER FACILITATION FOR GREEN PROJECT
Objective is to promote green investments by providing easier access to financing and at a lower financing costs.

Financial incentive introduced in 2010.
- RM1.5 billion in Budget 2010
- (incentive period ending in Dec 2012);
- Additional RM2 billion allocation in 2013 (incentive period ending in Dec 2017).
- Total allocation RM3.5 billion.

Incentives:
- 60% guarantee by Government on green financing cost.
- 2% rebate on financing interest rate of green technology cost.

Implementation agency
- Malaysia Green Technology Corporation (MGTC), Credit Guarantee Corporation (CGC)

More info from www.gtfs.my
## GTFS KEY FEATURES

<table>
<thead>
<tr>
<th>Features</th>
<th>Producer of Green Technology</th>
<th>User of Green Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Purpose</strong></td>
<td>To finance investment for the production of green products</td>
<td>To finance investment in the utilization of green technology</td>
</tr>
<tr>
<td><strong>Financing Size</strong></td>
<td>Maximum: RM100 million per company (effective from 15 June 2016)</td>
<td>Maximum: RM10 million per company</td>
</tr>
<tr>
<td><strong>Financing Tenure</strong></td>
<td>Up to 15 years</td>
<td>Up to 10 years</td>
</tr>
<tr>
<td><strong>Eligibility</strong></td>
<td>Legally registered Malaysian companies that have at least 51% Malaysian shareholding</td>
<td>Legally registered Malaysian companies that have at least 70% Malaysian shareholding</td>
</tr>
<tr>
<td><strong>Participating Financial Institutions (PFIs)</strong></td>
<td>All commercial and Islamic banks, and DFIs (Bank Pembangunan, SME Bank, Agrobank, Bank Rakyat, EXIM Bank and Bank Simpanan Nasional)</td>
<td></td>
</tr>
<tr>
<td><strong>Government Incentives</strong></td>
<td>• Rebate of 2% per annum of interest/profit rate&lt;br&gt;• 60% Government guarantee of financing amount</td>
<td></td>
</tr>
<tr>
<td><strong>Application Date</strong></td>
<td>The Scheme will open until 31 December 2017 or upon approval of financing up to RM3.5 billion, whichever is earlier</td>
<td></td>
</tr>
</tbody>
</table>
Thank You

Clean Technology and Environment Management Division
Level 25, MIDA Sentral
No. 5 Jalan Stesen Sentral 5, K L Sentral
50470 Kuala Lumpur
Tel. 03 – 2267 3633, Fax. 03 – 2274 7970
investmalaysia@mida.gov.my