NEW TAX INCENTIVES FOR GREEN BUILDINGS
NEW TAX INCENTIVES FOR GREEN BUILDINGS

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
III. INCENTIVES
IV. ELIGIBILITY CRITERIA
V. EFFECTIVE DATE OF APPLICATION
VI. PROCEDURE FOR APPLICATION FOR ITA PROJECT AND ITE SERVICES
VII. PROCEDURE FOR APPLICATION FOR ITA ASSETS
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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.
NEW TAX INCENTIVES FOR GREEN BUILDINGS

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
NEW TAX INCENTIVES FOR GREEN BUILDINGS

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
# NEW TAX INCENTIVES FOR GREEN BUILDINGS

Green Cost Certifications 15 Aug 2016

<table>
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<tr>
<th>Tool</th>
<th>Number of Projects with Approved Green Cost</th>
<th>Green Costs Claimed (RM)</th>
<th>Approved Green Cost Value (RM) (Incremental Costs)</th>
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NEW TAX INCENTIVES FOR GREEN BUILDINGS

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
NEW TAX INCENTIVES
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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.
NEW TAX INCENTIVES FOR GREEN BUILDINGS

Qualifying Activities for SERVICES

- renewable energy,
- energy efficiency,
- electrical vehicles,
- green buildings,
- green data centre,
- green certification and verification,
- green township
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.
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.
NEW TAX INCENTIVES
FOR GREEN BUILDINGS

INCENTIVES

Investment Tax Allowance (ITA)
- ITA Project
- ITA Asset

Income Tax Exemption (ITE)
- ITE Services
NEW TAX INCENTIVES FOR GREEN BUILDINGS

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.
NEW TAX INCENTIVES FOR GREEN BUILDINGS

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.
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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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