
TAX INCENTIVES FOR GREEN TECHNOLOGY INDUSTRY

By: N. Gogielan
Green Technology Division, MIDA

26 July 2017
PAM Centre, Bangsar, Kuala Lumpur
MIDA IN BRIEF
Who Are We?

Promotion

Project Evaluation

Planning

Follow Up/Monitoring

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

- Los Angeles
- Houston
- New York
- Boston
- San Jose
- Chicago
- London
- Stockholm
- Munich
- Frankfurt
- Milan
- Paris
- Tokyo
- Osaka
- Beijing
- Guangzhou
- Shanghai
- Seoul
- Dubai
- Mumbai
- Singapore
- Taiwan
- Sydney

12 State Offices

- Johor Bahru
- Melaka
- Kuantan
- Kuching
- Kota Kinabalu
- Kuala Terengganu
- Ipoh
- Selangor
- Seremban
- Alor Setar
- Penang

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

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

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

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

**OWNERSHIP**
Manufacturing & selected services sectors that are fully liberalised

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

**EXPATRIATE POST**
Liberal policy, based on merit of each case
Hand-holding Investors

- **MIDA provides the overall facilitation to investors on the establishment of projects**

- **Infrastructure & Industry Support Division in MIDA HQ** will monitor and render assistance to expedite the implementation of approved manufacturing and services projects.

- **MIDA State Directors** are stationed at the respective states to ‘hand-hold’ and assist investors in obtaining all necessary approvals until projects are operational.
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.
Total Approved Investments

RM Billion
2016  207.9
2015  193.0

Projects Approved
2016  4,972
2015  5,207

RM207.9 billion

FDI
RM59 bil. (28%)

DDI
RM148.9 bil. (72%)

72:28
Domestic: Foreign

Employment opportunities
2016  153,060
2015  180,244
Investments by Sector & Source

- **Primary**: RM8.2 bil. (4%)
- **Services**: RM141.2 bil. (68%)
- **Manufacturing**: RM58.5 bil. (28%)

**Services sector remains strong and continues to lead with investment of RM141.2 bil.**

**Domestic investments continue to spearhead private investments**

- **2016**
  - Domestic Investments: RM148.9 bil. (72% DDI, 28% FDI)
  - Foreign Investments: RM59 bil.

- **2015**
  - Domestic Investments: RM156.9 bil. (81% DDI, 19% FDI)
  - Foreign Investments: RM36.1 bil.
## Approved Investments 2001-2016

### EE Projects Approved as at 31<sup>st</sup> December 2016

<table>
<thead>
<tr>
<th>Type of Services</th>
<th>No. of Projects</th>
<th>Total Investment (RM mill)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Own Consumption</td>
<td>106</td>
<td>5,962.04</td>
</tr>
<tr>
<td>Energy Service Company (ESCO)</td>
<td>23</td>
<td>492.52</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>129</strong></td>
<td><strong>6,454.56</strong></td>
</tr>
</tbody>
</table>

### RE Projects Approved as at 31<sup>st</sup> December 2016

<table>
<thead>
<tr>
<th>RE Projects Based on Sources</th>
<th>No. of Projects</th>
<th>Total Investment (RM mill)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar</td>
<td>318</td>
<td>3,288.9</td>
</tr>
<tr>
<td>Biomass</td>
<td>126</td>
<td>4,758.0</td>
</tr>
<tr>
<td>Biogas</td>
<td>73</td>
<td>1,015.0</td>
</tr>
<tr>
<td>Mini Hydro</td>
<td>23</td>
<td>1,630.0</td>
</tr>
<tr>
<td>Geothermal</td>
<td>1</td>
<td>506.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>541</strong></td>
<td><strong>11,198.2</strong></td>
</tr>
</tbody>
</table>

Source: MIDA
## Approved Investments (cont’.)

Waste Recycling Projects Approved ML/Incentive as at 31st December 2016 – Top 5

<table>
<thead>
<tr>
<th>Industry</th>
<th>No. of Projects</th>
<th>Total Investment (RM mill)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Metal Products</td>
<td>45</td>
<td>1,909.7</td>
</tr>
<tr>
<td>Rubber Products</td>
<td>47</td>
<td>1,814.2</td>
</tr>
<tr>
<td>Chemical &amp; Chemical Products</td>
<td>43</td>
<td>1,216.4</td>
</tr>
<tr>
<td>Plastic Products</td>
<td>73</td>
<td>844.5</td>
</tr>
<tr>
<td>Petroleum Products</td>
<td>22</td>
<td>339.4</td>
</tr>
</tbody>
</table>

Source: MIDA
Tax Incentives for Green Activities

- Green Technology Incentive, Income Tax Act, 1967
- Investment Tax Allowance (ITA)
- Income Tax Exemption (ITE)
Eligible Company

- A company that **undertake 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

<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 gases (GHG) emission;

  ❖ promotes health and improves environment.
Income Tax Exemption (ITE)

Eligible companies
• A company which provide green services that support investment in green project

Incentives
• Income tax exemption of 100% of statutory income from the date application received by MIDA in the current year of assessment 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**            | • 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
INCENTIVES FOR WASTE INDUSTRY
Incentives for Waste Industry

Promoted List under Promotion of Investment Act (PIA), 1986

Green Technology Incentives, under Income Tax Act, 1967

Establishment of Waste Eco Park (WEP) under Income Tax Act, 1967
<table>
<thead>
<tr>
<th>Incentive under PIA, 1986</th>
<th>For single activity i.e. recycling only or manufacturing of products from waste source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incentive under Green Technology</td>
<td>Besides recycling, waste recovery and treatment activities are also included to encourage more sustainable production and consumption. Focus on more integrated activities of waste management which includes composting, storage, disposal.</td>
</tr>
<tr>
<td>Incentive for Waste Eco Park Establishment</td>
<td>To encourage the establishment of integrated facility for waste management activities e.g. basic infra, waste segregation, education centre, recycling, waste treatment.</td>
</tr>
</tbody>
</table>
(i) Recycling of Waste

- Toxic and Non-toxic Waste
- Chemicals
- Reclaimed Rubber

Applicable to all industries e.g Metal & Alloys, Chemical, Textile, Electrical & Electronic and etc.

(ii) Processing of Agricultural Waste & by Products

  e.g Processing sugar cane mill waste, rice mill waste, palm oil mill/estate waste and etc to manufacture animal feed, fertilizer and pellets.
Promoted Activities for Waste Industry under the Promotion of Investments Act (PIA), 1986 (cont’.)

❖ **PIONEER STATUS (PS)**
Income tax exemption of 70% of the statutory income for a period of 5 years; **OR**

❖ **INVESTMENT TAX ALLOWANCE (ITA)**
Investment tax allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years to be utilised against 70% of the statutory income.

**CRITERIA**

• For waste recycling, companies are not allowed to import waste/scrap; and
• For biomass product, minimum value added requirement is 40% and Managerial, Technical & Supervisory (MTS) ratio is 25%.
Incentive For Waste Eco Park (WEP), Income Tax Act, 1967

Tax Incentives for Waste Eco Park (WEP)

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

❖ 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.

❖ 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
WEP - Manager

INCENTIVE

Income Tax Exemption of 70% of statutory income 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.
WEP - Operator

❖ 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 not allowed to import waste from other countries.
## Tax Computation “With” or “Without” Tax Incentive - Project

### Example 1: Assumption: ITA: RM4.6 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% 30%</td>
</tr>
<tr>
<td>(-) ITA</td>
<td>Nil</td>
<td>4,600,000 2,100,000</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>

Example 1: Assumption: ITA: RM4.6 million

### Notes:
- **ITA** refers to the Initial Tax Allowance.
- Percentage calculations are based on statutory income.
- Tax Liability is calculated at 24% for each scenario.
### Tax Computation “With” or “Without” Tax Incentive (cont’.)

**Example 2: 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</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>(+/-) Tax Adjustments</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Adjusted Income</td>
<td>12,000,000</td>
<td>12,000,000</td>
</tr>
<tr>
<td>Less: Capital Allowances</td>
<td>(5,000,000)</td>
<td>(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><em>10,000,000</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</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></td>
<td>5,100,000</td>
</tr>
</tbody>
</table>

* Only RM4.9 million will be utilised.
**Tax Computation “With” Tax Incentive - Services**

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</td>
<td>10,000,000</td>
<td>10,000,000</td>
</tr>
<tr>
<td>(+/-) Tax Adjustments</td>
<td>2,000,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Adjusted Income</td>
<td>12,000,000</td>
<td>12,000,000</td>
</tr>
<tr>
<td>Less: Capital Allowances</td>
<td>(5,000,000)</td>
<td>(5,000,000)</td>
</tr>
<tr>
<td>Statutory Income</td>
<td>7,000,000</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Chargeable Income</td>
<td>7,000,000</td>
<td>100% Exempted</td>
</tr>
<tr>
<td>Tax Liability @ 24%</td>
<td>1,680,000</td>
<td>Nil</td>
</tr>
</tbody>
</table>
APPLICATION PROCEDURES
# Application Form

## A Manufacturing Sector
- Forms and Guidelines

## B Services Sector
- Forms and Guidelines

## C Tax Incentives for Green Industry
- Forms and Guidelines

---

### Application for Incentive and/or Expatriate Post(s) for Green Technology

<table>
<thead>
<tr>
<th>Type of Application</th>
<th>Project</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please tick (✓) where relevant</td>
<td>□ Investment Tax Allowance □ Expatriate Post(s)</td>
<td>□ Income Tax Exemption □ Expatriate Post(s)</td>
</tr>
<tr>
<td>Purpose:</td>
<td>□ Business</td>
<td>□ Own consumption / use</td>
</tr>
</tbody>
</table>
**Application Procedures**

1. Applicant checks on project eligibility to apply ITA/ITE
2. Application submitted 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 verification
4. Presentation to National Committee on Investment (NCI)
5. Issuance of Interim Approval Letter
Applicant submits application to MGTC together with:
- Completed MIDA Form GT/JA
- Interim Approval Letter

MGTC validates project complies to GT project criteria

MGTC verifies service listed/registered under MyHIJAU Mark Services

MGTC’s Validation Letter to applicant

Applicant submits tax form to IRB together with validation letter from MGTC
Application Procedures - Waste Eco Park

WEP Incentive, Income Tax Act, 1967

- Effective from 1 Jan 2016
- Application received by 31/12/2020
- Form WEP-D/JA, WEP-M/JA, ICA/JA-1 & guideline are available on MIDA website

For further details, please refer to www.mida.gov.my
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 Application for Pioneer Certificate Submission within 24 months from the date of approval

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

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

APPROVED INVESTMENT TAX ALLOWANCE (ITA)

APPROVED PIONEER STATUS (PS)

BORANG PIA '86 Application for Pioneer Certificate Submission within 24 months from the date of approval
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 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/