

Missed the application deadline for Renewable Energy and Energy Efficiency incentives? Contemplating whether to explore into green industry? Don't fret as Deloitte Tax Services Sdn Bhd's Tax Director, Tan Eng Huat and Associate Director, Joshua Voon Chet Shen have jointly written an article, "Greener Days Ahead for Malaysia" to enlighten you with the latest extension of application period and updates on tax incentives for the green industry.

## Greener Days Ahead for Malaysia



**Tan Eng Huat**  
Tax Director



**Joshua Voon Chet Shen**  
Associate Director

“Go Green” – The wave towards sustainable development continues to surge across developed markets to emerging economies. Following our Honorable Prime Minister, Datuk Seri Najib Tun Razak’s pledge during the Copenhagen climate summit in 2009, many efforts have been introduced to promote a sustainable economy with balanced energy mix. Being aligned with the global trend, Malaysia placed its aspiration to raise Malaysia’s profile as an Asian green technology hub and increase local capabilities as part of the National Key Economic Area (NKEA) for business services. As part of its aspiration, the government subsequently introduced various movements mitigating climate change and green technology including the National Renewable Energy Policy and Action Plan in 2010, the enactment of the Renewable Energy Act 2011 and the official establishment of Sustainable Energy Development Authority of Malaysia (SEDA Malaysia) in 2011. According to SEDA, the target for renewable energy generation should reach 2,080 MW or 11% by 2020 and 4,000 MW by 2030.

In its effort to add momentum on the adoption of green technology in Malaysia, the Government has made available several tax incentives for green industry which we will be focusing on in this article.

### Review of Tax Incentives for Green Industry

#### Extension of Renewable Energy (RE) and Energy Efficiency (EE) Incentives beyond 31 December 2015

Previously, to enjoy a tax incentive for Pioneer Status (PS) or Investment Tax Allowance (ITA), companies undertaking RE and EE activities were required to submit their applications to Malaysian Investment Development Authority (MIDA) by 31 December 2015. However, to the delight of many, these green technology incentives will now be extended to 31 December 2020.

Note: Projects which have been approved with Feed-in-Tariff (FiT) for solar by SEDA are not eligible for the ITA.

## Green Technology Incentive Includes More Qualifying Activities

Another favourable news is that the qualifying activities for **green technology projects** or **services** will also be extended to include projects such as green building, green data centre, waste management, as well as services relating to electric vehicle, green certification and verification, green township. These additional qualifying activities are also eligible for the tax incentives made available for RE and EE as stated above.

The following tax incentives are available for companies which:-

i) Undertake green technology **project** or **services** activities:

a. Green Technology Projects

ITA 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 business income in the year of assessment. Unutilised allowances can be carried forward until they are fully absorbed.

b. Green Technology Services

Income tax exemption of 100% of statutory business income from the year of assessment 2013 until the year of assessment 2020.

ii) Purchase green technology asset (listed in MyHijau Directory).

ITA 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. The allowance can be offset against 70% of statutory business income in the year of assessment. Unutilised allowances can be carried forward until they are fully absorbed.

Effective:

- i) Projects / Services: For applications received by MIDA by 31 December 2020
- ii) Assets: For applications received by MGTC by 31 December 2020

## New Incentives for Waste Eco Parks (WEPs)

a) Incentive for WEP Developer (Companies)

Income Tax Exemption of 70% on statutory business income derived from **rental of building, fees received from the usage of waste collection and separation facility and**

**fees received from waste water treatment facility** located in the WEP effective from Year of Assessment 2016 until Year of Assessment 2025.

Effective: For applications received by MIDA from 1 January 2016 until 31 December 2020

b) Incentive for WEP Manager (Companies)

Income Tax Exemption of 70% on statutory business income derived from service activities relating to **management, maintenance, supervision and marketing** of the WEP effective from Year of Assessment 2016 until Year of Assessment 2025.

Effective: For applications received by MIDA from 1 January 2016 until 31 December 2020

c) Incentive for WEP Operator (Companies)

Income Tax Exemption of 100% on statutory business income for a period of 5 years, derived from the qualifying activities (**waste treatment / waste recovery / waste recycling**) undertaken in the WEP; or

ITA of 100% of qualifying capital expenditure incurred within a period of 5 years. The allowance can be offset against 70% of statutory business income for each assessment year.

Effective: For applications received by MIDA from 1 January 2016 until 31 December 2020

## How can Deloitte Tax Malaysia help you?

We have assisted numerous clients in the evaluation and application of tax incentives and we therefore understand the importance of providing high-quality end results. We are committed to ensuring that you receive the results worthy of your investment.

Our services encompass the following:

### Understanding, analysing & evaluating

- Obtaining in-depth understanding of business plan
- Carrying out cost-benefit analysis



### Incentives application support

- Assisting in application drafting and submission
- Participating in meetings and attending queries



### Tax controversy support

- Seek concurrence
- Resolve disputes with tax authorities



### Post-approval support

- Following-up on written approval & implications
- Appealing against any unfavorable decision

