

By **RONNIE LIM**

IN Part 1 of this two-part series yesterday, I made the point that green taxes are both fashionable and essential. Examples of green taxes were cited and carbon trading explained. In Part 2 today, the focus shifts to Malaysia and the need for a global eco-tax protocol, to which most countries subscribe, is re-emphasised.

Malaysia is full of luscious greenery. In addition, the Government has taken steps to green existing taxes and incentives, with greater impetus in recent budget proposals.

Malaysia exempts from tax income derived from trading in certified emission reduction certificates. Buses using natural gas can be tax depreciated over two years. Indirect tax exemptions or reductions are available for high-efficiency motors, insulation material and hybrid cars.

Enhanced pioneer status or investment tax allowance is available to companies generating energy from renewable sources and expenditure on energy conservation.

These are some glimpses of green in Malaysian taxation.

Wish list for green tax perks in Budget 2010

The country cannot afford to be perceived by the international community to be lacking in eco-friendly measures

Malaysia has chosen to emphasise incentives in greening its tax system. This approach has been adopted because implementing green taxes is politically problematic.

What is needed and what people are prepared to accept may be poles apart. Taxing polluters may give rise to a flight of manufacturers to less green countries.

There should be strong political will, education, consultation, marketing, a reduction in income tax as well as transparency if green taxes are to be

introduced on a holistic basis.

What should Budget 2010 hold in relation to green programmes? I would include in my wish list revitalising the economy through green capital projects which have the potential to help Malaysia environmentally in the future.

In addition, the announcement of the introduction of eco-taxes would provide direction for the cash rich to embark on green technology programmes.

One notable feature of tropical



Customers check Toyota Motor's hybrid vehicle Prius at the company's showroom in Tokyo. Hopefully, more eco-friendly vehicles will be available in Malaysia at reasonably attractive prices. — AFP

Malaysia is its increasing heat levels. We can introduce tax credits or subsidies for energy-efficient walls, windows, roofs, air-conditioners and the use of waste gas to generate energy.

Improved incentives to promote the use of hybrid vehicles would also be welcome. Any incentive or tax must be significant enough in monetary terms or else the behaviour of the consumer will not be altered.

Will green taxation feature in Budget 2010? I predict that several green initiatives will be announced on Oct 23. My confidence is based on my view that Malaysia cannot afford to be perceived by the international community to be lacking in green measures.

These may well include incentives for companies and households which reduce consumption of electricity and transport companies which reduce CO2 emissions.

The newly-formed Energy, Green Technology and Water Ministry would no doubt work with the Finance Ministry to further encourage Malaysia to be evergreen.

However, I am sure that the environmental tax reform to be announced in Budget 2010 will not be comprehensive. Malaysia, like many other countries, will merely tinker with green taxes. The whole world is far from ready for a holistic green tax reform.

I hope that the United Nations Climate Change Conference, scheduled for December, will allow governments to act decisively and cohesively to develop commitments made in Kyoto in 2005 and create a global protocol on green taxes.

It is significant that Copenhagen has been chosen as the venue for this conference as Denmark is a leading country which has successfully implemented green taxation.

Without such a protocol, the epic examples of that which took place in the Netherlands and

Norway would long be remembered as self-defeating eco-tax initiatives.

An airport tax introduced at Schiphol reduced the passengers there but increased the number of commuters from the Netherlands to Belgium and the air passenger traffic there.

Similarly, when Norway levied duty on nitrogen dioxide emissions from ships, etc, shipping routes were changed with fewer vessels calling at Norwegian ports.

It would be a waste if major advancement through the Copenhagen conference is not achieved because material environmental benefits can be reaped through green taxation.

There can be a corresponding reduction in income taxes but only eco-taxes would directly contribute to environmental protection in addition to raising revenue, part or all of which may be used towards environmental purposes.

Hopefully, the price of the iconic 4-litre/100km Toyota Prius, which costs RM175,000 on the road (RM128,000 in Langkawi and Labuan), will be further reduced through Budget 2010.

We also look forward to a time when more eco-friendly vehicles, be they hybrid Camry from Thailand, Smart or other cars, will be available here at reasonably attractive prices.

Will cabinet ministers and CEOs of Malaysia's listed companies likewise promote greening within their ministries and companies and in corporate social responsibility programmes?

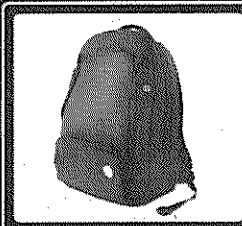
I trust that the day will come when national and corporate leaders will shift from petrol guzzlers and emission tanks to eco-friendly vehicles and thereby set the tone from the top. Personal choices — that's where the (natural) rubber hits the road.

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