



# TAX INCENTIVES AND FACILITIES FOR RENEWABLE ENERGY AND ENERGY CONSERVATION/ ENERGY EFFICIENCY

*Lim Bee Vian  
Malaysian Industrial Development Authority (MIDA)*

*16 November 2009*

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# OBJECTIVES

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

- **Ensure long term energy security**
- **Encourage usage of wastes**
- **Reduce GHG emissions**
- **Reduce cost of manufacture**
- **Enhance competitiveness**



# TYPES OF TAX INCENTIVES

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

- **Promotion of Investments Act, 1986**
  - Pioneer Status (PS)
  - Investment Tax Allowance (ITA)
- **Income Tax Act, 1967**
  - Incentive to reduce Green House Gases (GHG)
- **Customs Act 1967 and Sales Tax Act 1972**
  - Exemption from import duty and/or sales tax on machinery, equipment, components and materials





# RENEWABLE ENERGY

# RENEWABLE ENERGY

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## PROMOTION OF INVESTMENTS ACT, 1986

- Generation of energy using renewable energy resources is a promoted activity under the Promotion of Investments Act, 1986.
- Incentives in the form of Pioneer Status or Investment Tax Allowance.
- The incentives are applicable for applications received until 31 December, 2010.
- The project must be implemented within 1 year from date of approval of incentive.



## (i) PIONEER STATUS

- **Exemption from income tax on 100% of statutory income for 10 years.**
- **Unabsorbed capital allowances and accumulated losses can be carried forward and deducted from post pioneer period.**
- **Exemption commences from the date the company makes its first sales / date of first invoice of company**



## (i) PIONEER STATUS *cont.*

$$\begin{aligned} & \text{Gross Income from RE project} \\ & \text{Less : Revenue (operating) Expenses} \\ & = \text{Adjusted Income} \\ & \text{Less : Capital Allowance} \\ & = \text{Statutory Income (100\% exempted)} \end{aligned}$$





## (ii) INVESTMENT TAX ALLOWANCE

- **100% of qualifying capital expenditure incurred within a period of 5 years to be utilised against 100% of the statutory income for each year of assessment**
- **Qualifying capital expenditure means capital expenditure incurred on building, plant and machinery used for the purpose of RE activities**



## (ii) INVESTMENT TAX ALLOWANCE *cont.*

- **Unutilised allowances can be carried forward to subsequent years until fully utilised**
- **Effective date of ITA – date when first qualifying capital expenditure is incurred**




## (ii) INVESTMENT TAX ALLOWANCE *cont.*

**Gross Income from RE projects**  
**Less : Revenue (operating) Expenses**  
**= Adjusted Income**  
**Less : Capital Allowance**  
**= Statutory Income**  
**Less : ITA 100%**



## ELIGIBLE COMPANIES

- 
- (A) Companies Generating RE for Sale**
- PS with tax exemption of 100% of statutory income for 10 years; or
  - ITA of 100% for 5 years to be offset against 100% of the statutory income.
- (B) Companies Generating RE for Own Consumption**
- ITA of 100% for 5 years to be offset against 100% of statutory income.

## ELIGIBLE COMPANIES *cont.*

### **(C) Companies Generating RE for Sale/Own Consumption**

- **PS with tax exemption of 100% of statutory income for 10 years for energy sold; or**
- **ITA of 100% for 5 years to be offset against 100% of the statutory income for the whole project.**

**Note: Companies eligible for ITA of 100% for generating RE for own use include manufacturing companies, as well as companies managing office buildings/ condominiums, shopping complexes, hotels, supermarkets, etc., provided expenditure is incurred by these companies.**

## ELIGIBLE COMPANIES *cont.*

- **With effect from 8 September 2007, other companies in the same group are eligible for the same incentives as above even though one company in the group has been granted the incentive.**
- **Applications received by 31 December 2010 are eligible for the incentives**



# RENEWABLE ENERGY

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## CRITERIA

- **The company must be locally incorporated under the Companies Act 1965**
- **The company must generate the following energy forms:-**
  - (i) Electricity**
  - (ii) Steam**
  - (iii) Chilled water**
  - (iv) Heat**
- **The company must use renewable energy resources**



## RENEWABLE RESOURCES

- i. Palm oil mill / estate waste**
- ii. Rice mill waste**
- iii. Sugar cane mill waste**
- iv. Timber / sawmill waste**
- v. Paper recycling mill waste**
- vi. Municipal waste**
- vii. Biogas (from landfill, palm oil mill effluent, animal waste and others)**
- viii. Hydro power (not exceeding 10 MW)**
- ix. Solar power**





## PROCEDURE

- Applications should be submitted using Form RE/JA in 3 sets to :

**The Director General  
Malaysian Industrial Development Authority  
(MIDA)  
2<sup>nd</sup> Floor, Block 4, Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
(Attention: Director, Business and Other  
Services Division)**



# ENERGY CONSERVATION / ENERGY EFFICIENCY

## PROMOTION OF INVESTMENTS ACT, 1986

- **Company intending to undertake performance contracting service activities to conserve usage of energy or company which incur capital expenditure for conserving energy for own consumption.**
- **Incentives in the form of Pioneer Status or Investment Tax Allowance.**
- **The incentives are applicable for applications received until 31 December, 2010.**
- **The projects must be implemented within 1 year from date of approval of incentive.**



## (i) PIONEER STATUS

- **Exemption from income tax on 100% of statutory income for 10 years.**
- **Unabsorbed capital allowances and accumulated losses can be carried forward and deducted from post pioneer period.**
- **Exemption commences from the date the company makes its first sales / date of first invoice of company**



# ENERGY CONSERVATION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## (i) PIONEER STATUS *cont.*

**Gross Income from EC/EE project**  
**Less : Revenue (operating) Expenses**  
**= Adjusted Income**  
**Less : Capital Allowance**  
**= Statutory Income (100% exempted)**



# ENERGY CONSERVATION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## (ii) INVESTMENT TAX ALLOWANCE

- **100% of qualifying capital expenditure incurred within a period of 5 years to be utilised against 100% of the statutory income for each year of assessment**
- **Qualifying capital expenditure means capital expenditure incurred on building, plant and machinery used for the purpose of EC/EE activities**



# ENERGY CONSERVATION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## (ii) INVESTMENT TAX ALLOWANCE *cont.*

- **Unutilised allowances can be carried forward to subsequent years until fully utilised**
- **Effective date of ITA – date when first qualifying capital expenditure is incurred**



## (ii) INVESTMENT TAX ALLOWANCE *cont.*

**Gross Income from EC/EE projects**  
**Less : Revenue (operating) Expenses**  
**= Adjusted Income**  
**Less : Capital Allowance**  
**= Statutory Income**  
**Less : ITA 100%**





## ELIGIBLE COMPANIES

### (a) Companies Providing Energy Conservation Services

- PS with tax exemption of 100% of statutory income for 10 years; or
- ITA of 100% on qualifying capital expenditure incurred within a period of 5 years to be utilised against 100% of the statutory income for each year of assessment.

# ENERGY CONSERVATION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## ELIGIBLE COMPANIES *cont.*

**(b) Companies which incur capital expenditure for conserving energy for own consumption**

- **ITA of 100% on qualifying capital expenditure incurred within a period of 5 years to be utilised against 100% of the statutory income for each year of assessment.**



# ENERGY CONSERVATION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## ELIGIBILITY CRITERIA *cont.*

**Companies which provide EC/EE services must carry out performance contracting services activities to conserve the usage of energy**

### *Performance Contracting Services Activity*

- **Undertake the EC/EE project on behalf of the client (including financing), on the basis of recovery of all costs from agreed sharing of EC/EE savings over a specified period based on performance contract**



# ENERGY CONSERVATION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## ELIGIBILITY CRITERIA *cont.*

- **The following services are also taken into account under the performance contracting services activity for consideration of tax incentives:**
  - **Consultancy and Advisory Services (energy audit, training, energy management services, feasibility studies)**
  - **Project Management (design and tendering, procurement, supervision and commissioning of the project)**



## PROCEDURE

- **Applications should be submitted using Form EE/JA in 3 sets to :**
  - The Director General**
  - Malaysian Industrial Development Authority (MIDA)**
  - 2<sup>nd</sup> Floor, Block 4, Plaza Sentral**
  - Jalan Stesen Sentral 5**
  - Kuala Lumpur Sentral**
  - 50470 Kuala Lumpur**
  - (Attn. : Director, Business and Other Services Division)**





# INCENTIVE TO REDUCE GREEN HOUSE GASES

# INCENTIVE TO REDUCE GREEN HOUSE GASES

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

- **Provided under Income Tax Act, 1967**
- **Incomes derived from trading of Certified Emission Reductions (CERs) certificates are given income tax exemption.**
- **Effective from YA 2008 to YA 2010.**



# **IMPORT DUTY AND SALES TAX EXEMPTION UNDER CUSTOMS ACT 1967 AND SALES TAX ACT, 1972**





# IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## TYPES OF EXEMPTION

- **Exemption from import duty and sales tax on imported machinery, equipment, materials, components, spare parts/ replacement parts and consumables**
  - Section 14(2) Customs Act 1967
- **Exemption from sales tax on machinery, equipment, materials, components, spare parts/replacement parts and consumables purchased from local manufacturers**
  - Section 10 Sales Tax Act 1972



# IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## CRITERIA

- Used directly for the generation of energy using renewable energy resources or for energy conservation/energy efficiency
- Not manufactured locally
- For Sabah and Sarawak, items are not produced in the respective States
- Locally manufactured items cannot meet requirements (in terms of quantity or specifications)



# IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## DURATION OF EXEMPTION

- **Exemption is considered for a period of one (1) year**
- **Exemption starts from the date the application is received by MIDA**



# IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## APPLICATION PROCEDURE

- Applications should be submitted using form PC Services (2007) complete with Appendix 'A' or Appendix 'A1' in 4 sets to :

**The Director General  
Malaysian Industrial Development Authority (MIDA)  
2nd Floor, Block 4, Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
(Attn. : Director, Business and Other Services  
Division)**

# IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## BUDGET 2009

### EXEMPTION ON IMPORTED / LOCALLY PURCHASED RE EQUIPMENT

- **Import duty and sales tax exemption on solar photovoltaic system equipment for the usage by third parties given to importers, including photovoltaic services providers approved by the Energy Commission**
- **Sales tax exemption on the purchase of solar heating system equipment from local manufacturers**
- **Effective for applications received by Ministry of Finance from 30 August 2008 till 31 December 2010**

# IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## BUDGET 2009

### EXEMPTION ON IMPORTED / LOCALLY PURCHASED RE EQUIPMENT *(cont.)*

#### Criteria

- Applicants must be service providers or importers of RE equipment approved by Energy Commission (EC)
- Confirmation from EC on EE equipment (Applicants must obtain EC's confirmation before submitting the applications)
- Equipment is for end user



# IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## BUDGET 2009

### EXEMPTION ON IMPORTED / LOCALLY PURCHASED EE EQUIPMENT

- **Import duty and sales tax exemption on EE equipment such as high efficiency motors and insulation materials given to importers, including authorised agents approved by EC.**
- **Sales tax exemption on the purchase of locally manufactured EE consumer goods, such as refrigerators, air conditioners, lightings, fans and televisions.**
- **Effective for applications received from 30 August 2008 until 31 December 2010.**

# IMPORT DUTY AND SALES TAX EXEMPTION

MALAYSIAN INDUSTRIAL DEVELOPMENT AUTHORITY

## BUDGET 2009

### EXEMPTION ON IMPORTED / LOCALLY PURCHASED EE EQUIPMENT *(cont.)*

#### Criteria

- Applicants must be importers including authorised agents by EC
- Confirmation from EC on EE equipment (Applicants must obtain EC's confirmation before submitting the applications)
- Equipment is for end user





***THANK YOU***

***Website : [www.mida.gov.my](http://www.mida.gov.my)***