

MALAYSIA: INVESTMENT IN THE SERVICES SECTOR

# ENVIRONMENTAL MANAGEMENT SERVICES





# Introduction

This booklet is one of a series of 20 booklets prepared by MIDA for the purpose of providing investors with relevant information on establishing projects in the identified services sub-sectors in Malaysia. The complete list of booklets is as follows:

- Booklet 1:** General Policies, Facilities and Guidelines
- Booklet 2:** Regional Operations
- Booklet 3:** Research and Development (R&D) Services
- Booklet 4:** Logistics Services
- Booklet 5:** Specialised Technical Support Services
- Booklet 6:** Information and Communication Technology Services
- Booklet 7:** Environmental Management Services
- Booklet 8:** Distributive Trade Services
- Booklet 9:** Tourism and Travel Related Services
- Booklet 10:** Education and Industrial Training Service
- Booklet 11:** Legal Services
- Booklet 12:** Accounting, Auditing and Taxation Services
- Booklet 13:** Architectural Consultancy Services
- Booklet 14:** Surveying Consultancy Services
- Booklet 15:** Medical and Health Care Services
- Booklet 16:** Engineering and Energy Consultancy Services
- Booklet 17:** Management Consultancy Services
- Booklet 18:** Market Research Services
- Booklet 19:** Advertising Services
- Booklet 20:** Quick Reference

*The Ministry of International Trade & Industry (MITI) spearheads the development of industrial activities to further enhance Malaysia's economic growth. As an agency under MITI, the Malaysian Investment Development Authority (MIDA) is in charge of the promotion and coordination of industrial development in the country.*

*MIDA is the first point of contact for investors who intend to set up projects in manufacturing and services sector in Malaysia. With its headquarters in Malaysia's capital city of Kuala Lumpur, MIDA has established a global network of 20 overseas offices covering North America, Europe and the Asia Pacific to assist investors interested in establishing manufacturing projects and services activities in Malaysia. Within Malaysia, MIDA has 12 branch offices in the various states to facilitate investors in the implementation and operation of their projects.*

*If you wish to explore investment opportunities in Malaysia, please contact MIDA for more information as well as assistance in your decision-making (please see the last page of contact details of MIDA's headquarters and state and overseas offices).*

# ENVIRONMENTAL MANAGEMENT SERVICES

BOOKLET

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# ENVIRONMENTAL MANAGEMENT SERVICES

Environmental management services cover, amongst others, the following:

- Environmental impact assessment (EIA) consultancy
- Environmental management system (EMS) compliance with ISO 14000
- Scheduled wastes management (including waste recycling, waste disposal and recovery, sewage recovery and disposal, sanitation and similar activities)
- Environmental pollution control consultancy
- Energy-related services including generation of renewable energy and conservation of energy

Companies intending to undertake environmental management services must be incorporated locally under the Companies Act, 2016.

In addition, specific licence, registrations or approvals must be obtained by companies intending to directly undertake the activities listed below:

## **1. ENVIRONMENTAL IMPACT ASSESSMENT (EIA) CONSULTANCY**

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EIA is a study to identify, predict, evaluate and communicate information about the impacts on the environment of a proposed project and to detail out the mitigating measures prior to project approval and implementation. EIA in Malaysia is required under Section 34A, Environmental Quality Act, 1974.

Activities that are subject to EIA requirements are prescribed under Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015 (EIA Order 2015).

Detailed information on EIA requirements in Malaysia can be found in Department of Environment's (DOE) publication entitled Environmental Impact Assessment (EIA) Guideline in Malaysia 2016 or in DOE website at [www.doe.gov.my](http://www.doe.gov.my).

Based on the EIA Order 2015, the activities specified in the First Schedule and the Second Schedule are prescribed activities. The activities specified in the First Schedule do not require public display and public comment unless otherwise instructed, in writing, by the Director General. The activities specified in the Second Schedule require public display and public comment. The prescribed activities are also included the following activities:

- (a) any prescribed activity which has been divided into a size or quantum smaller than the size or quantum specified in the First Schedule and the Second Schedule; or
- (b) any activity involving the increase in size or quantum resulting such activity to be categorized as prescribed activities.

Public display and public comment referred to a display of a report, at a place and within the time determined by the Director General, to obtain public comment in relation to that report.

**List of Prescribed Activities under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order, 20**

FIRST SCHEDULE  
[Subparagraphs 3(1) and (4)]

1. AGRICULTURE:

- (a) Land development schemes covering an area of 20 hectares or more but less than 500 hectares to bring forest into agricultural production.
- (b) Development of agricultural estates covering an area of 500 hectares or more involving changes in types of agricultural use.

2. AERODROME:

Expansion of an aerodrome involving a runway of 1,000 metres or longer.

3. DRAINAGE AND IRRIGATION:

- (a) Construction of man-made lakes and enlargement of artificial lakes with surface areas of 100 hectares or more.
- (b) Irrigation schemes covering an area of 500 hectares or more.

4. FISHERIES:

Land based aquaculture projects accompanied by clearing of mangrove forest, peat swamp forest or fresh water swamp forest covering an area of 20 hectares or more but less than 50 hectares.

5. FORESTRY:

- (a) Conversion of forest at 300 meters or more above mean sea level to other land use covering an area of 20 hectares or more but less than 100 hectares.
- (b) Logging, or cutting or taking of timber for the purpose of conversion from forest to other land use covering an area of 100 hectares or more but less than 500 hectares.
- (c) Logging, or cutting or taking of timber from forest at less than 300 meters above mean sea level covering an area of 100 hectares or more, outside permanent reserved forest.

- (d) Conversion of an area of—
  - (i) mangrove forest;
  - (ii) peat swamp forest; or
  - (iii) fresh water swamp forest,

for industrial, housing or agricultural use covering an area of 20 hectares or more but less than 50 hectares.

- (e) Development of planted forest covering an area of 100 hectares or more but less than 500 hectares.

6. INDUSTRY:

- (a) Chemical:

Production capacity of each product or combined products of 100 tonnes or more per day.

- (b) Cement:

Cement grinding plant with cement production capacity of 200 tonnes or more per day.

- (c) Lime:

Production of 100 tonnes or more per day of burnt lime using rotary kiln or 50 tonnes or more per day of burnt lime using vertical kiln.

- (d) Petrochemicals:

Production capacity of each product or combined product of less than 50 tonnes per day.

- (e) Shipyards:

Dead weight tonnage of 5,000 tonnes or more.

7. LAND RECLAMATION:

Coastal reclamation or land reclamation along river banks involving an area of less than 50 hectares.

8. MINING:

- (a) Ore processing outside mineral tenement area, including concentrating of aluminium, copper, gold, iron, tantalum or rare earth element.
- (b) Sand mining on land or river or in coastal area or in territorial waters not exceeding 3 nautical miles measured from the low-water line, involving an area of 20 hectares or more.
- (c) Sand mining in continental shelf area.

9. PETROLEUM:

- (a) Development of—
  - (i) oil field;
  - (ii) gas field; or
  - (iii) oil and gas field.
- (b) Construction of 30 kilometres or more in length of—
  - (i) off-shore pipelines;
  - (ii) on-shore pipelines; or
  - (iii) off-shore pipelines and on-shore pipelines.
- (c) Construction of—
  - (i) oil separation, processing, handling and storage facilities;
  - (ii) gas separation, processing, handling and storage facilities; or
  - (iii) oil and gas separation, processing, handling and storage facilities.
- (d) Construction of product depot for the storage of petrol, gas or diesel which has the combined storage capacity of 60,000 barrels or more (excluding service station) within 3 kilometres from any commercial, industrial or residential area.

10. PORTS:

- (a) Expansion of port involving an increase of 50 percent or more in handling capacity per annum.
- (b) Expansion of fishing port involving an increase of 50 percent or more in fish landing capacity per annum.

11. POWER GENERATION AND TRANSMISSION:

- (a) Construction of steam generated power station using fossil fuels (other than coal) and having the capacity of 10 megawatts or more, with or without transmission line.
- (b) Construction of combined cycle power station, with or without transmission line.
- (c) Construction of transmission line in environmentally sensitive area.

12. DEVELOPMENT IN COASTAL AND HILL AREA:

- (a) Construction of building or facilities with 80 rooms or more in coastal area.
- (b) Construction of hill-station resort or hotel at 300 meters or more above mean sea level covering an area of 20 hectares or more.

13. DEVELOPMENT IN SLOPE AREA:

Development or land clearing less than 50 per cent of an area with slope greater than or equal to 250 but less than 350.

14. WASTE TREATMENT AND DISPOSAL:

(a) Scheduled waste:

- (i) Construction of recovery plant (off-site).
- (ii) Construction of wastewater treatment plant (off-site).
- (iii) Construction of storage facility (off-site).

(b) Solid waste:

- (i) Construction of composting plant.
- (ii) Construction of recovery plant or recycling plant.

(c) Sewage:

- (i) Construction of sewage treatment plant with 20,000 population equivalent or more.
- (ii) Sludge treatment facilities.

15. DREDGING:

- (a) Capital dredging.
- (b) Disposal of waste dredged materials.

16. HOUSING:

Housing development covering an area of 50 hectares or more.

17. INDUSTRIAL ESTATE DEVELOPMENT:

Development of industrial estate covering an area of 20 hectares or more.

18. NEW TOWNSHIP:

Construction of new township consisting of 2,000 housing accommodation units or more or covering an area of 100 hectares or more.

19. QUARRY:

Quarrying of rock material.

20. ROAD:

- (a) Construction of expressways.
- (b) Construction of highways.
- (c) Construction of road, tunnel or bridge traversing or adjacent or near to environmentally sensitive areas.



21. WATER SUPPLY:

Groundwater development for industrial, agricultural or urban water supply of 4,500 cubic metres or more per day.

SECOND SCHEDULE  
[Subparagraphs 3(1) and (4)]

1. AGRICULTURE:

- (a) Land development schemes covering an area of 500 hectares or more to bring forest into agricultural production.
- (b) New pig farming area of 2,000 or more standing pig population.

2. AERODROME:

- (a) Construction of a new aerodrome involving a runway of 1,000 metres or longer.
- (b) Construction of aerodrome in or adjacent or near to any state park, national park, national marine park, island surrounding marine park or environmentally sensitive area.

3. DRAINAGE AND IRRIGATION:

- (a) Construction of man-made lakes and artificial enlargement of lakes with surface areas of 50 hectares or more in or adjacent or near to environmentally sensitive area.
- (b) Any drainage of wetland, wild-life habitat or of dry inland forest covering an area of 20 hectares or more.

4. FISHERIES:

Land based aquaculture projects accompanied by clearing of mangrove forest, peat swamp forest or fresh water swamp forest covering an area of 50 hectares or more.

5. FORESTRY:

- (a) Conversion of forest at 300 meters or more above mean sea level to other land use covering an area of 100 hectares or more.
- (b) Logging or conversion of forest to other land use within—
  - (i) a catchment area of reservoirs used for municipal water supply, irrigation or hydro-power;
  - (ii) an area adjacent or near to any state park, national park or national marine park;
  - (iii) any state park, national park or national marine park; or
  - (iv) an area gazetted as water catchment forest under the National Forestry Act 1984 [Act 313].
- (c) Logging, or cutting or taking of timber from forest at 300 meters or more above mean sea level covering an area of 100 hectares or more, outside permanent reserved forest.

- (d) Logging, or cutting or taking of timber covering an area of 500 hectares or more.
- (e) Development of planted forest covering an area of 500 hectares or more.
- (f) Conversion of an area of—
  - (i) mangrove forest;
  - (ii) peat swamp forest; or
  - (iii) fresh water swamp forest, for industrial, housing or agricultural use covering an area of 50 hectares or more.
- (g) Clearing of mangrove forest, peat swamp forest or fresh water swamp forest on islands adjacent to any national marine park.

6. INDUSTRY:

- (a) Non-ferrous:
  - (i) Primary smelting aluminium (all sizes).
  - (ii) Primary smelting copper (all sizes).
  - (iii) Primary smelting other non-ferrous (producing 50 tonnes product or more per day).
- (b) Cement:
 

With clinker production capacity of 30 tonnes or more per hour.
- (c) Iron and steel:
  - (i) Using iron ore as raw materials for production of 100 tonnes or more per day.
  - (ii) Using scrap iron as raw materials for production of 200 tonnes or more per day.
- (d) Petrochemicals:
 

Production capacity of each product or combined product of 50 tonnes or more per day.
- (e) Pulp, or pulp and paper:
 

Production capacity of 50 tonnes or more per day.
- (f) Recycle paper industry:
 

Production capacity of 50 tonnes or more per day.

7. LAND RECLAMATION:

- (a) Coastal reclamation or land reclamation along river banks involving an area of 50 hectares or more.

- (b) Coastal reclamation or land reclamation along river banks within or adjacent or near to environmentally sensitive areas.
  - (c) Reclamation for man-made island.
8. MINING:
- (a) Mining of minerals in new areas involving large scale operation.
  - (b) Mining of minerals within or adjacent or near to environmentally sensitive area.
9. PETROLEUM:
- (a) Construction of oil refineries.
  - (b) Construction of gas refineries.
  - (c) Construction of oil and gas refineries.
10. PORTS:
- (a) Construction of a new port.
  - (b) Construction of a new fishing port.
11. POWER GENERATION AND TRANSMISSION:
- (a) Construction of coal fired power station and having the capacity of 10 megawatts or more with or without transmission line.
  - (b) Construction of nuclear-fuel power station with or without transmission line.
12. DEVELOPMENT IN COASTAL AREA, NATIONAL PARK AND STATE PARK:
- Development of tourist facilities, recreational facilities or other facilities—
- (a) in any national park or state park; or
  - (b) on any island in surrounding waters which has been gazetted as a national marine park or marine reserve under the Fisheries Act 1985 [Act 317].
13. DEVELOPMENT IN SLOPE AREA:
- (a) Development or land clearing of 50 per cent or more of an area with slope greater than or equal to 250 but lesser than 350.
  - (b) Construction of road, tunnel or bridge traversing an area with slope greater than or equal to 350.
14. WASTE TREATMENT AND DISPOSAL:
- (a) Scheduled waste:
    - (i) Construction of thermal treatment plant.

- (ii) Construction of off-site recovery plant for lead acid battery wastes.
  - (iii) Construction of off-site recovery plant or treatment facility that generates significant amount of wastewater which is located at the upstream of public water supply intake.
  - (iv) Construction of secure landfill facility.
- (b) Solid waste:
- (i) Construction of thermal treatment plant.
  - (ii) Construction of sanitary landfill facility.
  - (iii) Construction of transfer station.
15. CONSTRUCTION OF DAM:
- (a) Construction of dam or impounding reservoir for the purpose of irrigation, flood mitigation, control of siltation, recreational, water supply or any other reason with a surface area of 100 hectares or more.
  - (b) Dam and hydro-electric power scheme with either or both of the following:
    - (i) dam of 15 metres or more in height and ancillary structures covering a total area of 40 hectares or more;
    - (ii) reservoir with a surface area of 100 hectares or more.
16. TRANSPORTATION:
- (a) Construction of new routes or branch line for a mass rapid transport project.
  - (b) Construction of new railway route or railway branch lines.
17. RADIOACTIVE MATERIALS AND RADIOACTIVE WASTE:
- Any activity specified in this Schedule and the First Schedule using radioactive materials and generating radioactive wastes.

### **1.1 Licensing and Registration**

An EIA Study has to be conducted by competent individuals who are registered with DOE under the EIA Consultant Registration Scheme. DOE will not approve EIA reports that are conducted by unregistered individuals. As such, the project proponent or EIA study team leader has to ensure that all members in the EIA study team are registered with DOE. Registration for foreign consultants is also available under the same scheme.

The list of registered EIA consultants (including Subject Consultants and Assistant Consultants) can be also be viewed at the DOE website at [www.doe.gov.my](http://www.doe.gov.my)

### **1.2 Equity Policy**

There is no specific equity condition for companies undertaking EIA consultancy services. However, the Government encourages joint-ventures between Malaysian and foreign investors to increase local participation in business.

### 1.3 Specific Immigration Procedures

Companies providing EIA consultancy can seek support for hiring the services of expatriates.

Before applying for the Employment Pass for expatriates, the company or organisation must apply for approval of the related post from the Expatriate Committee of the Immigration Department.

Upon approval, companies should forward their applications for Employment Passes to the Immigration Department.

## 2. ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

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For Environmental Management System (EMS) compliance with ISO 14000, details on the policies and procedures for establishment are provided in Booklet 5: Specialised Technical Support Services, under the section entitled 'Accreditation and Certification'.

## 3. SCHEDULED WASTES MANAGEMENT SERVICES

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Scheduled wastes management refers to the provision under Section 34B, Environmental Quality Act, 1974 that is no person shall (a) place, deposit or dispose of, or cause or permit to place, deposit or dispose of, except at prescribed premises only, any scheduled wastes on land or into Malaysian waters; (b) receive or send, or cause or permit to be received or sent any scheduled wastes in or out of Malaysia; or (c) transit or cause or permit the transit of scheduled wastes, without any prior written approval of the Director General.

The prescribed premises mean any premises prescribed by the Minister under Section 18, Environmental Quality Act, 1974. Under the Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) Order, 1989, six (6) types of 'prescribed premises':

- (i) Off-site storage facilities – premises occupied or used for the storage, collection or transfer of any scheduled waste which is not produced on those premises;
- (ii) Off-site treatment facilities - premises occupied or used for the processing of any scheduled waste which is not produced on those premises;
- (iii) Off-site recovery facilities - premises occupied or used for the retrieval of material or product from any scheduled waste which is not produced on those premises;
- (iv) Scheduled wastes incinerators- premises occupied or used for the thermal destruction of any scheduled waste;
- (v) Land treatment facilities- premises used for the land treatment of any scheduled waste , such as sludge farming; and and
- (vi) Secured landfills –premises occupied or used for the disposal of any scheduled waste on land.

Special management of scheduled waste management is a specific method proposed by the applicant, for a particular type of waste that has been scientifically proven of not having significant hazardous characteristics with the potential to adversely affect human health and the environment, to be excluded from being treated, recovered or disposed of at a prescribed

premises licenced by the Department of Environment or facilities on site. The relevant legislation with regards to the special management of scheduled waste is Regulation 7, Environmental Quality (Scheduled Wastes) Regulations 2005.

DOE will issue licences or renew licences with the provisions under Section 18(1) and 18(1A) of the Environmental Quality Act, 1974 for:

- (i) Prescribed premises; and
- (ii) Prescribed conveyance

Starting from 15 August 2005, licence is required to use prescribed conveyances as stipulated in the Environmental Quality (Prescribed Conveyances) (Scheduled Wastes) Order, 2005. In addition, DOE requires that the above mentioned activities be conducted at a "Prescribed Premise". New applications and renewal of licences are to be submitted to the DOE state offices. This licence expires in April each year and applications for renewal of the licence must be made at least three (3) months before expiry.

Please refer to Department of Environment website at [www.doe.gov.my](http://www.doe.gov.my) for more information and updates.

### **3.1 Licensing and Registration**

Before any scheduled wastes facility can be established, the following approvals and licences are required:

#### **(i) Environmental Impact Assessment Approval**

The requirement for EIA approval for the following prescribed activities stipulated in the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order, 2015:

##### **First Schedule**

##### **Activity 14. Waste Treatment And Disposal:**

###### **(a) Scheduled Waste:**

- (i) Construction of recovery plant (off-site).
- (ii) Construction of waste water treatment plant (off-site);
- (iii) Construction of storage facility (off-site).

##### **Second Schedule**

##### **Activity 14. Waste Treatment And Disposal:**

###### **(a) Scheduled Waste:**

- (i) Construction of thermal treatment plant.
- (ii) Construction of off-site recovery plant for lead acid battery wastes
- (iii) Construction of secure landfill facility

The activities specified in the Second Schedule require public display and public comment.

Applications for Second Scheduled Activities, EIA approval must be obtained from DOE headquarters. Meanwhile, for First Scheduled Activities, EIA approval must be obtained from DOE State Office.

**(ii) Written Permission to Construct Scheduled Wastes Treatment and Disposal Facilities**

Upon approval of the EIA, applicants can apply for written permission to construct the facilities from DOE as stipulated under Section 19, Environmental Quality Act, 1974. Such application has to be accompanied by a prescribed fee.

Applications should be submitted to DOE state offices.

**(iii) Licence to Occupy and Use the Prescribed Premise And Prescribed Conveyance**

A license to occupy and use a prescribed premise and prescribed conveyance must be obtained as required under Section 18(1) and 18(1A), Environmental Quality Act, 1974. The fee for a license under Section 18 of the Act or for the renewal of such license is RM100.

Upon completion of the plant, applicants are required to inform the DOE state office and arrange for a pre-licensing inspection.

The license is approved for a period of one (1) year from the date of issuance unless stated otherwise. Renewal must be made at least three (3) months before the expiry date.

Licensed contractors of scheduled waste treatment and disposal facilities are required to complete a Consignment Note for Scheduled Wastes for each delivery/collection made for submission to DOE.

**(iv) Notification to Install Fuel Burning Equipment, Incinerators and Air Pollution Control System**

- a) As stipulated in Regulations 5, Environmental Quality (Clean Air) Regulations, 2014, a notification to DOE is required from premise owner prior to carrying out any activity that may result source of emission, creating a new emission source, making any changes to process or to the existing air pollution control system or to install/operate the following facilities:
  - Fuel burning equipment (FBE) with rated fuel consumption of 30 kilograms or more per hour for solid fuel and 15 kilograms or more per hour for liquid or gas fuel. As stipulated in Regulations 13 (3), FBE with such amount of fuel consumption is subject to comply with the limit values imposed in Environmental Quality (Clean Air) Regulations, 2014;
  - Waste Incinerators in all sizes that function to burn gas/liquid/solid waste. List of limit values stated in Schedule 3, Activity K: Waste Incinerators In All Sizes is applied;
  - Air pollution control systems inclusive chimney that meet minimum requirement specified by the Director General based on the DOE's Guidance Document For Fuel Burning Equipment and Air Pollution Control System
- b) Notification to DOE need to be made at least 30 days before any work starts, followed by the submission of written declaration form within 30 days after the commencement of the operations at the premises. Waste incinerator is an activity listed in the First Schedule of Environmental Quality (Clean Air) Regulations 2014 which subjects to submit Emission Declaration in annual basis as stipulated in Regulations 18;

- c) Every waste incinerator facility needs to be equipped with an air pollution control system completed with performance monitoring equipment. The system needs to be supervised by a competent person who shall be on duty at all times during the operation of air pollution control system;
- d) Waste incinerator facility needs to comply with the limit values and technical standards stated in the Second Schedule and Third Schedule of Environmental Quality (Clean Air) Regulations 2014;
- e) Limit values stated in Schedule 3 for Activity K: Waste Incinerators In All Sizes require hazardous waste incinerator to conduct continuous and periodic emission monitoring. Continuous Emission Monitoring Systems (CEMS) need to be installed to monitor some of the prime air pollutants whereas the other pollutant parameters would only need to be monitored periodically. Prior approval from DOE is required for the CEMS installation and system to be installed must follow all procedures and meeting requirement specified by the Director General;
- f) Apart from complying to the limit values and other requirements under the Environmental Quality (Clean Air) Regulations 2014, the requirement stipulated in the Best Available Technique Document For Waste Incinerator shall also be complied to.

**(v) Application for Machinery & Equipment to be Used in the Operation**

Applicants are also required to apply to Department of Safety and Health (DOSH) for approval to register, install and operate machinery and equipment to be used in its operation.

Applications should be submitted to the nearest DOSH office.

**(vi) Manufacturing Licence to Conduct Recycling Activities**

Companies that are involved in the recovery of wastes through recycling are required to obtain a Manufacturing Licence under the Industrial Coordination Act,1975.

Applications should be submitted to MIDA.

**(vii) Licence for the Storage and Disposal of Nuclear and Radioactive Wastes**

Any storage and disposal of nuclear and radioactive wastes requires a Class G Licence from Atomic Energy Licensing Board (AELB) which controls the management of nuclear and radioactive wastes in Malaysia.

Applications should be submitted to AELB. The license is given for a maximum period of three (3) years, and is renewable.

**3.2 Equity Policy**

There is no specific equity condition for companies undertaking scheduled wastes management services. However, the Government encourages joint-ventures between Malaysian and foreign investors to increase local participation in business.



### 3.3 Specific Immigration Procedures

A company applying for incentives for waste management services may apply for expatriate posts.

Applications should be submitted to MIDA.

Upon approval, companies should forward their applications for Employment Passes to the Immigration Department for endorsement.

### 3.4 Tax Incentives

#### (a) Incentives for Recycling of Waste Activities

Companies undertaking waste recycling activities are eligible for Pioneer Status or ITA. These activities which include the recycling of waste such as toxic and non-toxic waste.

- (i) **Pioneer Status**, with income tax exemption of 70% of the statutory income for a period of five (5) years. Unabsorbed capital allowances as well as accumulated losses incurred during the pioneer period can be carried forward and deducted from the post pioneer income of the company, or
- (ii) **Investment Tax Allowance (ITA)** of 60% on the qualifying capital expenditure incurred within a period of five (5) years. The allowance can be offset against 70% of the statutory income in each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised.

Applications should be submitted to MIDA

#### (b) Exemption from Import Duty On Machinery and Equipment

An exemption from import duty can be considered for imported machinery and equipment that are used for the provision of waste management services, provided the machinery/equipment are not available locally.

Applications should be submitted to MIDA.

#### (c) Accelerated Capital Allowance (ACA) for Environmental Management

A manufacturing company which has incurred QE for the purpose of its business may claim ACA on the plant and machinery which are:

- (a) Used exclusively or otherwise for the recycling of waste, or
- (b) Used for the further processing of the wastes into a finished products.

A company that fulfils the above criteria is eligible to claim ACA of 20% for initial allowance (IA) and 40% for annual allowance (AA).

Applications should be submitted to IRB.

In the case of companies that incur capital expenditure for conserving their own energy for consumption, the write-off period is accelerated by another one (1) year with IA of 40% and AA of 60%.

ACA is given to a company which has incurred capital expenditure in the basis period for a year assessment on the:

- (a) Provision of plant or machinery as certified by the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC), or
- (b) Machinery used exclusively for the conservation of energy of its business.

Applications should be submitted to IRB.

## **4. ENVIRONMENTAL POLLUTION CONTROL CONSULTANCY**

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### **4.1 Licensing and Registration**

Investors intending to undertake such activities are required to incorporate a company under the Companies Act, 1965.

### **4.2 Equity Policy**

There is no specific equity condition for companies undertaking environmental pollution control consultancy services. However, the Government encourages joint-ventures between Malaysian and foreign investors to increase local participation in business.

### **4.3 Specific Immigration Procedures**

Companies providing environmental pollution control consulting services can seek support for hiring the services of expatriates.

Before applying for the Employment Pass for expatriates, the company or organisation must apply for approval of the related post from the Expatriate Committee of the Immigration Department.

Upon approval, companies should forward their applications for Employment Passes to the Immigration Department.

## **5. RENEWABLE ENERGY GENERATION AND ENERGY EFFICIENCY SERVICES**

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Renewable energy was announced by the Government as Malaysia's fifth major fuel resource besides coal, oil, natural gas and hydro. This comprises renewable energy from biomass (such as wastes from oil palm, rice, sugarcane, timber, sawmill and paper recycling mills); municipal wastes; biogas (from landfills, palm oil mill effluent, animal wastes etc.); mini-hydro; solar and geothermal. Renewable energy generated can be in the form of electricity, heat, steam and chilled water.

The Government also encourages companies to invest in energy efficiency/conservation activities to reduce energy consumption and to promote environmental preservation. Energy services companies (ESCOs) provide consultancy and advisory services as well as project management relating to the conservation or efficient use of energy.

### **5.1 Renewable Energy Generation**

Companies generating renewable energy using renewable energy resources such as biomass, biogas mini-hydropower, solar power and geothermal can apply for *Feed-in-Approval Holders*

(FiAHs) under the Feed-in-tariff (FiT) system/mechanism for the supply of energy (etc i.e. electricity) to the national grid.

### **5.1.1 Feed-in-Tariff (FiT)**

The Feed-in-tariff (FiT) system/mechanism obliges *Distribution Licensees (DLs)* to buy RE from *Feed-in-Approval Holders (FiAHs)* and sets the rate to be paid for such RE (*FiT Rate*). For a specific duration (*Effective Period*), Distribution Licensees would pay for each unit of RE supplied to their respective electricity grids.

By guaranteeing access to the grid and setting a favourable price per unit of RE, the FiT mechanism would ensure that RE becomes a viable and sound long-term investment for companies, industries and also for individuals. The key concepts under the FiT mechanism are as follow:

*Distribution Licensees:* Companies holding a license to distribute electricity (e.g. Tenaga Nasional Berhad, Northern Utilities Resources Sdn. Bhd.).

*Feed-in Approval Holders:* Individuals or entities holding feed-in-approvals issued by SEDA Malaysia, allowing them to sell RE to Distribution Licensees.

*FiT Rate:* The fixed premium rate payable for each unit of RE sold to a Distribution Licensee. The FiT Rate differs for different RE technologies and installed capacities. Bonus FiT Rate also apply when bonus condition are met.

*Indigenous:* Renewable resources obtained from within Malaysia and are not imported from neighbouring countries.

*Effective Period:* The duration in which RE can be sold to Distribution Licensees at the FiT Rate.

The Effective Period is 16 years for biomass and biogas, and 21 years for small hydro and solar PV.

The Effective Period is decided based on characteristics of renewable resources and technologies.

### **5.1.2 Licensing and Registration**

Applications for FiT can be done both manually and online via SEDA Malaysia's official website at [www.seda.gov.my](http://www.seda.gov.my). Application form is available at SEDA's website or it can be collected at SEDA's office.

During the application for a FiT approval, an eligible producer will be required to submit the work plan for his RE installation/plant. Once the Feed-in-Approval is granted, SEDA Malaysia will closely monitor each RE installation/plant until commencement date is achieved. This close monitoring is required in order to prevent FiAH from monopolizing the RE quota. This monitoring is important as once a FiT application has been approved FiT applicant (FiAH).

The FiT is administered and managed by the Sustainable Energy Development Authority Malaysia (SEDA Malaysia) formed under the Sustainable Energy and Development Act, 2011. More details of FiT can be obtained from the official website of SEDA at [www.seda.gov.my](http://www.seda.gov.my)

### **5.1.3 Equity Policy**

Foreign equity participation in the FiT is allowed up to a maximum of 49%. A minimum of at least 51% Malaysian equity participation is required. This equity condition is imposed by the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC).

#### **5.1.4 Specific Immigration Procedures**

Companies applying for incentives under the Promotion of Investments Act, 1986 for the generation of RE can apply for expatriate posts, namely Key Posts and Time Posts.

Applications should be submitted to MIDA.

Upon approval, companies should forward their applications for Employment Passes to the Immigration Department for endorsement.

### **5.2 Energy Efficiency/Conservation Services**

#### **5.2.1 Licensing and Registration**

ESCOs are encouraged to register and become members of the Malaysian Association of Energy Services Company (MAESCO), a non-governmental association that works closely with the Government and Malaysian Green Technology Corporation (MGTC) in promoting and organising the development of energy efficiency and energy conservation (EE & EC) programmes in Malaysia.

#### **5.2.2 Equity Policy**

There is no specific equity condition for ESCOs. However, the Government encourages joint-ventures between Malaysian and foreign investors to increase local participation in business.

#### **5.2.3 Specific Immigration Procedures**

A company applying for incentives for renewable energy and energy efficiency/conservation project may apply for expatriate posts. Applications should be submitted to MIDA upon approval

companies should forward their applications for Employment Passes to the Immigration Department for endorsement.

### **5.3 Green Technology Incentives**

As a measure to strengthen the development of green technology, the Government will continue to provide incentives in the form of investment tax allowance for the purchase of green technology assets and income tax exemption for the use of green technology services and system.

The incentives which were announced in Budget 2014 will cover broader scope of green technology activities in the areas of energy, transportation, building, waste management, and supporting services activities. It also facilitates the transition of the expired (by 31 December 2015) tax incentives relating to renewable energy (RE) and energy efficiency (EE) projects under the Promotion of Investment Act (PIA), 1986.

#### **(a) Tax Incentive for Green Technology Project**

Investment Tax Allowance (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 income in the year of assessment. Unutilised allowances can be carried forward until they are fully absorbed.

Green technology project related to renewable energy, energy efficiency, green building, green data centre, and waste management can qualify for this tax incentive. Please refer to the Guideline for Application for Incentives and/or Expatriate Posts for Green Technology (GT) at [www.mida.gov.my](http://www.mida.gov.my) for more details on qualifying activities and eligibility criteria.

Applications received by 31 December 2020 are eligible for this incentive. Applications should be submitted to MIDA.

**(b) Tax Incentive for Green Technology Services**

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

Green technology services related to renewable energy, energy efficiency, electric vehicle (EV), green building, green data centre, green certification and verification, and green township can qualify for this tax incentive. Please refer to the Guideline for Application for Incentives and/or Expatriate Posts for Green Technology (GT) at [www.mida.gov.my](http://www.mida.gov.my) for more details on qualifying activities and eligibility criteria.

Applications received by 31 December 2020 are eligible for this incentive. Applications should be submitted to MIDA.

**(c) Tax Incentive for Purchase of Green Technology Assets**

Investment Tax Allowance (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 income in the year of assessment. Unutilised allowances can be carried forward until they are fully absorbed.

The purchase of green technology assets as listed in MyHijau Directory can qualify for this tax incentive. Please refer to [www.greendirectory.my](http://www.greendirectory.my) for the list of assets which have been certified by the Malaysia Green Technology Corporation (MGTC) as MyHijau and approved by the Ministry of Finance (MoF).

Applications received by 31 December 2020 are eligible for this incentive. Applications should be submitted to MGTC.

**5.4 Tax Incentives for Establishment of Waste Eco Park (WEP)**

The government had introduced new incentives for the establishment of Waste Eco Park (WEP) to further accelerate environmental control and adoption of greener activities.

**(a) For Developers**

Income Tax Exemption of 70% on statutory 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.

The developer must develop the infrastructure within the WEP which incorporates basic infrastructure (e.g. roads, drainage system, utilities & sewerage), building & facility for waste receiving & separation, waste water treatment facility, building for waste recycling

/ recovery / treatment facility, and building for education & awareness centre and/or disposal facility. The WEP must also be approved by the National Solid Waste Management Department (JPSPN), relevant Waste Authorities, State Government or Local Authorities (PBT).

Applications received from 1 January 2016 to 31 December 2020 are eligible for this incentive.

Applications should be submitted to MIDA.

**(b) For Managers**

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

Eligible to companies appointed by the developer of WEP to manage the WEP. Applications received from 1 January 2016 to 31 December 2020 are eligible for this incentive. Applications should be submitted to MIDA.

**(c) For Operators**

Income Tax Exemption of 100% on 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 (Investment Tax Allowance) incurred within a period of 5 years. The allowance can be offset against 70% of statutory income for each assessment year.

This incentive is eligible to companies located in the WEP undertaking qualifying activities of waste treatment, waste recovery, and waste recycling.

Applications received from 1 January 2016 to 31 December 2020 are eligible for this incentive. Applications should be submitted to MIDA.



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