

**GUIDELINE ON APPLICATION FOR INCENTIVE
AND/OR EXPATRIATE POSTS FOR GREEN TECHNOLOGY (GT)
(31.03.2021)**

I. INTRODUCTION

1. In Budget 2020, the Government had announced the extension of Investment Tax Allowance (ITA) for the purchase of green technology assets and Income Tax Exemption (ITE) on the use of green technology services and system. The ITE is also extended for company which undertakes solar leasing activity.
2. This is to further boost the Malaysian green economy and to attain the nation's goal to generate 20% of energy consumption from renewable sources by 2025. This is also in-line with the Malaysia's commitment to reduce 45% of Green House Gas (GHG) emission intensity by 2030.
3. The objectives of the incentives are:
 - 3.1 To encourage investments in green technology industry on a project basis either for business purpose or own consumption and the adoption of green technology by selected services/system providers;
 - 3.2 To encourage companies to acquire / purchase assets that have been verified as green technology assets by the Malaysian Green Technology & Climate Change Centre (MGTC) and these assets are listed under MyHijau Directory; and
 - 3.3 To widen the coverage of green services to include solar leasing activity.

II. INCENTIVES

1) Green Investment Tax Allowance (GITA - Project)

- 1.1 Green Investment Tax Allowance of **100% of qualifying capital expenditure** incurred on green technology project for **three (3) years** from **the date of first qualifying capital expenditure (CAPEX) incurred**.
- 1.2 The date of first qualifying CAPEX shall not be earlier than the date of application received by MIDA.

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

2) Green Income Tax Exemption (GITE)

2.1 Services

Green Income Tax Exemption of 70% on statutory income for qualifying green services where:

- a) The period of incentive is for **three (3) years** starting from assessment year of the **first invoice related to green technology services** issued; and
- b) The **date of the first invoice shall not be earlier than the date of application received by MIDA.**

2.2 Solar Leasing

- a) **Green Income Tax Exemption of 70% on statutory income** for solar leasing activity for a period of **up to ten (10) years** of assessment. This incentive will be considered based on tier as follows:

Capacity (MW)	Incentive Period
>3MW- ≤10MW	5 years
>10MW- ≤30MW	10 years

- b) The incentive period shall commence from the **date of first invoice issued** and **this date shall not be earlier than the date of application received by MIDA.**

III. ELIGIBILITY CRITERIA

1. New or existing company must be incorporated under the Companies Act, 2016 and resident in Malaysia.
2. The eligibility criteria are:

Incentive	Eligibility Criteria	Qualifying Activities
Green Investment Tax Allowance (GITA)	i) New company is a newly incorporated company which proposes to undertake qualifying activities and has yet to generate any income; or Existing company which:	Appendix I

Incentive	Eligibility Criteria	Qualifying Activities
	<ul style="list-style-type: none"> - undertakes qualifying activities for own consumption or project based; or - undertakes new business in qualifying activities and generates new separate income from the existing operations. <p>ii) Company which has incurred first qualifying CAPEX before application made to MIDA is not eligible for this incentive.</p> <p>The date of first CAPEX must be on or after application received by MIDA.</p> <p>iii) Company must comply with all of the following criteria:</p> <ul style="list-style-type: none"> a) minimise the degradation of the environment or reduce greenhouse emission; b) promote health and improvement of environment; and c) conserve the use of energy, water and/or other forms of natural resources or promote the use of renewable energy or able to recycle waste material resources. <p>iv) Companies within the same group undertaking the same green project as their parent companies / related companies* will be imposed conditions under the P.U. (A) 421/1990, Promotion of Investments Act, 1986.</p> <p>v) Company which has been approved with GITA and plans to undertake the same/other qualifying activities can be considered for approval subject to the same effective date of the current incentive approved by MIDA.</p> <p>vi) For Green Building:</p> <ul style="list-style-type: none"> a) Company must submit application form together with the Provisional Green Building Certificate (e.g. Design Assessment, Actual Assessment, etc.) and before the 	

Incentive	Eligibility Criteria	Qualifying Activities
	<p>completion of the Green Project.</p> <p>b) Company which has already obtained the Final Certificate or equivalent is not eligible for this incentive.</p> <p>The qualifying capital expenditure can be backdated not earlier than 3 years from the date of application received by MIDA but not earlier than 1 January 2020.</p>	
<p>Green Income Tax Exemption (GITE) – Services</p>	<p>i) Company which has been established after 25 October 2013 and proposes to undertake the qualifying activities as per Appendix II.</p> <p>New company is a newly incorporated company which proposes to undertake qualifying activities and has yet to generate any income;</p> <p>Company which has issued first invoice before application made to MIDA is not eligible for this incentive.</p> <p>ii) Company must meet the criteria of green technology service providers as follows:</p> <ul style="list-style-type: none"> a) Employs at least five (5) full-time employees working in Malaysia including at least two (2) competent personnel** in green technology (refer requirement of competent personnel); b) Must have a green policy related to the environmental or sustainability***; c) Must have documented Standard Operating Procedure (SOP) to ensure quality of services; d) 100% income must be derived from the respective green technology services. e) Company must undertake at least three (3) qualifying activities from the respective green technology sectors. The list of green services activities are as follows: 	<p>Appendix II</p>

Incentive	Eligibility Criteria	Qualifying Activities
	<ul style="list-style-type: none"> • Audit • Engineering • Procurement • Consultancy / Advisory • System Design • Feasibility Study • Testing • Commissioning • Installation • Maintenance, Repair & Overhaul (MRO) • Funding • Certification / Verification <p>iii) Only one company in the same group is eligible for GITE-services.</p> <p>iv) Related companies* are not eligible for this incentive.</p>	
Green Income Tax Exemption (GITE) - Solar Leasing	<p>i) Company that:</p> <ul style="list-style-type: none"> - has been verified by Sustainable Energy Development Authority (SEDA) and listed under the Registered Solar PV Investor (RPVI) Directory. - at least 60% of the equity of the company must be held by Malaysians. - possess a minimum installed capacity of 3MW solar PV projects aggregated under the Net Energy Metering (NEM) or Self-Consumption (SelCo) Programme which have achieved Commercial Operation Date. (Company must submit application form together with the verification letter from SEDA) <p>ii) Company must meet the criteria as follows:</p> <ul style="list-style-type: none"> a) Employs at least five (5) full-time employees working in Malaysia including at least two (2) competent personnel in green technology**. b) The income that qualifies for exemption must be derived from sales of electricity / leasing 	

Incentive	Eligibility Criteria	Qualifying Activities
	<p>activities. Income derived from activities other than sales of electricity / leasing activities is not eligible for income tax exemption.</p> <p>iii) Assets must be incorporated in the RPVI balance sheet.</p> <p>iv) Only one company in the same group is eligible for GITE-solar leasing. Related companies are not eligible for this incentive.</p> <p>v) Companies within the same group undertaking solar leasing activity as their parents' companies / related companies* are not eligible for solar leasing incentive.</p> <p>vi) Company which has undertaken GITE-solar leasing project(s) and has issued the first invoice before application made to MIDA is not eligible for this incentive.</p>	

Note:

**Under the PIA 1986, a related company is defined as a company where at least 20% of its issued share capital is owned (directly or indirectly) by another company.*

***Competent personnel are defined as those holding a certificate of competency as a service provider in the related field of green technology. The certificate must be recognised by the Government, MGTC or Professional Body in Malaysia.*

As for GITE-Services, requirement of Competent Personnel are as follows:

- a) *Must be registered with a professional body;*
- b) *Must be an active member in the professional body;*
- c) *Must be actively practising in the respective field;*
- d) *The registration/Continuing Professional Development (CPD) points with the professional bodies is up to date; and*
- e) *Must be a permanent staff of the company.*

****Green Policy is a statement about the commitment to sustainability and environment management by the company.*

3. GITE Services and Solar Leasing are mutually exclusive where the company or its related company cannot enjoy both incentives within the same period.
4. Malaysian Green Technology & Climate Change Centre (MGTC) will verify the first qualifying capital expenditure incurred for GITA and first invoice for GITE-Services.

5. Sustainable Energy Development Authority Malaysia (SEDA Malaysia) will verify the first invoice for GITE-Solar Leasing.
6. Company must incur **adequate¹ amount of operating expenditure annually** in Malaysia to undertake the proposed green services / projects for business purposes. This operating expenditure should include local services for insurance, legal, banking, ICT and transportation; if those services could be sourced from local/domestic service providers. However, this amount shall not include the cost of goods sold, depreciation, interest on borrowings and expenses that are not directly involved in the company's proposed activities.

Note: Green technology projects for own consumption is exempted from this condition.

¹ *Proposals submitted by companies will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.*

IV. MALAYSIA'S PARTICIPATION IN THE ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) TAXATION INITIATIVES

1. Malaysia had joined the Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) in January 2017 and became a BEPS Associate under the IF. As a BEPS Associate and a member of the Forum on Harmful Tax Practices (FHTP), Malaysia has to comply with the 'Base Erosion Profit Shifting (BEPS) Action 5: Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance' Report.
2. Green Income Tax Exemption (GITE) is one of the incentives evaluated by the FHTP in 2017 and has been categorised under Non-IP Regime where companies must ensure substantial activity requirements are undertaken in the country to enjoy the incentive.
3. For Non-IP Regime, "substantial activities" are defined as having adequate number of full-time employees working in Malaysia with necessary qualifications and incurring adequate amount of operating expenditure to undertake green technology services/ projects for business purposes in Malaysia.

V. EXTENSION OF INCENTIVE PERIOD

GITA-Project

- In Budget 2020, company which has made application prior to 1 January 2020 and has been approved incentive period of less than 3 years will be eligible for an extension from the date of earlier application received by MIDA.
- Companies that undertake investments for own consumption / project based that have fully incurred* the capital expenditure before 1 January 2020 are not eligible for the extension.

***Note:**

Fully incurred means that the approved project is already in operation and/or

generating renewable energy.

- Company which exceeds the commencement date must obtain supporting documents (i.e FIAH Certificate for Feed-in Tariff or Award Letter for Large Scale Solar Project) from relevant authorities upon submission to MIDA.
- Application for extension using GT/EXT form must be submitted to MIDA latest by **31 December 2020**.

VI. APPLICATION PROCEDURE

1. Applications should be made online through MIDA e-TRANS portal at URL <https://investmalaysia.mida.gov.my>
2. Application with incomplete information will not be accepted and will be returned to the company.
3. For further enquiries and clarification, please refer to:-

Director
Green Technology Division
Malaysian Investment Development Authority (MIDA)
Tel. No. : (603) 2267 6669
Fax No. : (603) 2274 8470
Website : www.mida.gov.my

Note:

Companies undertaking manufacturing activities with shareholders' funds of RM2.5 million and above or employing 75 or more full-time paid employees are required to apply for a Manufacturing Licence under the Industrial Coordination Act, 1975. Application should be made online via MIDA e-ML (eml.mida.gov.my).

4. EFFECTIVE DATE OF SUBMISSION OF APPLICATION

This Guideline is applicable for application received by MIDA from **1 January 2020** until **31 December 2023**.

5. MECHANISM

Green Technology Incentives to be considered by the National Committee on Investment (NCI) and provided under the Income Tax Act, 1967.

6. **INCENTIVE UNDER THE MALAYSIAN GREEN TECHNOLOGY & CLIMATE CHANGE CENTRE (MGTC)**

1. A company which purchases green technology assets listed in ***MyHijau Directory*** (www.greendirectory.my) is also eligible for **ITA of 100%** under the Malaysian Green Technology & Climate Change Centre (MGTC). The allowance can be offset against 70% of statutory income in the year of assessment.
2. Please refer to MGTC website at www.greendirectory.my for the list of assets which have been certified as *MyHijau* by MGTC and approved by the MOF. For further enquiries, please contact MGTC at (603) 8921 0800.
3. Applications should be submitted to:

Chief Executive Officer

Malaysian Green Technology & Climate Change Centre (MGTC)

No. 2 Jalan 9/10

Persiaran Usahawan Seksyen 9

43650 Bandar Baru Bangi

Selangor Darul Ehsan

GREEN TECHNOLOGY PROJECT

Qualifying Activities

1. Renewable Energy

Commercial and industrial business entities which undertake generation of energy in the form of electricity, steam, heat and chilled water using renewable energy resources such as:

- a) Biomass
- b) Biogas
- c) Mini hydro
- d) Geothermal
- e) Solar power

Note: Projects which have been approved with Feed-in Tariff (FiT) for solar by the Sustainable Energy Development Authority (SEDA) are not eligible for the Investment Tax Allowance. Please refer to www.seda.gov.my for information on renewable energy targets and generation by sources.

2. Energy Efficiency

Companies investing in energy efficient equipment or technologies and invest in energy saving equipment.

3. Green Building

Building owners of the commercial / industrial building that have obtained Provisional Green Building Certificate (e.g. Design Assessment, Actual Assessment, etc.) from locally developed rating tool/certification body approved by the Government.

4. Green Data Centre

Companies that purchase any energy efficient product or solution for data centre that have obtained Provisional Green Building Certificate (e.g. Design Assessment, Actual Assessment, etc.) from locally developed rating tool/certification body approved by the Government.

5. Integrated Waste Management

Companies which undertake / invest in waste recycling or waste recovery or waste treatment and additional activities such as composting or storage or collection or disposal.

GREEN TECHNOLOGY SERVICES

No.	Sector	Qualifying Green Services Activities
1	Renewable Energy	Services related to system design and feasibility study, advisory and consultancy, testing and commissioning
2	Energy Efficiency	Services related to advisory and consultancy, energy audit and management, measurement and verification, testing and commissioning
3	Electric Vehicle (EV)	a) Services related to installation, maintenance and repair of EV charging equipment, infrastructure and EV charging station. b) Services related to operation of the EV charging station. c) Services related to maintenance, repair and overhaul of EV
4	Green Building	Services related to testing and commissioning of green building equipment and system, and services related to green building design and consultancy services
5	Green Data Centre	Services related to system design and feasibility study, advisory and consultancy, testing and commissioning of green data centre or ICT infrastructure
6	Green Certification and Verification	Services related to green certifications of products, equipment and buildings
7	Green Township	Services related to advisory and consultancy, design and feasibility study in Green township and low carbon cities planning