

GUIDELINE ON APPLICATION FOR GREEN TECHNOLOGY INCENTIVE

- I. GREEN INVESTMENT TAX ALLOWANCE (GITA) PROJECT FOR BUSINESS PURPOSES**
- II. GREEN INCOME TAX EXEMPTION (GITE) SOLAR LEASING**

1. BACKGROUND

- 1.1 The Government has made a strong stance in renewable energy targets by increasing the share of renewable energy in the electricity generation capacity mix to 70% by 2050. In line with Malaysia's aspiration to be an inclusive, sustainable and carbon neutral nation by 2050, the Government had announced an extension and revision of Green Technology Tax Incentive during the 2024 National Budget.
- 1.2 The revision of Green Technology Tax Incentives provides tax incentive based on a tiering approach and categorised into three (3) categories as follows:
 - i) Green Investment Tax Allowance (GITA) Project for Business Purposes;
 - ii) Green Income Tax Exemption (GITE) Solar Leasing; and
 - iii) Green Investment Tax Allowance (GITA) Asset for Own Consumption.
- 1.3 Based on the revision, the qualifying activities for GITA Project for Business Purpose are expanded to cover new green technology projects namely green hydrogen, electric vehicle charging station and renewable energy source from wind energy. Both GITA Project for Business Purpose and GITE Solar Leasing to be submitted to Malaysia Investment Development Authority (MIDA). Meanwhile, GITA Asset for Own Consumption to be submitted to Malaysian Green Technology and Climate Change Corporation (MGTC).

2. TAX INCENTIVES UNDER MIDA

2.1. Green Investment Tax Allowance (GITA) Project for Business Purpose

Qualifying Activities	Percentage of GITA	Percentage of Statutory Income to be Set-Off	Incentive Period
<u>Tier 1</u> i. Green Hydrogen	100%	100% or 70%	Up to 10 years (5+5)
<u>Tier 2</u> i. Integrated Waste Management (IWM) ii. Electric Vehicle (EV) Charging Station	100%	100%	5 years
<u>Tier 3</u> Generation of energy from renewable sources: i. Biomass ii. Biogas iii. Mini Hydro iv. Geothermal v. Solar vi. Wind Energy	100%	70%	5 years

Details of tax incentive for GITA Project for Business Purpose are as in **Appendix I**.

2.2. Green Income Tax Exemption (GITE) Solar Leasing

Tier	Tax Exemption on Statutory Income	Incentive Period
<u>Tier 1</u> >10MW - ≤30MW	70%	10 years
<u>Tier 2</u> >3MW - ≤10MW		5 years

Details of tax incentive for GITE Solar Leasing are as in **Appendix II**.

3. ELIGIBLE APPLICATION

3.1. GITA Project for Business Purpose	a) New or existing company which is incorporated under the Companies Act, 2016 and resident in Malaysia. i) New company refers to newly established company for the purpose of carrying on any qualifying activities under GITA Project which may have related entity in Malaysia carrying on same qualifying activities in Malaysia. ii) Existing company refers to company which is already operating in Malaysia, and • has yet to undertake any qualifying activities under GITA Project; or • has undertaken any qualifying activities under GITA Project and has not been approved for Green Technology Incentive. The company is only eligible for tax incentive for diversification¹ project only; or • has undertaken any qualifying activities under GITA Project which was approved for Green Technology Incentive under this scheme and plan to undertake expansion² and/or diversification¹ project subject to the following conditions: - the application for the expansion and/or diversification project shall be submitted within the period of existing tax incentive; - the company has obtained the effective date for the existing tax incentive from MIDA; and - the period of tax incentive for expansion and/or diversification project is limited to same effective period of existing tax incentive. b) The date of the first qualifying capital expenditure (CAPEX) shall not be incurred earlier than the date of application received by MIDA.
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¹ Diversification refers to different qualifying activities

² Expansion refers to same qualifying activities

	For Green Hydrogen, the company may incur the CAPEX before the submission of application to MIDA. However, the CAPEX incurred is not deemed as the qualifying CAPEX. c) For renewable energy projects, green technology assets refer to green technology product equipment or system and is limited to the new assets only. d) Companies within the same group undertaking the same green qualifying activities as their parent companies / related companies³ will be imposed the following conditions: i) the project shall be implemented in a building/location separate from other activities carried out by the holding company or related companies; ii) the plant, machinery and equipment used for this project shall be separated plant, machinery and equipment and shall not be transferred from the holding company or related companies; iii) all employees of the company shall be separated from the employees of the parent company or related companies except for the management staff and directors of the company; and iv) the establishment of this project will not result in a reduction in the investment of the parent company or related companies. e) This incentive is not applicable for the companies in the same basis period for a year of assessment if the company for that year of assessment: i) has made a claim for reinvestment allowance under Schedule 7A or investment allowance under Schedule 7B of Income Tax Act 1967; or ii) has been granted any incentive under the Promotion of Investments Act 1986; or iii) has been granted an exemption under paragraph 127(3)(b) or subsection 127(3A) of Income Tax Act 1967; or
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³ For the purpose of this incentive, the definition of related company is based on Section 2 of the PIA 1986, where 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.

	iv) has been approved by the Minister an incentive scheme under any rules made under section 154 of the Act; or v) has made a claim for deduction under any other rules made under Section 154 of Income Tax Act 1967 except: - • the rules in relation to allowance under Schedule 3 to the Act; or • the Income Tax (Deduction for Audit Expenditure) Rules 2006 [P.U.(A) 129/2006]; or • the Income Tax (Deduction for Expenses in relation to Secretarial Fee and Tax Filing Fee) Rules 2014 [P.U.(A) 336/2014].
3.2. GITE Solar Leasing	a) Company which is incorporated under the Companies Act, 2016 and resident in Malaysia, where: i) the company has been verified by Sustainable Energy Development Authority (SEDA) and listed under the Registered Solar PV Investor (RPVI) Directory. ii) the equity of the company must be held by at least 60% Malaysians. iii) the company must 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. b) The application for tax incentive must be submitted together with the verification letter from SEDA. c) Company which has undertaken solar leasing project(s) and has issued the first sale invoice of solar leasing project before the application made to MIDA is not eligible for this incentive. d) Only one company in the same group is eligible for GITE-solar leasing. Related companies undertaking the same solar leasing activity are not eligible for this incentive.

4. EXISTING COMPANIES APPROVED FOR GITA PROJECT UNDER THE PREVIOUS SCHEME

Existing companies which were approved for GITA Project under Section 4D, Promotion of Investment Act 1986 or Section 127(3A), Income Tax Act 1967 or Section 127(3)(b), Income Tax Act 1967 are eligible for this tax incentive subject to the following:

- 4.1 The company does not undertake the approved project in which no capital expenditure is incurred and the existing tax incentive approval has been surrendered.

Note:

- For company which was approved for GITA Project for Business Purpose, the application for tax incentive to be submitted to MIDA.
 - For company which was approved for GITA Project for Own Consumption, the company may apply for GITA Asset for Own Consumption to MGTC.
- 4.2 The company which had been approved with GITA Project and the tax incentive period has expired is not eligible for this incentive.
- 4.3 The company which its approval of GITA Project was withdrawn due to non-compliance, is also not eligible for this incentive.

5. TAX INCENTIVE MECHANISM

5. 1. GITA Project for Business Purpose

- a) The company must **submit the application of tax incentive to MIDA before incurring qualifying capital expenditure (CAPEX) for the proposed project** except for Green Hydrogen where the company may incur the CAPEX before the submission of application to MIDA, nevertheless the CAPEX incurred is not to be deemed as the qualifying CAPEX.
- b) MIDA will **issue a decision letter** to the company on the tax incentive as decided by the National Committee on Investment (NCI).
- c) The approved company shall submit the **application for determination of tax incentive effective date to MIDA not later than 24 months** from the date of approval letter.
- d) The **effective date of the tax incentive** will be determined based on the **date of the first qualifying capital expenditure (CAPEX) incurred** after the date of application is received by MIDA.

For **Green Hydrogen**, where the company has incurred the **CAPEX before the submission of application to MIDA**, the **effective date of the tax incentive** will be determined based on the date of **CAPEX incurred after the date of application received by MIDA**.

- e) **Qualifying CAPEX refers to Schedule 3, Income Tax Act 1967**. For GITA Projects – The **qualifying CAPEX of green technology assets must be new and verified by MGTC**.
- f) The company is required to submit the **application to MIDA for the purpose of compliance of all conditions** imposed as verified by the external auditors within the tax incentive period.
- g) Company shall not submit any claim to IRBM prior to the issuance of confirmation letter on compliance of all conditions from MIDA.
- h) Any unabsorbed allowances in a year of assessment by reason of the restriction of the allowance to 70% of the statutory income or of an insufficiency or absence of statutory income of a business can be carried forward to subsequent years of assessment until fully utilised.
- i) The company is allowed to **surrender** the approved incentive by notifying MIDA provided that the company is not subjected to non-compliances.
- j) The approval of tax incentive to be withdrawn if the company has failed to comply with any of the requirement as stated in the approval letter.
- k) The tax incentive for GITA Project for Business Purpose to be considered by the National Committee on Investment (NCI) and provided under the Income Tax Act, 1967.

5. 2. GITE Solar Leasing

- a) The company must **submit the application to SEDA to verify the compliance of pre-requisite conditions as per paragraph 3.2 – Eligible Application**. Upon verification, SEDA will issue the verification letter to the company.
- b) The company then must **submit the application of tax incentive to MIDA together with the verification letter from SEDA**. The submission to MIDA must be made:
 - i. within **12 months from the date of verification letter** from SEDA; and
 - ii. **before issuance of the first sale invoice** for the proposed project.
- c) MIDA will issue **a decision letter** to the company on the tax incentive as approved by the National Committee on Investment (NCI).

- d) The approved company shall submit the **application for determination of tax incentive effective date and compliance of all conditions imposed as verified by external auditor to SEDA not later than 24 months** from the date of approval letter.
- e) The **effective date of the tax incentive** will be determined based on the **year of assessment where the date of the first sales invoice of the proposed project issued by the company**.
- f) Company shall not submit any claim to IRBM prior to the issuance of letter on determination of effective date and compliance of all conditions from SEDA.
- g) The company is required to submit application for **annual verification on compliance of all conditions as verified by external auditor to SEDA**. The application must be submitted within seven (7) months after the end of each year of assessment throughout the incentive period.
- h) The company shall comply with all conditions stipulated in the approval letter throughout the incentive period.
- i) Type of incomes eligible for exemption are:

	Solar Power Purchase Agreement (PPA)	Solar Leasing
Type of income	Income from sales of energy. Tariff rate (RM/kWj) is based on agreement between NEM and investors.	Income from fixed monthly payment (RM/month) in return for the lease of Solar PV System.

- j) The company is allowed to **surrender** the approved incentive by notifying MIDA provided that the company is not subjected to non-compliances.
- k) The approval of tax incentive to be withdrawn if the company has failed to comply with any of the requirement as stated in the approval letter.
- l) The tax incentive for GITE Solar Leasing to be considered by the National Committee on Investment (NCI) and provided under the Income Tax Act, 1967.

6. EFFECTIVE DATE OF SUBMISSION OF APPLICATION

This Guideline is applicable for applications for Green Investment Tax Allowance (GITA) Project for Business Purposes and Green Income Tax Exemption (GITE) Solar Leasing received by MIDA from **1 January 2024** until **31 December 2026**.

7. APPLICATION SUBMISSION

- 7.1 Applications for GITA Project for Business Purpose and GITE Solar Leasing should be made online at <https://investmalaysia.mida.gov.my>.
- 7.2 Application with incomplete information will not be accepted and will be returned to the company.
- 7.3 For further enquiries and clarification, please refer to:

MIDA Website : www.mida.gov.my
Tel. : (603) - 2267 3633
Fax : (603) - 2273 7970
Email : investment@mida.gov.my

- 7.4 Applications for Green Investment Tax Allowance (GITA) Asset for Own Consumption should be made to MGTC as follows:

Chief Executive Officer

Malaysian Green Technology and Climate Change Centre (MGTC)
No. 2 Jalan 9/10
Persiaran Usahawan Seksyen 9
43650 Bandar Baru Bangi
Selangor Darul Ehsan

The guideline for this application is applicable in MGTC's website at <https://www.mgtc.gov.my/>.

GREEN INVESTMENT TAX ALLOWANCE (GITA) PROJECT FOR BUSINESS PURPOSE

Qualifying Activities	Criteria / Conditions
<u>Tier 1</u> Green Hydrogen	<u>First five (5) years</u> a) The company must produce green hydrogen from renewable energy sources. b) The company must obtain certification for production of green hydrogen from the Department of Standards Malaysia or any of the recognised international certification bodies c) Fixed asset / investment value. d) High value jobs / science and technical jobs. e) Other conditions to be imposed as decided by NCI. <u>Second five (5) years</u> a) Project's spillover: - High value jobs; - Local spending; and/or - Any other conditions to be imposed as decided by NCI.
<u>Tier 2</u> i. Integrated Waste Management (IWM) ii. Electric Vehicle (EV) Charging Station	<u>Integrated Waste Management (IWM)</u> a) The company must invest in IWM facility and undertake the following activities: i. waste recycling or waste treatment; and ii. at least two (2) of the following activities: - recovery - composting - storage - collection - disposal b) The company is not allowed to use imported waste for its proposed IWM project. The company is only allowed to utilise waste obtained within Malaysia including Free Zones/Licensed Manufacturing Warehouse (FZ/LMW).

Qualifying Activities	Criteria / Conditions
	c) The company is to abide by the guidelines/ conditions of the relevant Acts, Rules and Regulations under the respective ministries and agencies. d) Other conditions to be imposed as decided by NCI. Electric Vehicle (EV) Charging Station a) The company or charge point operators (CPO) must invest in equipment or a combination of equipment, providing dedicated functions to supply electric energy from a fixed electrical installation or supply network to an EV for the purpose of charging. b) The CPO of the EV charging station must obtain Electric Vehicle Charging System (EVCS) licence under the Provision of Electricity Supply Act 1990 from Energy Commission. c) CPOs must obtain approval for the installation of Electric Vehicle Charging Bay (EVCB) from local councils. d) Other conditions to be imposed as decided by NCI.
<u>Tier 3</u> Generation of energy from renewable sources: i. Biomass ii. Biogas iii. Mini Hydro iv. Geothermal v. Solar vi. Wind Energy	a) The company generates energy from renewable sources as proposed. b) The company must obtain award Letter from Sustainable Energy Development Authority (SEDA) / Energy Commission (EC) on the proposed project. c) The equipment/assets used in the GITA projects must be owned by the company, recognised and registered under the MYHijau Mark or have product verification that is recognized and accepted by MGTC. d) Other conditions to be imposed as decided by NCI.

GREEN INCOME TAX EXEMPTION (GITE) SOLAR LEASING

Qualifying Activities	Criteria / Conditions to be Imposed
Solar leasing is an activity of providing solar photovoltaic system leasing services in relation to the implementation of Net Energy Metering Scheme for sales of electricity or solar photovoltaic system leasing.	a) The project must achieve installed capacity as proposed. b) The assets used for solar leasing project must be incorporated in the RPVI balance sheet. c) The company must employ at least five (5) full-time employees working in Malaysia including at least two (2) competent personnel⁴ in green technology. d) The project must derive income from sales of electricity or solar photovoltaic system leasing. Income derived from other activities is not eligible for income tax exemption. e) Exemption is only granted to income generated within the capacity for each tier. Any income generated from excess capacity is not eligible for tax exemption and the company shall keep separate account. f) The company must incur adequate 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. 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. g) Other conditions to be imposed as decided by NCI.

⁴ Competent personnel means a person who is—

- a) registered with a respective professional body or qualifications agency;
- b) certified with Continuing Professional Development points by the respective professional body or qualifications agency; or
- c) actively practising in the respective field