

GOVERNMENT INITIATIVE ON SUSTAINABILITY RELATED INCENTIVES

26 June 2024

Avante Hotel, Petaling Jaya

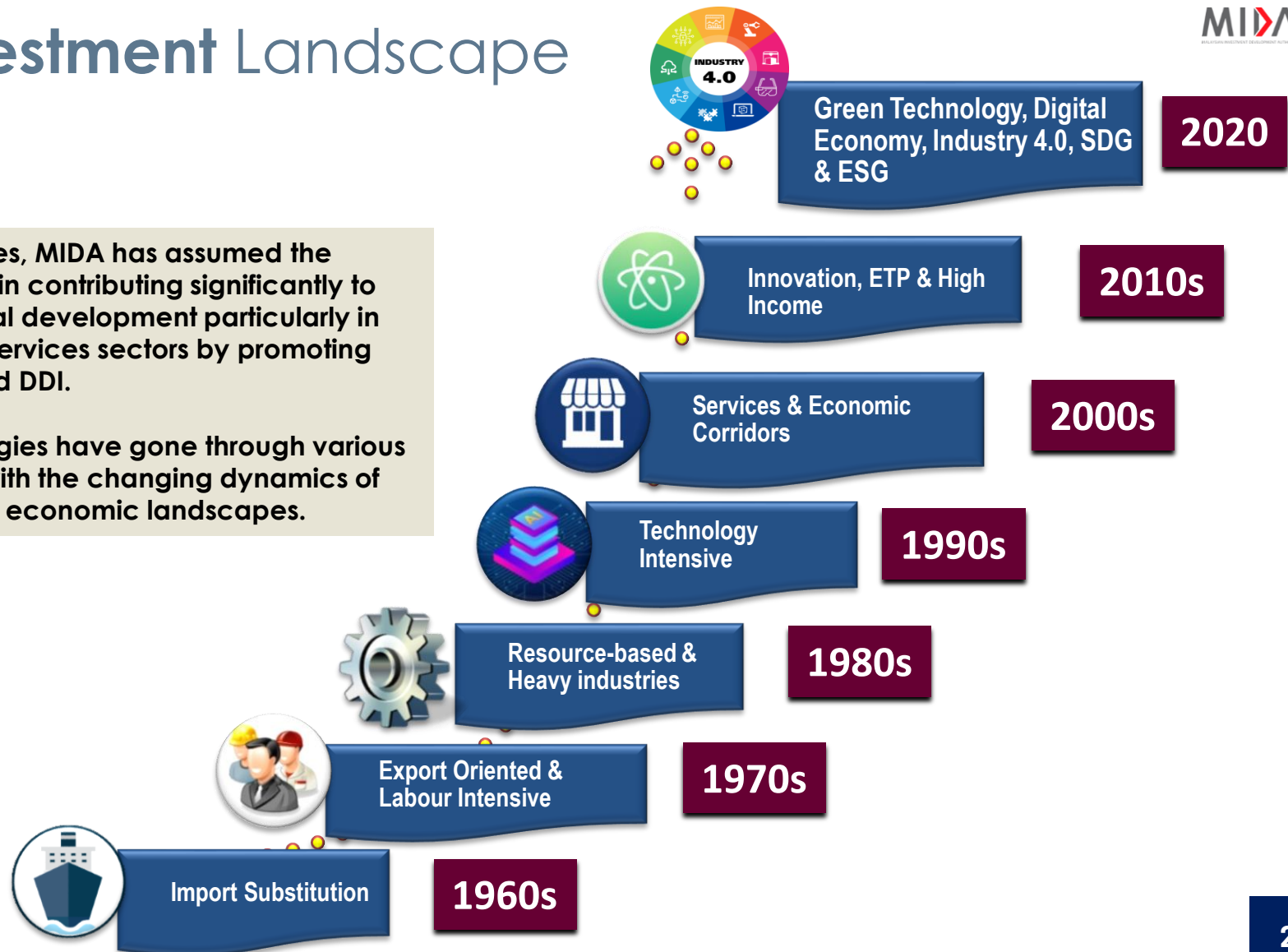
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Deputy Director

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Malaysian Investment Development Authority (MIDA)



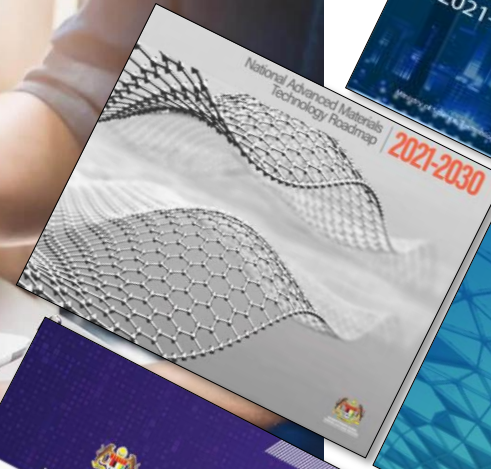
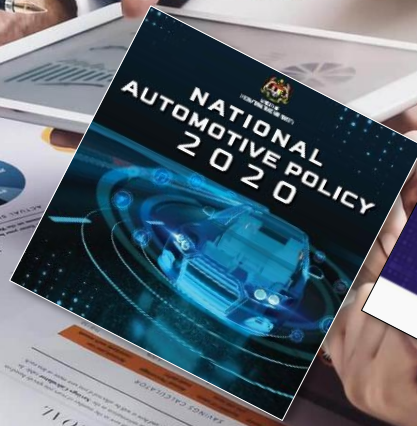
Shaping Investment Landscape Since 1960's

- Over the last five decades, MIDA has assumed the critical and pivotal roles in contributing significantly to Malaysia's rapid industrial development particularly in the manufacturing and services sectors by promoting investments, both FDI and DDI.
- MIDA's investment strategies have gone through various transformations, in-line with the changing dynamics of the global and domestic economic landscapes.



Investments Aligned With National Policies & Framework

Science, Technology & Innovation



New Industrial Master Plan 2030

Goals/ Targets



**Increase
Economic
Complexity**



**Create High-
Value Job
Opportunities**



**Extend
Domestic
Linkages**



**Develop New
& Existing
Clusters**



**Improve
Inclusivity**



**Enhance
ESG
Practices**

Missions

MISSION 1
Advance
economic
complexity

MISSION 2
Tech up for a
digitally vibrant
nation

MISSION 3
Push for
Net Zero

MISSION 4
Safeguard
economic
security &
inclusivity

Enablers

- Mobilise financing ecosystem
- Foster talent development and attraction
- Establish best-in-class investor journey for ease of doing business
- Introduce whole-of-nation governance framework



Semiconductor
(IC design and wafer fabrication)



Specialty Chemicals
(such as graphene, nitinol, rare earths and microcrystalline cellulose (MCC polymers))



Aerospace



Pharmaceuticals



Medical Devices

Additional Growth

- Advanced Materials
- Electric Vehicles
- Renewable Energy
- Carbon capture, utilisation and storage

Malaysia's Commitment



Paris Agreement 2015

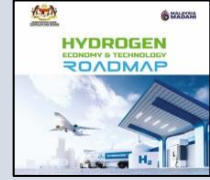
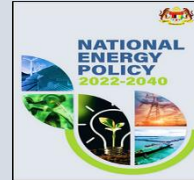
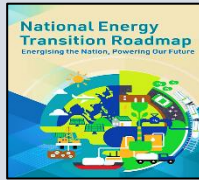
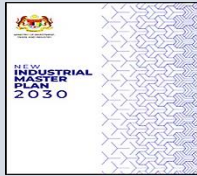
45% of carbon emission reduction in 2030



Twelfth Malaysia Plan 2021-2025

Country aims for **Net-Zero GHG emissions by 2050**

MASTER PLANS



TARGET:



12,916 MW (RE Share 2025 31%)	
Large Hydro	5,862 MW
Small Hydro	1,153 MW
Biogas	333 MW
Biomass	862 MW
Solar	
** Solar penetration 2025 - 24% of peak demand **	4,706 MW

17,996 MW (RE Share 2035 40%)	
Large Hydro	8,062 MW
Small Hydro	1,219 MW
Biogas	406 MW
Biomass	998 MW
Solar	
** Solar penetration 2035 - 30% of peak demand **	7,280 MW
Geothermal	30 MW

ACHIEVEMENT: AS AT NOW **25.9%** with **10,723 MW** INSTALLED CAPACITY
(Solar – 3,386 MW)

Incentives: Promoting Green Investment

Shaping A Sustainable Future

MIDA's Assistances Towards Sustainability



**Green
Investment
Tax Allowance
(GITA) &
Green Income
Tax Exemption
(GITE)
Incentives**



**Incentive of
Local Waste
Recycling
Activity**



**Incentivising
the usage of
palm biomass
to produce
processed
&
Value added
product**



**Vendor
Development
Programme**



**Automation
Capital
Allowance
(ACA)**

Green Technology Incentives under Budget 2024



GITA PROJECT (BUSINESS PURPOSES)

GITE

Submission to be made to MIDA starting 1 January 2024 until 31 December 2026

TIER 1

Green Hydrogen

Investment Tax Allowance (ITA) of **100%** for **eligible** qualifying capital expenditure (**CAPEX**) incurred up to **10 years (5+5)**.

Offset against **100% or 70%** of **Statutory Income**

TIER 2

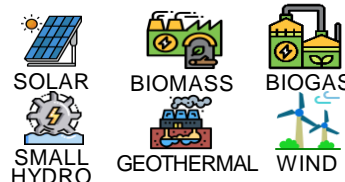
Integrated Waste Management (IWM) & EV Charging Station

Investment Tax Allowance (ITA) of **100%** for eligible qualifying capital expenditure (**CAPEX**) incurred for **5 years** from the date **1st** qualifying **CAPEX** incurred.

Offset against **100%** of **Statutory Income**

TIER 3

Renewable Energy (Business Purposes)



Investment Tax Allowance (ITA) of **100%** for eligible qualifying capital expenditure (**CAPEX**) incurred for **5 years** from the date **1st** qualifying **CAPEX** incurred.

Offset against **70%** of **Statutory Income**

Solar Leasing

Income Tax Exemption (ITE) of **70%** **statutory income** for **solar leasing activity** for a period of **up to 10 years** of assessment. The **incentive period** shall **commence from the date of 1st invoice issued**.







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

ELIGIBILITY : Companies **MUST APPLY** to MIDA **prior to** incurring any qualifying CAPEX

Green Technology Incentives under Budget 2024

GITA ASSET (OWN CONSUMPTION)

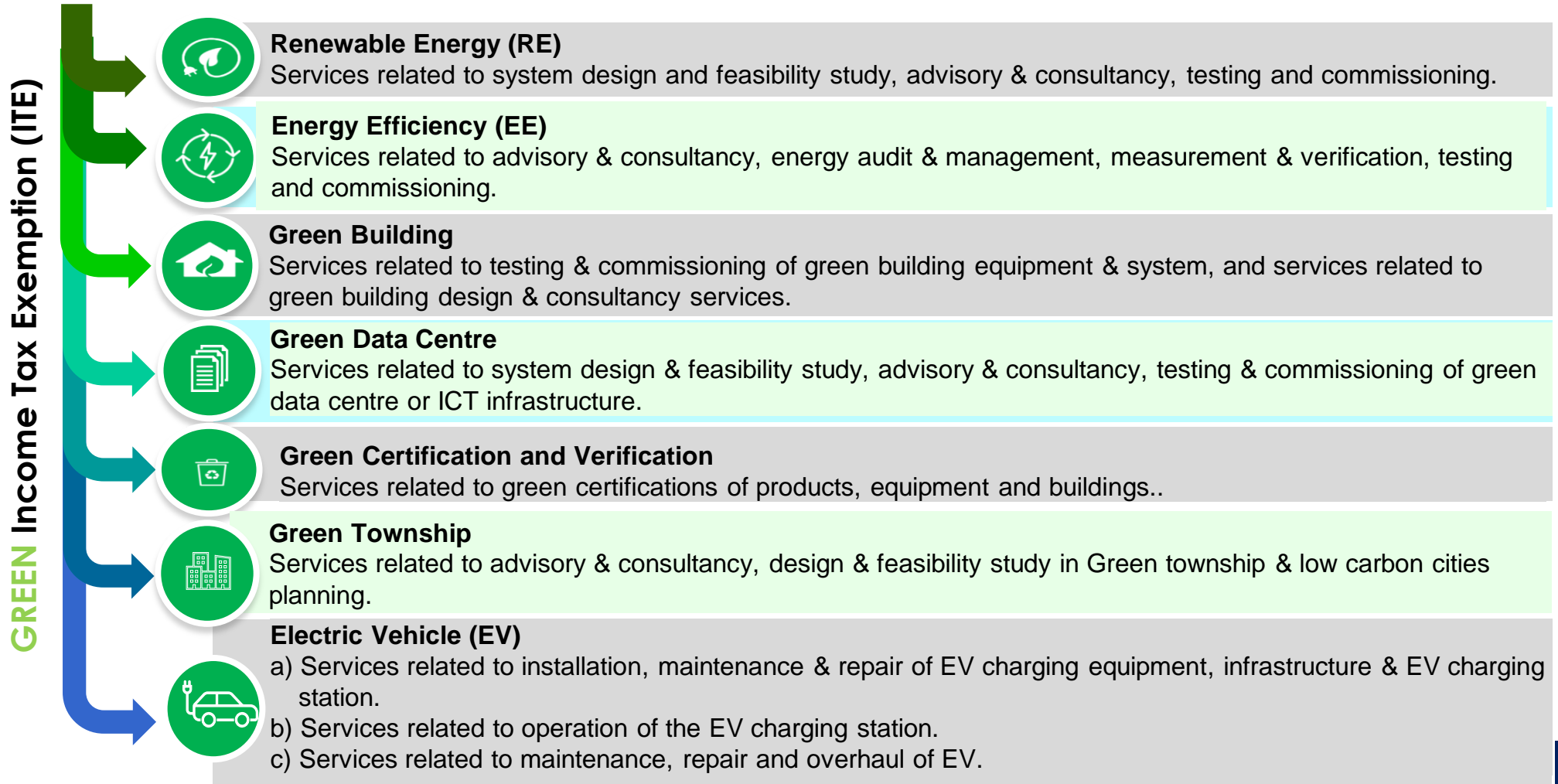


Tier 1		Tier 2		Qualifying capital expenditure as verified by the Malaysian Green Technology and Climate Change Corporation (MGTC) for the purchase of green technology assets & submission need to be made to MGTC starting 1 January 2024 – 31 December 2026.
QUALIFYING ACTIVITIES				
I. List of qualifying assets approved by Minister of Finance 		I. List of qualifying assets approved by Minister of Finance 		
II. Battery Energy Storage System (BESS) 		II. Renewable Energy System (RE) 		
III. Green Building 		III. Energy efficiency (EE) 		
INCENTIVES				
Investment Tax Allowance (ITA) of 100% for eligible qualifying capital expenditure (CAPEX) incurred . Qualifying capital expenditure incurred from <u>1 January 2024 to 31 December 2026</u> . Offset against 70% of Statutory Income (SI).		Investment Tax Allowance (ITA) of 60% for eligible qualifying capital expenditure (CAPEX) incurred . Qualifying capital expenditure incurred from <u>1 January 2024 to 31 December 2026</u> . Offset against 70% of Statutory Income (SI).		

GITA Qualifying Activities – Promoted Projects



GITE Qualifying Activities – Promoted Services



Eligibility Criteria for GITA

Green Investment Tax Allowance



COMPANY

- **must be incorporated** under the Companies Act, 2016.



GREEN RESULTS

- Company **must achieve** the following **green results** :-
 - ✓ conserve the use of energy and/or other forms of natural resources or promotes the use of renewable energy or recycles waste material resources
 - ✓ minimise the degradation of the environment or reduces greenhouse emission
 - ✓ promote health and improves environment



CAPEX

- Company which has incurred first qualifying **CAPEX** before application made to MIDA is **not eligible** for this incentive.



For **Green Building**:-

- ✓ Company must submit application form together with the **Provisional Green Building Certificate** (e.g. Design Assessment, Actual Assessment, etc.) and **before the completion of the Green Project**.
- ✓ Company which has already obtained the **Final Certificate or equivalent** is not eligible for this incentive. The qualifying capital expenditure **can be backdated** from the date of application received by MIDA **but not earlier than 1 January 2020**.

Eligibility Criteria for GITE

Green Income Tax Allowance



COMPANY

- must be incorporated under the Companies Act, 2016.



GREEN SERVICES

- Company must meet the following **green services**:
 - ✓ Employing **at least 5 full time employees** including at least **2 competent personnel**** in green technology
 - ✓ Company must have a **green policy** related to environmental / sustainability
 - ✓ Must have documented **Standard Operating Procedure (SOP)** to ensure quality of services
 - ✓ The **100% income** must be derived from the respective green technology services
 - ✓ Company must undertake **at least 3 qualifying activities** from the respective green technology sectors.



CAPEX

- The **date of the first invoice** shall not be earlier than the date of application received by MIDA.



For Solar Leasing:

- ✓ Employing at least **five (5) full time employees** including at least **two (2) competent personnel**** in green technology
- ✓ The **income** must be derived from **sales of electricity / leasing activities**.
- ✓ Assets must be incorporated in the **RPVI balance sheet**.
- ✓ Company which has undertaken solar leasing project(s) and issued **the first invoice** before application made to MIDA is **not eligible** for this incentive.
- ✓ Only **one company** in the same group is **eligible** for GITE-solar leasing.

Waste Management Industry

Activities

i) Environmental Management - Recycling of Waste

- Toxic and Non-toxic Waste
- Chemicals
- Reclaimed Rubber

Applicable to all industries e.g. Metal & Alloys, Chemical, Textile, and Electrical & Electronics.

ii) Agricultural Waste or Agricultural by-Products

e.g. Processing sugar cane mill waste, rice mill waste, palm oil mill (palm kernel cake, palm oil mill effluent and palm biomass) or estate waste and etc. to manufacture value added products i.e. animal feed, fertiliser and pellets.

Conditions Imposed

- ✓ For waste recycling, companies are **not allowed to import waste;** and
- ✓ For biomass product, **minimum value added requirement is 50%** and **Managerial, Technical & Supervisory (MTS) ratio is 25%.**

Incentives

PIONEER STATUS (PS)

Income tax exemption of 70% of the statutory income for a period of 5 years;

OR

INVESTMENT TAX ALLOWANCE (ITA)

Investment tax allowance of 60% on the qualifying capital expenditure incurred within a period of 5 years to be offset 70% of the statutory income.

DIAF-ESG: WHAT IS IT?

The Domestic Investment Accelerator Fund (DIAF) is a matching grant for ESG adoption that was introduced to support Malaysian owned Small and Medium Enterprises (SMEs) and Mid-Tier Companies (MTCs) in the manufacturing and selected services sectors for the transition into ESG practices.

The matching grant (50:50) / (70:30) based on the criteria or merit of the project with a maximum reimbursable amount of RM500,000 per company subject to availability of the grant.

OBJECTIVES

- To facilitate and assist SMEs and MTCs to transition into ESG practices;
- To ensure Malaysian SMEs and MTCs remain relevant and competitive in the global supply chain and to have the opportunity to be part of the ecosystem for sustainable investment projects; and
- To enhance the SMEs' and MTCs' prospects for ESG-mandated funds from financial institutions, venture capital and private equity firms.

WHAT ARE THE ELIGIBILITY CRITERIA?

Malaysian owned companies incorporated under the Companies Act, 2016 engaged in Manufacturing or selected Services

Category as SME or MTC:

	Manufacturing	Services
SME	Sales turnover not exceeding RM50 million or Full-time employees not exceeding 200 persons	Sales turnover not exceeding RM20 million or Full-time employees not exceeding 75 persons
MTC	Sales turnover from RM50 million to RM500 million	Sales turnover from RM20 million to RM500 million

Effective equity ownership of the company must be at least 51% Malaysians

In operation for at least 3 years in the current business line

Possess a valid Manufacturing License or Letter of Exemption and/or Business License

Undertake an ESG self-assessment at <https://sustainability.mida.gov.my> with the following conditions:

- answer at least 50% of the questions under each key Impact Area i.e. Governance, Workers, Community, Environment, and Customers; and
- complete the Disclosure questionnaire.

Eligible & Non-Eligible Expenditures

Under DIAF-ESG Adoption

ELIGIBLE EXPENDITURES

Eligible expenditures incurred related to the adoption of ESG practices based on the following activities:

- Costs related to validation, verification and certification for ESG adoption and/or tracking of carbon emissions and ESG disclosures; and
- Subscription of technology system and/or software for data gathering and tracking of ESG adoption and/or GHG emissions.

**This list is not meant to be exhaustive and will be reviewed from time to time.*

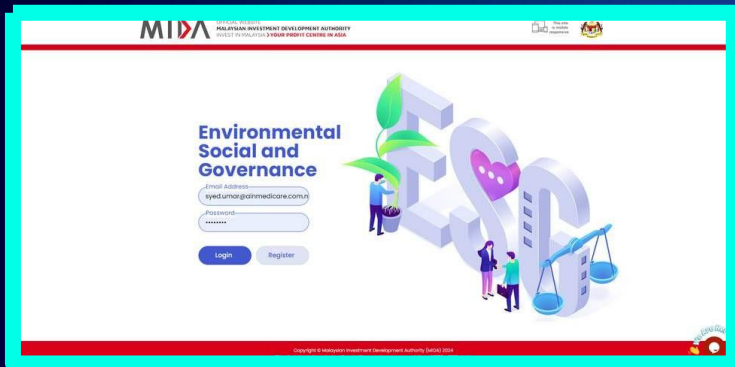
NON-ELIGIBLE EXPENDITURES

- Any expenditures on staff training and capacity building
- Purchase or rental of land / building / office / vehicles / equipment
- Purchase or rental of automation machine/ equipment/ refurbish/ retrofitting
- Maintenance and repair costs including renovation of premise
- Wages paid to employees
- Employee benefits programs
- Legal and stamp duty fees
- Insurance
- Collateral or loan including its interest paid for purpose other than smart automation
- Office expenses and supplies including general purpose computers & peripherals and mobile phones
- Utility expenses
- Research & development expenses
- Advertising and marketing expenses
- Any other common item and/or any items that are not explicitly used for the approved training and/or certification projects

WHAT IS ESG SELF-ASSESSMENT?

B IMPACT ASSESSMENT (BIA)

The BIA is a self-assessment digital tool to measure, improve, and manage positive impact performance of a company on the environment, communities, customers, suppliers, employees, and shareholders in line with the ESG materiality.



HERE'S HOW IT WORKS



Baseline Assessment

Complete the BIA by answering a series of questions about your company's practices and outputs across five categories: governance, workers, community, the environment, and customers; to assess the company's commitment to ESG practices.



Identify Gaps

Evaluate your performance and identify areas for improvement.



Mitigation Plan

Use the BIA platform to identify, track, and learn about improvement opportunities and best practices over time.

PROJECT DURATION & DOCUMENT CHECKLIST



DURATION FOR MITIGATION PLAN

- Commence the project upon receiving the Letter of Acknowledgement from MIDA.
- The project must be completed within 12 months from the date of the Letter of Acknowledgement, which is the effective date of the grant period.
- Any expenditures incurred before the issuance of the Letter of Acknowledgement from MIDA will not be eligible for consideration or reimbursement.
- Any unutilised allocation after 12 months from the effective date of the grant period will be automatically withdrawn. Any request for an extension will not be entertained.

DOCUMENT CHECKLIST

- ☒ ESG self-assessment report (summary & performance report) quotations from qualified & certified service providers/ vendors for the eligible expenditures to be incurred in relation to the adoption of ESG practices
- ☒ Submission of the application form via <https://investmalaysia.mida.gov.my/>
- ☒ Proof of payment done via MIDA Payment Channel prior submission of the form
- ☒ Latest 3 Years Audited Financial Statement
- ☒ Latest Company Profile (e-Info) by the Companies Commission of Malaysia (SSM)
- ☒ Valid Business License from the Local Authority
- ☒ Manufacturing License (ML) OR a copy Letter of Exemption From from ML from MIDA under the Industrial Coordination Act, 1975 (Applicable for manufacturing company only)
- ☒ License/ Permit/ Support letter from relevant ministries/ agencies that govern the activities (Applicable for services company only)
- ☒ Letter of Approval on Incentives/ Grants by MIDA or Other Government Agencies (if any)
- ☒ Supporting documents for the proposed projects (if applicable)

Competitive Investment Incentives

penjana
Pelan Jana Semula Ekonomi Negara

Belanjaan 2024
MALAYSIA MADANI



**Additional
Reinvestment
Allowance
(YA 2020-2024)
+ 5 Years**

**Reinvestment
Incentives**

MIDA
MALAYSIA INVESTMENT DEVELOPMENT AUTHORITY

20-25 Years

Promotion of Investments Act, 1986 (By Products)

Income Tax Act, 1967 (By Company)

**Pioneer
Status**

Income tax exemption
ranging from 70% or
100% for a period of 5
or 10 years

(PS)

**Investment
Tax Allowance**

60% or 100% on
qualifying capital
expenditure incurred
within 5 years

(ITA)

or

**Reinvestment
Allowance**

60% on qualifying
capital expenditure
incurred for 15
consecutive years

(RA)

Initial

Subsequent

Plastic Products - Promoted List under PIA, 1986

GENERAL LIST

Manufacture of plastic products such as:

- Specialised plastic films or sheets
- Geosystem products
- Engineering plastic products
- Products moulded under clean room conditions
- Biopolymers or products thereof

Manufacturing related services - *Environmental management:*

- Recycling of waste such as Toxic & Non Toxic Waste

Biodegradable disposable packaging products and household wares

HIGH TECHNOLOGY

Development and manufacture of polymers and biopolymers

SMALL SCALE

Manufacture of plastic products such as:

- Decorative panels & ornaments
- Epoxy encapsulation moulding compound

Policies on Recycling Activity

- Plastic Industry

Manufacturing Licence

Manufacturing Licence will be issued subject to condition that:

- Companies are not allowed to import scrap/ waste for recycling activities. Companies are only allowed to recycle waste/ scrap obtained within Malaysia including Free Industrial Zone/ Licenced Manufacturing Warehouse (FZ/ LMW).

Incentive for Recycling Activity of Plastic (toxic and non-toxic waste)

Pioneer Status (PS)

Income tax exemption of 70% of statutory income for 5 years, **OR**

Investment Tax Allowance (ITA)

An allowance of 60% of qualifying capital expenditure incurred within a period of 5 years. The allowance is offset against 70% of statutory income for each assessment year.

Condition

Companies are not allowed to import scrap/ waste for recycling activities. Companies are only allowed to recycle waste/ scrap obtained within Malaysia including Free Industrial Zone/ Licenced Manufacturing Warehouse (FZ/ LMW).

Automation Capital Allowance (Automation CA)

Manufacturing, services and agricultural companies that incurred capital expenditure for automation equipment including the adaptation of Industry 4.0 elements are given 100% Accelerated Capital Allowance (ACA) on the first RM10 million of the qualifying capital expenditure and can be fully absorbed within 1 year. Companies are also eligible for income tax exemption equivalent to 100% on the same capital expenditure.

Objectives

- **To encourage manufacturing companies to engage in innovative and productive activities;**
- **To encourage quick adoption of automation;**
- **To spur automation initiatives; and**
- **To enhance productivity in the manufacturing sector.**

Timeline: 1 January 2023 to 31 December 2027

Invest Malaysia Facilitation Centre (IMFC)

*Whole of Government Approach To Realise
Approved Investments*

IMFC Representatives



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<https://www.mida.gov.my/contact-us/>



IMFC

PUSAT MEMUDAHKARA PELABURAN MALAYSIA
(INVEST MALAYSIA FACILITATION CENTRE)

**1ST DECEMBER 2023 –
IMFC was established.**

- To facilitate business involving the investor's journey at various levels in the manufacturing sector and selected services sectors.
- To speed up the various approval processes, including providing consultation and advisory services, as well as reducing bureaucracy in the public services delivery.
- To bring together several government ministries and agencies, as well as various facilities under one roof, as an important step in supporting the intention of the New Industrial Master Plan 2030.
- To enable Malaysia to be a premier investor-friendly and business-friendly destination in the region, based on the National Investment Aspirations



THANK YOU

