

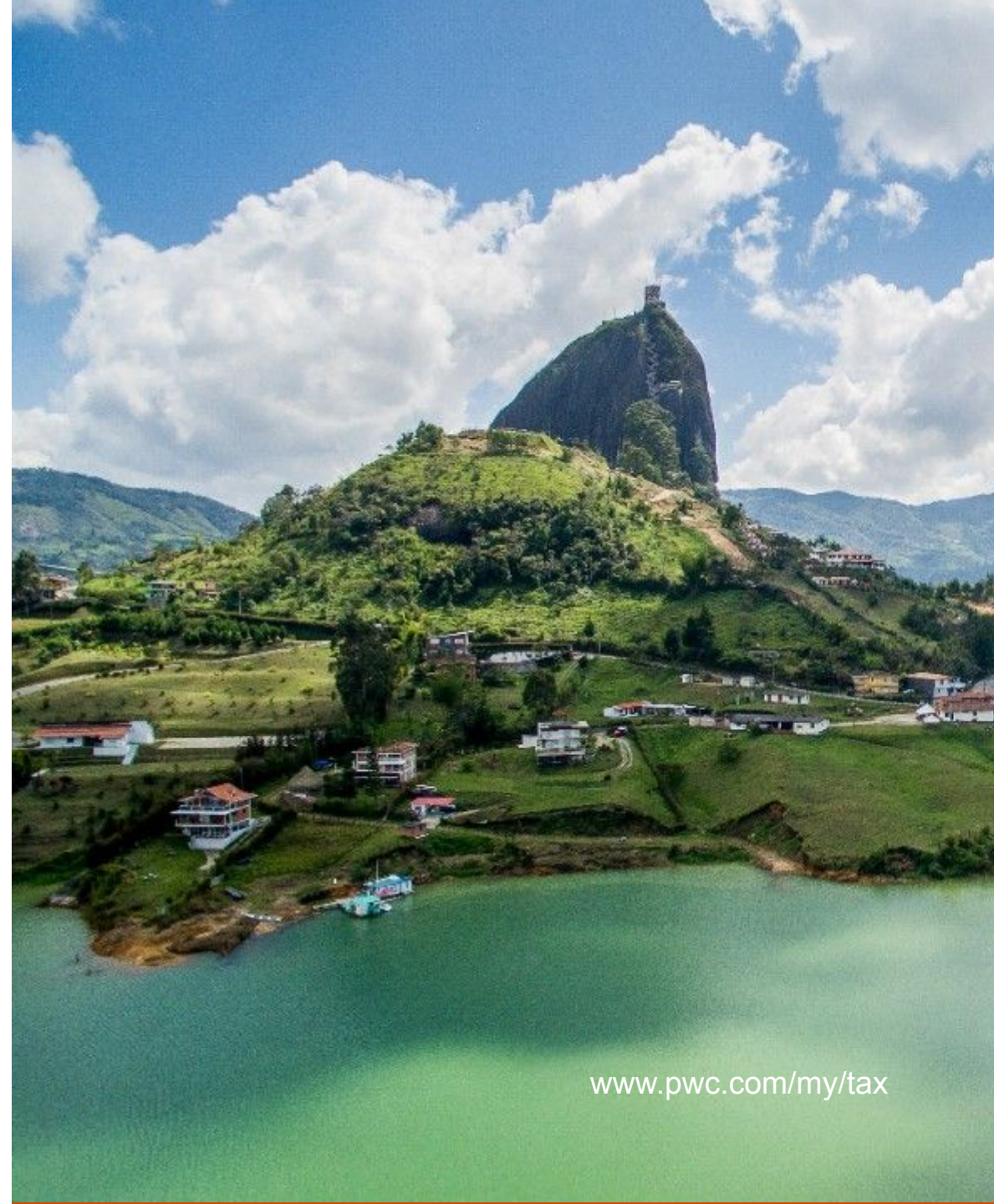


TaXavvy

8 November 2024 | Issue 32-2024

In this issue

- Guideline on application for green technology tax incentives
- Accelerated Capital Allowance for ICT equipment and computer software
- Tax incentive for hydrogen sulfide projects



www.pwc.com/my/tax

Guideline on application for green technology tax incentives

Malaysian Investment Development Authority (MIDA) has issued the Guideline on Application for Green Technology Incentive covering Green Investment Tax Allowance (GITA) Project for Business Purposes (“GITA Project (Business Purposes)”) and Green Income Tax Exemption (GITE) Solar Leasing (“GITE Solar Leasing”) following the revision of the green technology tax incentives announced in Budget 2024.



The revision of green technology tax incentives introduces a tiering approach, with the salient points of the Guidelines as follows:

GITA Project (Business Purposes) Incentive

	Tier 1	Tier 2	Tier 3
Qualifying activities	Green Hydrogen	i. Integrated Waste Management (IWM) ii. Electric Vehicle (EV) Charging Station	Generation of energy from renewable sources: i. Biomass ii. Biogas iii. Mini Hydro iv. Geothermal v. Solar vi. Wind Energy
Tax incentive	GITA of 100% on qualifying capital expenditure (QCE) set-off against 70% or 100% of statutory income (SI)	GITA of 100% on QCE set-off against 100% of SI	GITA of 100% on QCE set-off against 70% of SI
Incentive period	Up to 10 years (5+5)	5 years	5 years
Key conditions	<u>First block (5 years)</u> <ul style="list-style-type: none">Green hydrogen must be produced from renewable energy sources.Certification for green hydrogen production must be obtained from the Department of Standards Malaysia or recognised international certification bodies.	<u>IMW</u> <ul style="list-style-type: none">Activities within IWM facilities should include waste recycling or waste treatment and at least two of the following activities:	<ul style="list-style-type: none">Award Letter from Sustainable Energy Development Authority (SEDA) / Energy Commission (EC) on the proposed project must be obtained.

GITA Project (Business Purposes) Incentive (cont'd)

	Tier 1	Tier 2	Tier 3
<div>Key conditions (cont'd)</div>	<ul style="list-style-type: none"> Commitment on fixed asset / investment value. Creation of high value job / science and technical jobs. Other conditions to be imposed by National Committee on Investment (NCI). <p><u>Second block (5 years)</u></p> <ul style="list-style-type: none"> Requirement to meet spillover effect conditions such as high value jobs, local spending and other conditions to be imposed by NCI. 	<ul style="list-style-type: none"> recovery composting storage collection disposal <ul style="list-style-type: none"> Only waste obtained within Malaysia, including Free Zones and Licensed Manufacturing Warehouses, may be utilised. Imported waste is not allowed. Guidelines and conditions of relevant Acts, Rules, and Regulations under the respective ministries and agencies must be complied with. Other conditions to be imposed by NCI. <p><u>EV Charging Station</u></p> <ul style="list-style-type: none"> The company or charge point operators (CPO) must invest in equipment to supply electric energy from a fixed electrical installation or supply network to an EV. CPO of the EV charging station must obtain Electric Vehicle Charging System (EVCS) licence and obtain local councils' approval for the installation of Electric Vehicle Charging Bay (EVCB). Other conditions to be imposed by NCI. 	<ul style="list-style-type: none"> The equipment used in GITA projects (limited to new assets) must be owned by the company, registered under the MYHijau Mark, or verified by MGTC. Other conditions to be imposed by NCI.

GITE Solar Leasing Incentive

	Tier 1	Tier 2
Qualifying activities	Provision of solar photovoltaic system leasing services in relation to the implementation of Net Energy Metering (NEM) Scheme for sales of electricity or solar photovoltaic system leasing.	
Installed capacity	>10MW - ≤30MW	>3MW - ≤10MW
Tax incentive	Tax exemption of 70% of statutory income (SI)	
Income eligible for exemption	<u>Solar Power Purchase Agreement (PPA)</u> Income from sales of energy. Tariff rate (RM/kWj) is based on agreement between NEM and investors. <u>Solar Leasing</u> Income from fixed monthly payment (RM/month) in return for the lease of Solar PV System.	
Incentive period	10 years	5 years
Conditions	<ul style="list-style-type: none">• The assets used for solar leasing project must be incorporated in the Registered Solar PV Investor (RPVI) balance sheet.• Must incur adequate amount of annual operating expenditure in Malaysia, including local services for insurance, legal, banking, ICT, and transportation, but excluding costs of goods sold, depreciation, interest on borrowings, and unrelated expenses.• Must employ at least five full-time employees working in Malaysia including at least two competent personnel who are either registered with a professional body or qualifications agency, certified with Continuing Professional Development points, or actively practising in green technology.• Exemption is only granted to income generated within the capacity for each tier. Income from excess capacity is not tax-exempt and the company must keep a separate account.• Other conditions to be imposed by National Committee on Investment.	

Key eligibility criteria and tax incentive mechanism

	GITA Project (Business Purposes)	GITE Solar Leasing
Eligible company	<p>A company incorporated under the Companies Act 2016 and resident in Malaysia which is:</p> <ul style="list-style-type: none">• a newly established company which may have a related entity in Malaysia carrying on same qualifying activities in Malaysia;• an existing company that is already operating in Malaysia, and<ul style="list-style-type: none">◦ have not yet undertaken any qualifying activities under the GITA Project.◦ have undertaken qualifying activities but have not been approved for the green technology incentive (eligible only for diversification projects).◦ have been approved for the green technology incentive and plan to undertake expansion/diversification, subject to conditions.	<p>A company incorporated under the Companies Act 2016 and resident in Malaysia which is:</p> <ul style="list-style-type: none">• verified by SEDA (verification letter to be provided to MIDA);• listed under the RPVI Directory;• at least 60% owned by Malaysians; <p>The company must possess a minimum installed capacity of 3MW solar PV projects aggregated under the:</p> <ul style="list-style-type: none">• NEM; or• Self-Consumption (SelCo) Programme <p>which have achieved Commercial Operation Date.</p>
Ineligibility	<p>Incurred QCE before the submission of the application to MIDA, with the exception for Green Hydrogen projects. (Note: The QCE for Green Hydrogen projects incurred before the application submission is not deemed as QCE.)</p>	<p>Undertaken solar leasing project and has issued the first sale invoice of solar leasing project prior to submission of the application to MIDA.</p>
Effective date of tax incentive	<p>The date the first QCE incurred after MIDA received the application (for Green Hydrogen projects if QCE was incurred before the submission of application, based on date of QCE incurred after the date of application received by MIDA).</p> <p>Application for determination of effective date must be submitted to MIDA within 24 months from the date of approval letter.</p>	<p>The year of assessment (YA) where the date of the first sales invoice of the proposed project issued by the company.</p> <p>Application for determination of effective date must be submitted to SEDA within 24 months from the date of approval letter.</p>
Procedure in claiming the incentive	<p>An application for compliance of all conditions imposed, verified by the external auditors, is to be submitted to MIDA within the tax incentive period.</p> <p>Claims to the IRB can only be made upon receiving a confirmation letter on compliance with all conditions from MIDA.</p>	<p>An application for compliance of all conditions imposed, verified by the external auditors annually, is to be submitted to SEDA within seven months after the end of each YA throughout the incentive period.</p> <p>Claims to the IRB can only be made upon receiving the letter from SEDA on determination of effective date and compliance of all conditions.</p>

Treatment for unabsorbed GITA

Unabsorbed GITA can be carried forward to subsequent YAs until fully utilised.

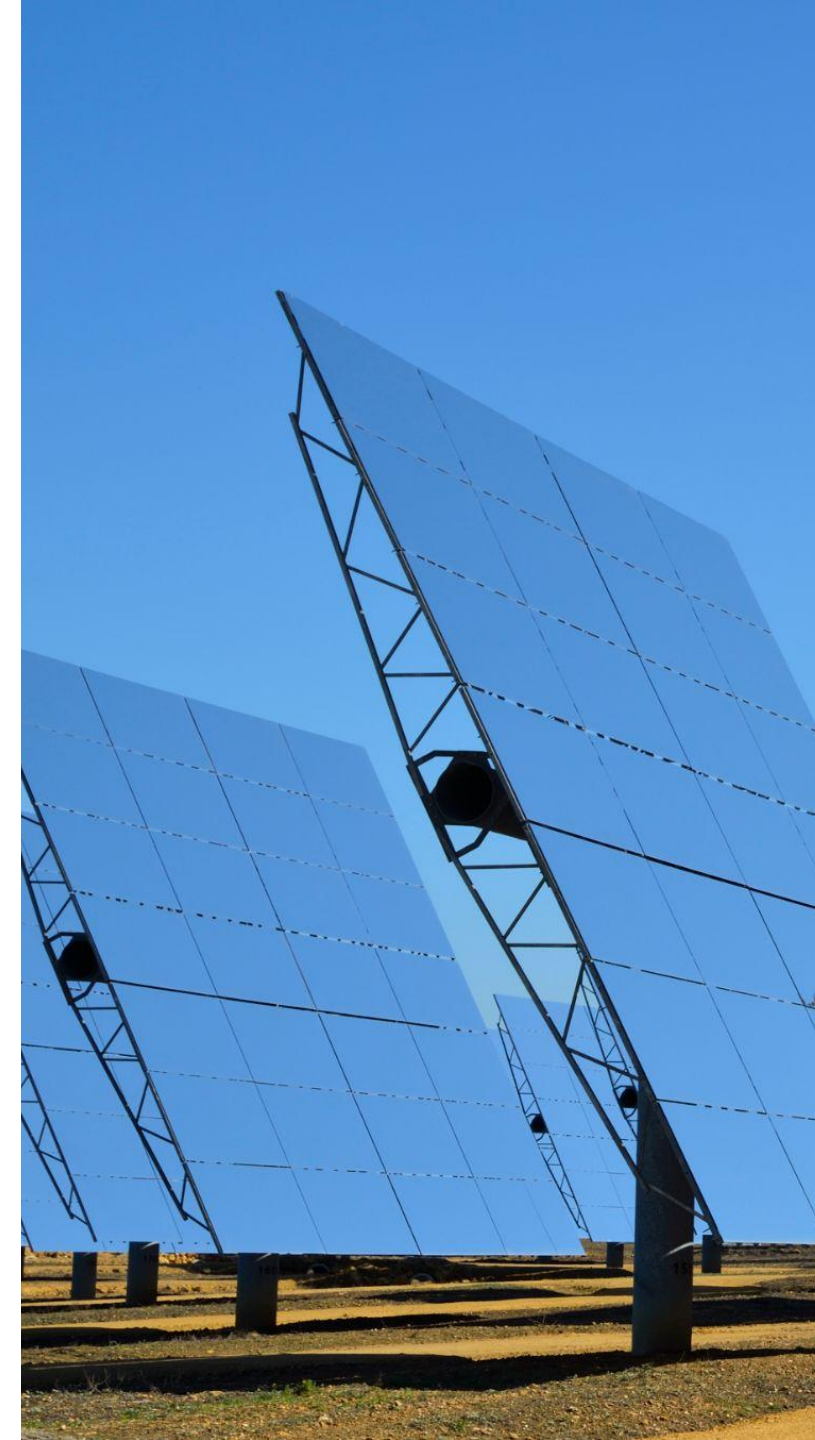
Existing companies previously approved for GITA incentive

Existing companies which were approved GITA Project under section 4D of Promotion of Investment Act 1986 or section 127(3A) or section 127(3)(b) of the Income Tax Act 1967 may qualify for the revised green technology tax incentives, provided they have not incurred capital expenditure on the approved project and have surrendered their existing tax incentive approval. Companies with expired tax incentive periods or those whose approval was withdrawn due to non-compliance are not eligible for these incentives.

Application period

For applications submitted to MIDA from 1 January 2024 until 31 December 2026.

The Guideline is available on MIDA's website www.mida.gov.my (Forms and Guidelines > Services Sector > Green Technology).



Accelerated Capital Allowance for ICT equipment and computer software

In the 2024 Budget, it was announced that the accelerated capital allowance (ACA) rates for ICT equipment and computer software be revised. The following gazette orders have now been issued to legislate the budget proposal (collectively “the New Rules”):

- Income Tax (Capital Allowance) (Development Cost for Customised Computer Software) Rules 2024
- Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2024

The New Rules are effective from YA 2024 and provide ACA at the rate of 40% initial allowance and 20% annual allowance.

The contents of the New Rules are very much similar to the earlier gazette orders* with no changes to the type of qualifying expenditure.

As some taxpayers who have incurred qualifying expenditure in YA 2024 would have already submitted their YA 2024 tax returns without claiming the ACA rates for ICT equipment and computer software at the time of publishing of the New Rules, these taxpayer will have to submit an application to revise the tax returns in order to enjoy the ACA rates.

Under the law, taxpayers have up to five years from the end of 2024 to submit the application to the IRB. Generally, the IRB is expected to perform an audit before approving applications for revised tax returns.

Nevertheless, taxpayers should aim to submit the application and obtain the IRB’s approval before the submission of their tax returns for YA 2025 is due. This is to ensure that the tax written down value and annual allowance arising from the qualifying expenditure incurred in YA 2024 can be properly reflected in their tax returns for YA 2025 and subsequent period.

** The Income Tax (Capital Allowance) (Development Cost for Customised Computer Software) Rules 2019 and Income Tax (Accelerated Capital Allowance) (Information and Communication Technology Equipment) Rules 2018 which are now revoked following the gazette of the New Rules with effect from YA 2024.*



Tax incentive for hydrogen sulfide projects

Petroleum (Income Tax) (Investment Allowance) (Amendment) Regulations 2024 has been issued to provide tax incentives for hydrogen sulfide projects.

It was announced in Budget 2024 that the tax incentives for Carbon Capture, Utilisation, and Storage and Hydrogen Sulphide projects are under review by the Petroleum (Income Tax) Act 1967 Review Committee. This review aims to align the Petroleum (Income Tax) Act 1967 with the evolving needs of the upstream oil and gas industry and attract foreign investment. Following this, the Petroleum (Income Tax) (Investment Allowance) (Amendment) Regulations 2024 has been gazetted to expand the qualifying projects for investment allowances to include projects in respect of high hydrogen sulfide gas and this is deemed to have come into operation on 1 January 2024.



Connect with us

Our Offices

Kuala Lumpur

Steve Chia

steve.chia.siang.hai@pwc.com
+60(3) 2173 1572

Penang & Ipoh

Kang Gaik Hong

gaik.hong.kang@pwc.com
+60(4) 238 9225

Melaka & Johor Bahru

Benedict Francis

benedict.francis@pwc.com
+60(7) 218 6000

Kuching

Lee Yuien Siang

yuien.siang.lee@pwc.com
+60(8) 252 7202

Keegan Ong

keegan.sk.ong@pwc.com
+60(3) 2173 1684

Labuan

Jennifer Chang

jennifer.chang@pwc.com
+60(3) 2173 1828

Corporate Tax Compliance & Advisory

Consumer & Industrial Product Services

Margaret Lee

margaret.lee.seet.cheng@pwc.com
+60(3) 2173 1501

Steve Chia

steve.chia.siang.hai@pwc.com
+60(3) 2173 1572

Clifford Yap

clifford.eng.hong.yap@pwc.com
+60(3) 2173 1446

Taariq Murad

taariq.murad@pwc.com
+60(3) 2173 1580

Hee Sien Yian

sien.yian.hee@pwc.com
+60(3) 2173 0222

Cynthia Ng

cynthia.hh.ng@pwc.com
+60(3) 2173 1438

Alvin Woo

alvin.jm.woo@pwc.com
+60(3) 2173 1820

Services & Infrastructure

Lim Phaik Hoon

phaik.hoon.lim@pwc.com
+60(3) 2173 1535

Emerging Markets

Fung Mei Lin

mei.lin.fung@pwc.com
+60(3) 2173 1505

Michelle Chuo

michelle.sy.chuo@pwc.com
+60(3) 2173 1289

Financial Services

Jennifer Chang

jennifer.chang@pwc.com
+60(3) 2173 1828

Lim Phaik Hoon

phaik.hoon.lim@pwc.com
+60(3) 2173 1535

Lorraine Yeoh

lorraine.yeoh@pwc.com
+60(3) 2173 1499

Tan Tien Yee

tien.yee.tan@pwc.com
+60(3) 2173 1584

Energy, Utilities & Mining

Technology, Media & Telecommunications

Heather Khoo

heather.khoo@pwc.com
+60(3) 2173 1636

Lavindran Sandragasu

lavindran.sandragasu@pwc.com
+60(3) 2173 1494

Keegan Ong

keegan.sk.ong@pwc.com
+60(3) 2173 1684

Ang Wei Liang

wei.liang.ang@pwc.com
+60(3) 2173 1597

Aurobindo Ponniah

aurobindo.ponniah@pwc.com
+60(3) 2173 3771

Zarina Othman

zarina.sheikh.othman@pwc.com
+60(3) 2173 1615

Connect with us

Specialist services

Capital Investments & Green Incentives

Richard Baker

richard.baker@pwc.com
+60(3) 2173 0644

China Desk

Lorraine Yeoh

lorraine.yeoh@pwc.com
+60(3) 2173 1499

Corporate Services

Lee Shuk Yee

shuk.yee.x.lee@pwc.com
+60(3) 2173 1626

Corporate Support Services

Mohd Haizam Abdul Aziz

mohd.haizam.abdul.aziz@pwc.com
+60(3) 2173 5355

Dispute Resolution

Tai Weng Hoe

weng.hoe.tai@pwc.com
+60(3) 2173 1600

Chris Tay

christopher.h.tay@pwc.com
+60(3) 2173 1143

Indirect Tax

Raja Kumaran

raja.kumaran@pwc.com
+60(3) 2173 1701

Abd Gani Othman

abdgani.othman@pwc.com
+60(3) 2173 1648

Geeta Balakrishnan

geeta.b.balakrishnan@pwc.com
+60(3) 2173 1652

Annie Thomas

annie.thomas@pwc.com
+60(3) 2173 3539

International Tax Services / Mergers and Acquisition

Gan Pei Tze

pei.tze.gan@pwc.com
+60(3) 2173 3297

Lim Chee Keong

chee.keong.lim@pwc.com
+60(3) 2173 0639

Lee Boon Siew

boon.l.lee@pwc.com
+60(3) 2173 0932

Individual Tax

Michelle Chuo

michelle.sy.chuo@pwc.com
+60(3) 2173 1289

Japanese Business Consulting

Yuichi Sugiyama

yuichi.sugiyama@pwc.com
+60(3) 2173 1191

Clifford Yap

clifford.eng.hong.yap@pwc.com
+60(3) 2173 1446

Korea Desk

Keegan Ong

keegan.sk.ong@pwc.com
+60(3) 2173 1684

New Law

Anushia Soosaipillai

anushia.joan.soosaipillai@pwc.com
+60(3) 2173 1419

Tax Reporting & Strategy

Lavindran Sandragasu

lavindran.sandragasu@pwc.com
+60(3) 2173 1494

Pauline Lum

pauline.ml.lum@pwc.com
+60(3) 2173 1059

Mohd Haizam Abdul Aziz

mohd.haizam.abdul.aziz@pwc.com
+60(3) 2173 5355

Tax Technology

Yap Sau Shiung

sau.shiung.yap@pwc.com
+60(3) 2173 1555

Joey Chong

joey.chong@pwc.com
+60(3) 2173 0092

Workforce Tax

Kartina Abdul Latif

kartina.a.latif@pwc.com
+60(3) 2173 0153

Mohammad Iesa Morshidi

iesa.morshidi@pwc.com
+60(3) 2173 3136

Worldtrade Management Services

Chandrasegaran Perumal

chandrasegaran.perumal@pwc.com
+60(3) 2173 3724

Transfer Pricing

Anushia Soosaipillai

anushia.joan.soosaipillai@pwc.com
+60(3) 2173 1419

Jagdev Singh

jagdev.singh@pwc.com
+60(3) 2173 1469

Desmond Goh

desmond.goh.keng.hong@pwc.com
+60(3) 2173 1439

Lim Ying Tian

ying.tian.lim@pwc.com
+60(3) 2173 0291

Ong Ai Ling

ai.ling.ong@pwc.com
+60 (3) 2173 0711

Lilia Edlina Azmi

lilia.edlina.azmi@pwc.com
+60(3) 2173 1498



www.pwc.com/my/tax

TaXavvy is a newsletter issued by PricewaterhouseCoopers Taxation Services Sdn Bhd. Whilst every care has been taken in compiling this newsletter, we make no representations or warranty (expressed or implied) about the accuracy, suitability, reliability or completeness of the information for any purpose. PricewaterhouseCoopers Taxation Services Sdn Bhd, its employees and agents accept no liability, and disclaim all responsibility, for the consequences of anyone acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Recipients should not act upon it without seeking specific professional advice tailored to your circumstances, requirements or needs.

© 2024 PricewaterhouseCoopers Taxation Services Sdn Bhd. All rights reserved. "PricewaterhouseCoopers" and/or "PwC" refers to the individual members of the PricewaterhouseCoopers organisation in Malaysia, each of which is a separate and independent legal entity. Please see www.pwc.com/structure for further details.