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Green by design, profitable by nature

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Green by design, **profitable by nature**

GREEN growth in Malaysia's property sector is no longer just about doing the right thing for the environment.

It has quietly become a practical business consideration, shaping how developers plan projects, manage costs and attract tenants or investors.

Increasingly, those in the industry are realising that green buildings can offer more than just environmental benefits. They can make financial sense while signalling to the market that a developer takes sustainability seriously.

Over the past few years, a mixture of tax incentives, financing schemes and policy initiatives has made sustainable development more feasible.

Rather than handing out direct subsidies, the government has leaned on market-based incentives, gently nudging developers towards greener decisions.

For the property industry, this marks an important shift that shows how going green is no longer just a nice-to-have feature but a strategic choice that can influence a project's bottom line.

Tax allowances examples

At the heart of Malaysia's green property push are the Green Technology Tax Incentives, including the Green Investment Tax Allowance (GITA) and the Green Income Tax Exemption (GITE).

According to guidance from EY and PwC, companies investing in approved green technology assets, including green buildings, can enjoy a tax allowance of up to 100% of qualifying capital expenditure.

This allowance can be offset against a significant portion of statutory income, helping ease the tax burden in the early years of a project.

Meanwhile, GITE offers relief to companies that provide approved green technology services, such as renewable energy system leasing, energy monitoring and sustainable building management solutions.

For developers, these incentives make a very real difference.

Energy-efficient HVAC systems, solar panels, smart energy management and water-saving installations all come with higher upfront costs, but tax allowances help make them more affordable and economically sensible from the start.

Importantly, these incentives are not limited to brand-new developments.

According to guidelines from Malaysian Investment Development Authority (Mida) and the Malaysian Green Technology and Climate Change Corp (MGTC), retrofitting older buildings with green technologies also qualifies.

This is particularly welcomed as older properties face increasing pressure to meet energy efficiency and environment, social and governance (ESG) standards, allowing developers and owners to upgrade without bearing the full financial burden themselves.

Green building certifications, such as the Green Building Index (GBI) and GreenRE, are often discussed as though the certificate itself is the ultimate prize.

- Up to 100% tax allowance for green investments
- RM50mil tax deduction for ESG spending
- Cash rebates and tax exemptions for rooftop solar

According to the GBI Council, that is not the case. Certification alone does not automatically come with tax exemptions or cash rewards. But it plays a vital role.

Many government incentives, including tax allowances and green financing schemes, require recognised certification as proof that a building meets sustainability standards.

Certified buildings also carry more weight with institutional investors, multinational tenants and buyers who prioritise ESG, creating a commercial edge beyond simple compliance.

In short, certification is not the reward, but the key that opens doors to other financial and market benefits.

It also gives developers a credible paper trail that regulators, financiers and increasingly, the market can trust.

Not just buildings anymore

Green incentives extend beyond the bricks and mortar.

According to PwC Malaysia, listed companies and financial institutions may claim tax deductions of up to RM50mil for eligible ESG-related expenditure, including investments in sustainability reporting systems, governance frameworks, environmental monitoring tools and staff training programmes.

For property developers, real estate investment trusts (REITs) and asset managers, this shifts the perception of ESG spending.

It is no longer just a cost of compliance, but a tax-efficient investment.

Companies that embrace ESG reporting and governance stand a better chance of attracting long-term funding and meeting the expectations of investors who increasingly weigh sustainability in their decisions.

Over time, these practices also influence how buildings are designed, how tenants interact with them and how efficiently they operate.

While tax incentives ease long-term costs, financing upfront remains a challenge for many developers, particularly for large projects or retrofits.

Government-backed green financing schemes aim to reduce this barrier.

According to the MGTC as well as Mida guidelines, eligible projects can benefit from preferential financing terms, including lower interest or profit rates and partial government guarantees.

These measures reduce risk for lenders and make it easier for developers to fund energy-efficient technologies, renewable energy systems and smart building management.

When financing barriers are lowered, green features become easier to justify, both environmentally and commercially.

As adoption grows, economies of scale start to make green development the norm instead of an exception.

Changing behaviours

Green incentives are also beginning to shape the behaviour of buyers and tenants.

Initiatives such as Tenanga Nasional Bhd's (TNB) SolaRIS programme offer cash rebates for rooftop solar installations, lowering the initial cost for households and building owners.

According to TNB, the scheme encourages wider solar adoption by making clean energy more accessible and affordable.

Coupled with income tax exemptions for solar leasing activities, this makes solar integration attractive for developers and landlords.

Rising electricity bills have made energy efficiency a real, tangible consideration for many buyers.

Homes and buildings designed to accommodate solar solutions or reduce energy consumption are increasingly seen as long-term cost savers rather than just premium lifestyle products.

In commercial spaces, tenants are similarly drawn to buildings that offer lower energy bills, stronger ESG credentials and smarter energy management systems.

Taken together, Malaysia's green growth incentives send a crystal clear message.

Instead of mandating sustainability through regulation alone, the government has chosen to shape market behaviour through tax efficiency, financing access, certification frameworks and demand-side signals.

For developers, investors and property owners, green buildings are not only environmentally responsible, but they are also increasingly aligned with where capital, tenants and policy are heading.

Those who adapt early are likely to enjoy financial and reputational benefits, while those who lag may face higher costs and fewer opportunities.

As sustainability moves from niche to mainstream, integrating green technologies and ESG practices is no longer just a matter of ethics because it is actually a very sound business.