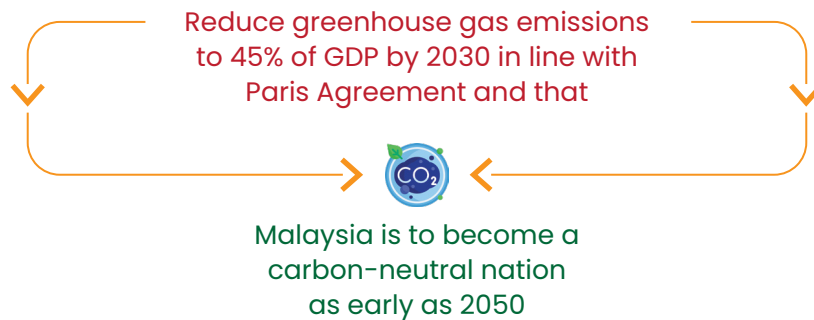


# ISLAM, CLIMATE CHANGE AND BUDGET 2022

## Introduction

Extreme weather and global warming are causing severe floods, globally. Most recently, in Malaysia, three days of heavy downpour caused severe flooding in eight states. As of Monday (20 December 2021), more than 50,000 people were evacuated from their homes. This is the worst flood in the country in terms of displaced residents. The Paris Agreement (signed on 12 December 2015) is the global response to the threat of climate change. Most importantly, it charts an important milestone in addressing this important issue. It calls on all member countries to keep a global temperature rise below two (2) degrees Celsius above pre-industrial levels in this century. Given that Malaysia is a signatory to this, the Prime Minister, in his 12th Malaysia Plan, has indicated, in no uncertain terms that Malaysia will:



## Islam and the Environment

It is interesting to note that Islam has laid out a proper framework in the Quran as well as the hadith as regards one's responsibility towards the environment. In fact, the Quran has approximately 200 verses concerning the environment. To a Muslim, protecting Allah's precious creation, the earth, is paramount. Islam teaches us to take care of our planet. Given that we are the "khalifahs" of Allah on the planet, we are to be accountable to Allah for our actions on His creations. Thus, the concept of stewardship in Islam is most important in the conduct of a Muslim.

Specific to the environment and climate change, the following verses from the Quran are pertinent:

- *Do not cause corruption on the earth after it has been set right (7:85)*
- *Do not corrupt the land (11:85)*

Most importantly, Allah warns us in Surah Al-Rum

“Corruption has flourished on land and sea as a result of people's actions and He will make them taste the consequences of some of their own actions so that they may turn back.”  
(30 : 41)


Accordingly, some may argue that the worst flood that we have experienced recently may well be the consequence of our own actions. Thus, we have no one to blame but ourselves. Perhaps, it is realising that we have to be responsible towards the environment that the government is making every effort to ensure that steps are taken to combat this important issue. A look at Budget 2022 clarifies.

## Budget 2022

Aligning with the 12th Malaysia Plan and to accord with the Paris Agreement, the government has taken several measures to address climate change. Budget 2022 emphasizes that the post pandemic economic recovery will take into account environmental and humanitarian issues. Specific to addressing climate change, the government is encouraging the use of electronic vehicles (EVs). With more people switching to EVs, it is hoped that the carbon footprint in Malaysia will be reduced. Several incentives are given to manufacturers and importers of electronic vehicles (EVs) and individuals as follows:



For manufacturers and importers of EVs,

	Effective
 <p>a hundred percent (100%) import duty exemption on imported components for locally assembled EVs</p>	<p><b>1 January 2022 to 31 December 2025</b></p>
<p>full excise duty and sales tax exemption on locally manufactured EVs</p>	<p><b>1 January 2022 to 31 December 2025</b></p>
<p>a hundred percent (100%) import duty exemption as well as excise duty exemption on imported CBU (completely built up) EVs</p>	<p><b>1 January 2022 to 31 December 2023</b></p>

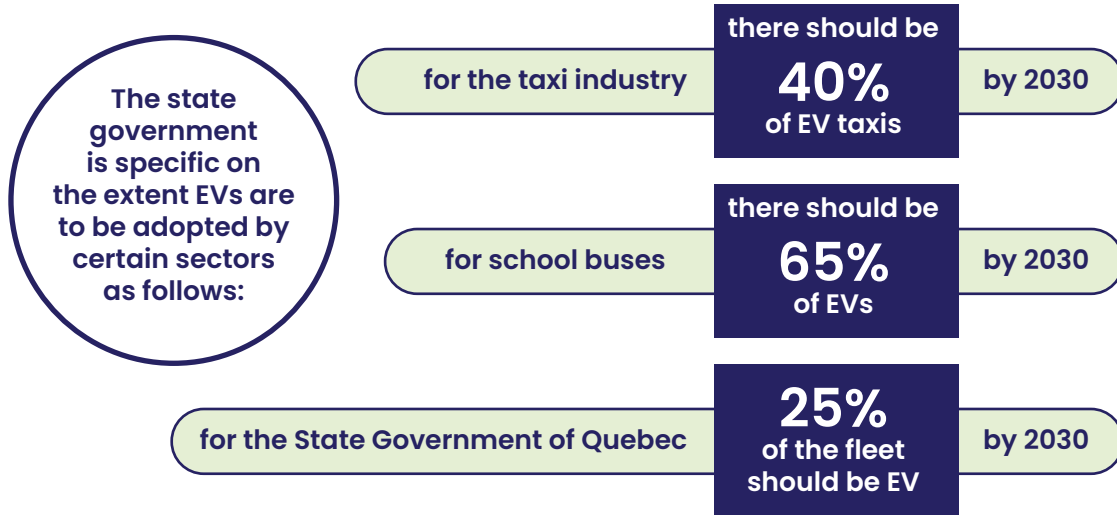
For individuals, there is a personal tax relief of up to RM2,500 to resident individuals on the cost of installation, lease and purchase (including HP) of equipment and subscription fees for EV charging services for the years of assessment (YA) 2022 and 2023.



To further strengthen the sustainability agenda, the government will also be launching the **voluntary carbon market on Bursa Malaysia**. Specific for SMEs (small, medium enterprises), there will be a RM1 billion funding from Bank Negara Malaysia. More specifically, Bank Negara Malaysia (based on the matching fund arrangement with participating financial institutions) will assist SMEs to adopt sustainable and low carbon practices. In addition to all these, Budget 2022 has now expanded the green technology incentives to include Rainwater Harvesting Systems (RHS). Further, there is a Green Investment Tax Allowance of 100% on capital expenditure for qualifying RHS activities or a Green Investment Tax Exemption of 70% of statutory income for qualifying RHS services.

### What else needs to be done?

All the above are measures that may help the government achieve the targets set as per the Paris Agreement. However, it is important that Malaysia looks at specific sectors and how these sectors may adopt EVs and subsequently decrease the carbon footprint in Malaysia. A good example to follow is that of the Quebec state government in Canada.



Finally, the state has also put a ban on sale of new gasoline vehicles from 2035 onwards. While the above targets are good, to have yearly targets would be better. Having yearly targets will enable us to see if we are on track.

### Conclusion

The government’s efforts in addressing climate change in Budget 2022 is indeed commendable. It is hoped that the various reliefs and exemptions provided in the manufacturing and importing of EVs will help reduce the cost of EVs in Malaysia. Given that the cheapest EV is currently sold at RM 181,000 (the Nissan Leaf), one would hope that the proposals in Budget 2022 will make EVs more affordable to the general population. Thus, by 2030 or earlier, Malaysia would be able to reduce greenhouse gas emissions to 45% of GDP by 2030 and become a carbon-neutral nation as early as 2050.



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