Green bonds survey results

KPMG Malta

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Green bonds, sometimes referred to as ‘Climate bonds’, are fixed-income instruments intended to fund projects with a positive climate, societal or environmental impact. They offer a particularly attractive opportunity for investors seeing beyond profits and looking to back sustainable projects. In August 2023, KPMG Malta conducted a global survey to measure the extent by which EU and certain non-EU governments incentivise the issuance of green bonds through tax advantages.

The following pages contain a high-level summary of the results, which reveal that out of 20 EU Member States that replied to the survey, only Luxembourg and The Netherlands have some tax advantages related to the issuance of green bonds. Out of 18 non-EU countries that answered the survey, only Brazil, Malaysia and Tunisia have similar advantages. Despite the urgency of climate change, it is clear that most governments are still lagging behind in offering tax advantages in this particular field. Taxation is and will remain a tool to influence the bottom line return on investments and we hope that governments will use this tool to spur change.

We thank all KPMG Member Firms who participated in this survey.

EU Member States

Member State	Tax incentives on green bonds	KPMG Country Contact
Austria	No specific incentives	Andreas Helnwein, Franz Josef Arztmann, Peter Ertl
Belgium	No specific incentives	Kris Eeckhout, Wim Van den Brande, Walter Jacob
Croatia	No specific incentives	Katarina Kecko
Cyprus	No specific incentives	Michael Grekas, Sotia Neophytou Panayiota Georgiou
Czech Republic	No specific incentives	Martin Krivanek
Denmark	No specific incentives	Michael B Jensen, Søren Dalby
Estonia	No specific incentives	Joel Zernask, Marko Rebane, Olga Lavrova

Member State	Tax incentives on green bonds	KPMG Country Contact
Germany	No specific incentives	Sophie Henkel
Greece	No specific incentives	Effie Adamidou, Nick Vouniseas
Ireland	No specific incentives	Aisling Garry, Gunarani Ganasagaran, Paul JP O'Brien
Italy	No specific incentives	Sabrina Navarra
Latvia	No specific incentives	Evija Sturca, Ilze Berga
Lithuania	No specific incentives	Birute Petrauskaite
Luxembourg	No specific incentives[1]	Julie Castiaux, Olivier Schneider
Malta	No specific incentives[2]	Paul Pace Ross, Beate Orlova
Netherlands	Yes, capital gains exemption[3]	Merijn Betjes, Matthijs Bolkenstein, Bernard van Gerrevink

Member State		Tax incentives on green bonds	KPMG Country Contact
	Poland	No specific incentives	Iwona Galbierz-Sztrauch, Pawel Baranski, Kiejstut Żagun
	Portugal	No specific incentives	João D Lobita
	Slovakia	No specific incentives	Michal Maxim
	Spain	No specific incentives	Alejandro Jose De Sousa Lares, Juan Daniel Londoño Tabares, Maria Pilar Galan Gavila
	Sweden	No specific incentives	Anders Edlund, Annika Lindstrom

Tax Incentives on green bonds

1. There is no specific tax incentive in Luxembourg for investments in green bonds, but a reduction of Luxembourg subscription tax applicable to investment funds if the green bond is in line with Article 3 of the EU taxonomy.

2. In Malta, green bond issuers may benefit from a 50% discount on listing fees as long as they meet Malta Stock Exchange's Green List eligibility criteria. Issuers can also use up to 25% of proceeds for own operations.

3. The Netherlands has some facilities for green investments for income tax. Participating in a green bank or green fund can provide a tax advantage, consisting of an exemption from the capital gains tax. Banks are willing to calculate a lower interest rate if the financing is intended for green investments.

Non-EU Member States

Member State	Tax incentives on green bonds	KPMG Country Contact
Armenia	No specific incentives	Nerses Nersisyan
Bahrain	No specific incentives	Reem Ebrahim
Brazil	Yes, Individual Income Tax is zero-rated (instead of regular range from 15% to 22,5%) and Corporate Income Tax is 15% (instead of 25%).	Luis T Wolf
Isle of Man	No specific incentives	Justine Howard
Japan	No specific incentives[1]	Akihiro Miura, Tomokazu Sekiguchi
Kuwait	No specific incentives	Fahim Bashir
Malaysia	Yes, direct tax deduction possible[2]	Benjamin CH Ang, Dany JH Oon

Member State		Tax incentives on green bonds	KPMG Country Contact
	Monaco	No specific incentives	Agnes Gedon-Monaco
	Serbia	No specific incentives	Biljana Bujic
	South Korea	No specific incentives[3]	Jeong-Hwan Hwang, Jin-Kwi Kim
	Taiwan	No specific incentives	Alex Yan
	Thailand	No specific incentives	Passarapark Nipawan, Bhumivarn Patareeya
	Tunisia	Yes, Personal Income Tax exemption of interest on green Bonds [4]	Olfa Sayadi
	United Kingdom	No specific incentives	Carol Newham, Chris Shrubsole
	United States	No specific incentives[5]	Timothy A Stiles
	Venezuela	No specific incentives	Alejandro Gomez, Alessandra Montagna

Member State	Tax incentives on green bonds	KPMG Country Contact
Vietnam	No specific incentives	Thi Vien Dinh, Tran Van Trung
Zimbabwe	Yes[6]	Virginia Mutsago

Tax Incentives on green bonds

1. The Japanese government provides subsidies to:
   I. green bond issuers receiving verification on their disclosures by external verifiers; and
   II. entities involved in green bond issuance (e.g., consulting firms, or structuring agents) assisting bond issuance aimed at promoting green projects.

2. There are no tax incentives for green bonds from indirect tax perspective in Malaysia. From a direct tax perspective, a tax deduction may be given for expenditure incurred on the issuance or offering of a Sustainable and Responsible Investment Sukuk approved or authorized by, or lodged with, the Securities Commission Malaysia (subject to other conditions and currently for up until year of assessment 2023).

3. From 2023 the government provides a total of 7.7 billion won in subsidies to companies that issue Korean green bonds within the 300 million won limit per place.

4. There is a Personal Income Tax exemption of interest on green Bonds (with label GSS i.e. Green, Social and Sustainability bonds) in the limit of TND 10 000 per year. Other green tax incentives unrelated to bonds are foreseen in the Tunisian tax legislation.

5. From an incentives/credits perspective, the collateral or projects connected to green bonds may be eligible for their own incentives (e.g., a new co-gen facility financed by green bonds may generate tax credits for the developer/operator of the co-gen facility).

6. Zimbabwe is yet to issue green bonds for domestic and foreign investors. Notwithstanding the proliferation of the green bond market, Zimbabwe has implemented taxation policies which incentivise green domestic and foreign investment. As from the 1st of January 2017, Zimbabwe designated Special Economic Zones which provide the following incentives for companies, which include green projects, assets or business activities operating within them:

   I. A special initial allowance claimable over 3 years, with 50% claimed in the first year of operation and 25% in each of the subsequent years;
   II. Corporate tax exemption for the first 5 years for licensed investors and 15% corporate tax applicable thereafter. (The standard corporate income tax rate is 24,72%);
   III. Exemption from duty on the importation of capital equipment and inputs including raw materials and intermediate products (materials and products not produced locally);
   IV. Withholding tax exemption for dividend payments made to resident and non-resident shareholders;
   V. Withholding tax exemption for royalties and services fees payments made to on-residents;
   VI. Specialised expatriate staff are taxed at a flat rate of 15%, whilst the normal highest effective rates are 40,72%. Regarding power generation projects which include inter alia, solar, wind, bioenergy, hydropower and geothermal projects, such projects are exempt from corporate income tax for the first 5 years of operation. A reduced corporate tax rate of 15% is applicable thereafter. As from the 1st of January 2021, in order to resolve the conflicting tax treatment (exemption or 0% tax rate), the tax exemption applicable to receipts and accruals of power generation projects has been repealed and a tax rate of 0% is maintained for 5 years, which allows investors to claim certain benefits such as the carry forward of assessed losses incurred during the project development phase.

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