



TaXavvy

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Johor-Singapore SEZ and Forest City SFZ Tax Incentive Guidelines



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The Malaysian Investment Development Authority (MIDA) has issued the following guidelines:

1. Guidelines for Johor-Singapore Special Economic Zone (JS-SEZ) Tax Incentive Package
2. Guidelines for Forest City Special Financial Zone ("Forest City SFZ") Tax Incentive Package

Applications to MIDA must be submitted before commencement of operation for the qualifying project (i.e. issuance of first sales invoice) and no later than 31 December 2034.

The Guidelines are available on MIDA's website www.mida.gov.my (Forms and Guidelines > JS-SEZ or Forest City SFZ Tax Incentive Package)



Introduction

Johor-Singapore Special Economic Zone

On 7 January 2025, Malaysia and Singapore officially agreed to establish the JS-SEZ, following nearly a year after signing a Memorandum of Understanding. This initiative aims to leverage Johor and Singapore's synergies to unlock greater economic potential. JS-SEZ combines Malaysia's land and labour resources with Singapore's financial capabilities for mutual economic benefits.

Forest City Special Financial Zone

The Forest City SFZ is a special financial zone within the JS-SEZ and comprises four man-made islands. Positioned near Singapore and aligned with the JS-SEZ, Forest City SFZ offers an advantageous location for regional expansion into Southeast Asia.

Tax incentive packages*

The tax incentive packages available in JS-SEZ include:

1. Global Services Hub
2. Smart Logistic Complex
3. Manufacturing of downstream specialty chemicals
4. Manufacturing business incentive
5. Integrated tourism project

Meanwhile, the tax incentives in Forest City SFZ include:

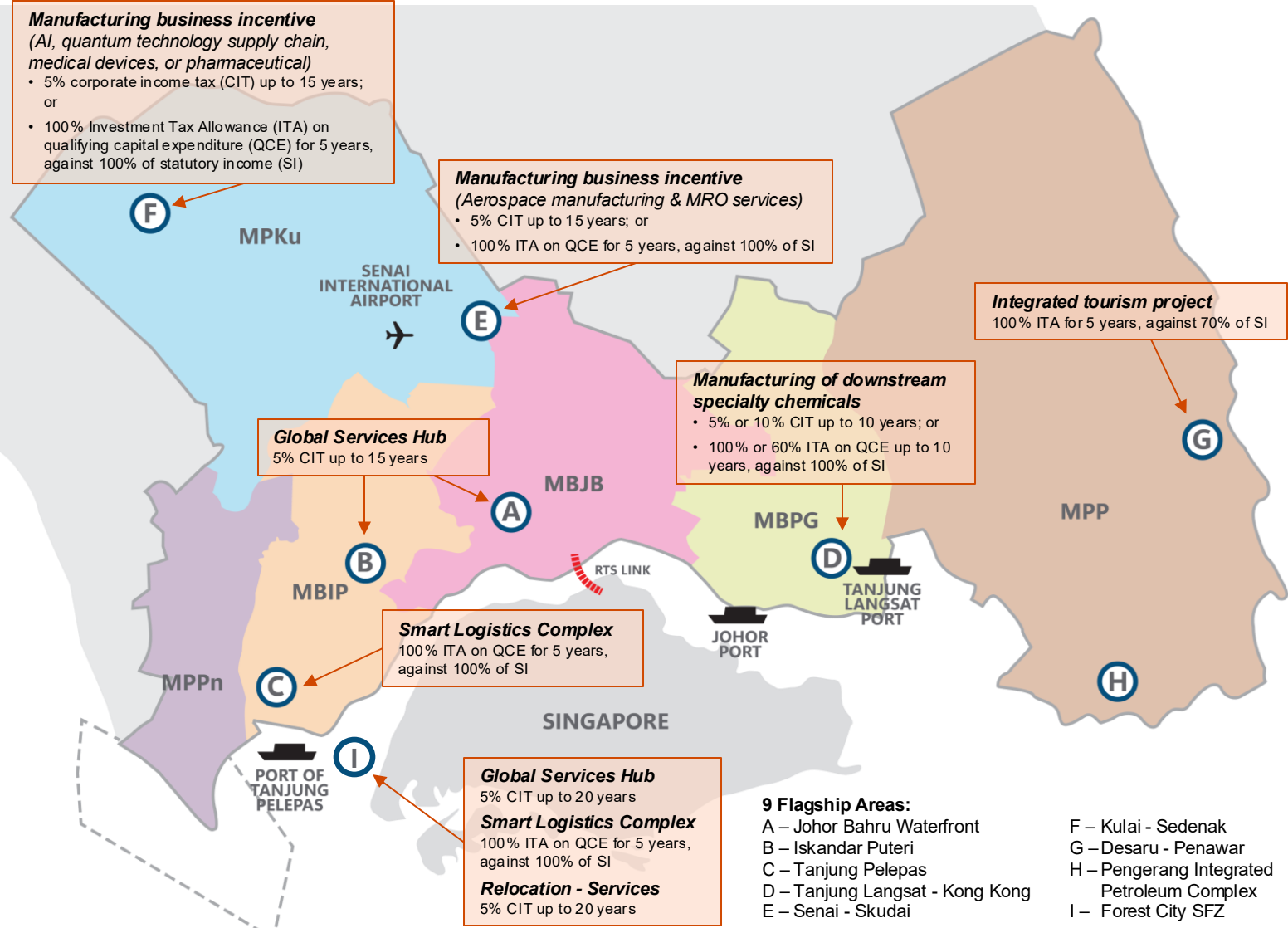
1. Smart Logistic Complex
2. Global Services Hub
3. Relocation (services)

*The abovementioned incentive packages are available for:

- newly incorporated and resident companies established to carry on the specified qualifying projects, or
- existing resident companies already operating and carrying on the specified qualifying projects.

The company is not eligible if it or its related company has been granted the incentive for the same project.

Snapshot of the MIDA tax incentive packages in JS-SEZ and Forest City SFZ



Source (Map): Iskandar Regional Development Authority



Global Services Hub

Economic zone	JS-SEZ (Flagship A and B)		Forest City SFZ
Tax incentive	Special tax rate of 5% up to 15 years		Special tax rate of 5% up to 20 years (10+10 years)
Qualifying activities	<ul style="list-style-type: none">Regional profit & lossStrategic business planningCorporate developmentRegional / global treasury and fund management conducting cash pooling activities via onshore intermediariesAt least two other qualifying services of either strategic services, business services or shared services (refer to next page for full list)		
Key eligibility criteria / conditions	<ul style="list-style-type: none">Paid-up capital of at least RM2.5 million.Serve or have business control of at least 10 Network Companies (includes at least three related companies for Forest City SFZ).Annual sales turnover of at least RM500 million and foreign exchange in-flow into the local banking system as proposed (for trading income only).Annual operating expenditure of at least RM50 million.Annual expenditure for domestic ancillary services as proposed.Employment:<ul style="list-style-type: none">At least 50% of high-value positions with a minimum basic salary of RM10,000 filled by full-time Malaysian employees.At least five key personnel with minimum basic monthly salary of RM35,000.At least 20% of the entire workforce to undergo structured training programs for upgrading of skills in related qualifying services during the incentive period.Undertake the National Structured Internship Programme (MySIP) under TalentCorp Malaysia for at least three Malaysian students yearly.		
Key additional criteria / conditions for second 10 years	<ul style="list-style-type: none">No extension period		<ul style="list-style-type: none">Minimum 30% increment of annual operating expenditure and annual sales turnover from the amounts in the first 10 years.

Global Services Hub (cont'd)

A. Strategic services

- Corporate finance advisory services
- Brand management
- Intellectual property management
- Senior-level talent acquisition and management

B. Business services

- Bid and tender management
- Treasury and fund management
- Research, development & innovation
- Project management
- Sales and marketing
- Business development
- Technical support and consultancy
- Information management and processing
- Economic / investment research analysis
- Strategic sourcing, procurement and distribution
- Logistics services

C. Shared services

- Corporate training and human resource management
- Finance & accounting (transactions, internal audit)



Smart Logistics Complex

Economic zone	JS-SEZ (Flagship C)	Forest City SFZ
Tax incentive	ITA of 100% on QCE incurred within 5 years, against 100% of SI	
Qualifying activities	<ul style="list-style-type: none"> Regional distribution hub – collection and distribution of finished goods, components, and parts domestically and internationally Integrated logistics services – end-to-end logistics services, including warehousing, transport, freight and distribution Dangerous goods storage – safe storage of goods classified as dangerous goods Cold chain facilities – facilities for temperature-sensitive products including pharmaceuticals, electronics, medical and chemical products 	
Key eligibility criteria / conditions	<ul style="list-style-type: none"> Paid-up capital of at least RM2.5 million. Capital expenditure (excluding land) of at least RM500 million. Incur adequate annual operating expenditure as proposed. Smart warehouse complex: <ul style="list-style-type: none"> Built-up area at least 50,000 m² Equipped with at least three enabling element technologies under the IR4.0 Appointment of local contractors as main construction contractor Application of modern construction techniques (i.e. Industrial Building System) Invest in green technology (generation of renewable energy) as proposed. Establish partnerships with at least three locally owned logistics companies. Use of local seaports, airports and / or free zone areas for export activities. Employment: <ul style="list-style-type: none"> Total full-time workforce consisting of at least 80% Malaysian citizens. At least 30% of high-value positions with a minimum basic salary of RM10,000 filled by full-time Malaysian employees. Hire local graduates with less than three years' experience as proposed. Undertake the MySIP under the TalentCorp Malaysia for at least three Malaysian students yearly. 	

Manufacturing of downstream specialty chemicals

Economic zone	JS-SEZ (Flagship D)
Tax incentive (Tiering is subject to meeting the minimum or additional conditions; see next page for details)	<u>Option 1</u> <ul style="list-style-type: none">• Tier 1 - Special tax rate of 5% up to 10 years (5+5 years)• Tier 2 - Special tax rate of 10% up to 10 years (5+5 years) <u>Option 2</u> <ul style="list-style-type: none">• Tier 1 - ITA of 100% on QCE against 100% of SI up to 10 years (5+5 years)• Tier 2 - ITA of 60% on QCE against 100% of SI up to 10 years (5+5 years)
Qualifying activities	Manufacturing of downstream specialty chemicals: <ul style="list-style-type: none">• Base chemical – methanol, ethylene, propylene, benzene, aromatics• Organics intermediates – C1 to C6• Specialty chemical• Fertilisers• Polymers / plastics• Oleochemical / biochemical



Manufacturing of downstream specialty chemicals (cont'd)

Key eligibility criteria / conditions	<p>First 5 years</p> <p>Tier 2 to meet the following minimum conditions:</p> <ul style="list-style-type: none">• Paid-up capital of at least RM2.5 million.• Proposed capital expenditure (excluding land) to be realised at the point of submission of determination of effective date, i.e. within 24 months from approval date for special tax rate or 36 months for ITA. Cumulative amount to be at least RM500 million within the first 5-year period.• Employment:<ul style="list-style-type: none">○ Adequate high-value positions with a minimum basic salary of RM10,000 filled by full-time Malaysian employees as proposed.○ At least 25% of managerial, technical and supervisory levels.• Adoption of IR4.0 technology. <p>Tier 1 to meet both the minimum conditions (above) and the following additional conditions:</p> <ul style="list-style-type: none">• Adoption of ESG programmes.• Appointment of local suppliers or service providers as proposed.• Other conditions related to sustainable economy development (e.g. collaboration with higher education institution / TVET, internship, vendor development).	<p>Second 5 years</p> <p>Tier 2 to meet the following minimum conditions:</p> <ul style="list-style-type: none">• Incremental cumulative capital expenditure (excluding land) as proposed. At least RM500 million to be maintained throughout the second 5-year period (for special tax rate incentive).• Employment:<ul style="list-style-type: none">○ Substantial increase in full-time Malaysian employees with high-value positions as proposed.○ Substantial increase in managerial, technical and supervisory levels. <p>Tier 1 to meet both the minimum conditions (above) and the following additional conditions:</p> <ul style="list-style-type: none">• Substantial increase in local suppliers or service providers appointed as proposed.• Substantial increase on other conditions related to sustainable economy development.
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ESG – Environmental, social and governance
TVET – Technical & Vocational Education & Training centres

Manufacturing business incentive

Economic zone	JS-SEZ (Flagship E and F)		
Tax incentive	New company	QCE (excluding land) exceeding RM1 billion	Special tax rate of 5% for 15 years
		QCE (excluding land) between RM500 million to RM1 billion	Special tax rate of 5% for 10 years
	Existing company	ITA of 100% on QCE incurred within 5 years, against 100% of SI	
Qualifying activities	Flagship F	<ul style="list-style-type: none">Artificial intelligence (AI) and / or quantum technology supply chainMedical devicesPharmaceutical	
	Flagship E	Aerospace manufacturing and maintenance, repair and overhaul (MRO) services	
Key eligibility criteria / conditions	<ul style="list-style-type: none">Paid-up capital of at least RM2.5 million.Capital expenditure (excluding land) of at least RM500 million.Use of local ancillary services including banking as proposed.Undertake at least one local Vendor Development Programme.Employment:<ul style="list-style-type: none">At least 50% of high-value positions with a minimum basic salary of RM10,000 filled by full-time Malaysian employees.Hire local graduates with less than three years’ experience as proposed.Undertake the MySIP under the TalentCorp Malaysia for at least three Malaysian students yearly.Collaboration with higher education institution / TVET and / or technical bodies in relevant manufacturing fields.Use of local seaports, airports and / or free zone areas for export activities.		

Integrated tourism project

Economic zone	JS-SEZ (Flagship G)
Tax incentive	ITA of 100% on QCE incurred within 5 years, against 70% of SI
Qualifying activities	<div>Integrated tourism project consisting of:</div> <ul style="list-style-type: none">• Hotel with minimum 80 rooms which comprise of standard, superior, deluxe and suite; and• At least one tourist attraction (i.e. water park, outdoor park, convention centre with minimum capacity for 3,000 participants or outdoor sport excluding golf course and driving range).
Key eligibility criteria / conditions	<ul style="list-style-type: none">• Paid-up capital of at least RM2.5 million.• Capital expenditure (excluding land) of at least RM500 million.• Adoption of IR4.0 technology.• Invest in green technology as proposed (generation of renewable energy such as solar, etc).• Employment:<ul style="list-style-type: none">○ Total full-time workforce consisting of at least 80% Malaysian citizens.○ At least 50% of high-value positions with a minimum basic salary of RM10,000 filled by full-time Malaysian employees.○ Hire local graduates with less than three years' experience as proposed.○ Undertake the MySIP under the TalentCorp Malaysia for at least three Malaysian students yearly.



Relocation – Services

Economic zone	Forest City SFZ	
Tax incentive	Special tax rate of 5% up to 20 years (10+10 years)	
Qualifying activities	<ul style="list-style-type: none">• Research and development / design and development activities• Medical devices testing laboratory and clinical trials• Independent conformity assessment laboratories (e.g. calibration laboratories, certification / inspection bodies, technical training laboratories, etc.)• Centre of Excellence – hubs focusing on specific fields e.g. AI, advanced treatment, specialised training, etc.• Design, development and services for integrated circuit and packaging, embedded systems and engineering testing.	
Key eligibility criteria / conditions	<p>First 10 years</p> <ul style="list-style-type: none">• Adoption of IR4.0 technology• Incur adequate annual operating expenditure• Employment:<ul style="list-style-type: none">○ Total full-time workforce consisting of at least 80% Malaysian citizens before third year of assessment.○ At least 50% of high-value positions with a minimum basic salary of RM10,000 filled by full-time Malaysian employees.○ At least 10% of the entire workforce to undergo structured training programs for upgrading of skills in related qualifying services during incentive period.○ Undertake the MySIP under the TalentCorp Malaysia for at least three Malaysian students yearly.	<p>Additional condition for second 10 years</p> <ul style="list-style-type: none">• Minimum 30% increment of annual operating expenditure from the amounts in the first 10 years.

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