



# TaXavvy

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## MDEC guidelines – Forest City SFZ tax incentive



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# MDEC guidelines – Forest City SFZ tax incentive

Following the recently issued Guidelines for the Forest City Special Financial Zone (SFZ) Tax Incentive Package by the Malaysian Investment Development Authority (MIDA) (refer to [TaXavvy 10-2025](#)), the Malaysia Digital Economy Corporation (MDEC) has issued Guidelines and FAQs on tax incentives for fintech-related activities, financial global business services and foreign payment system operators. These incentives form part of the suite of incentives designed to position Forest City, Johor, as a competitive international business hub.

The Guidelines and FAQs are available on MDEC’s website [www.mdec.my](http://www.mdec.my) (Homepage > Announcement on the Forest City SFZ Tax Incentive).



## An overview of the Forest City SFZ tax incentive

<b>Tax incentive</b>	Special tax rate of 5% for up to 20 years (10+10 years) on chargeable income from qualifying activities (excluding income from intellectual property rights)
<b>Qualifying activities (services)</b>	<b>1. Financial technology (fintech*)</b> in but not limited to the following categories: <ul style="list-style-type: none"><li>• Regulatory fintech - use of technology to help financial institutions comply with regulatory requirements</li><li>• Insurance tech - application of technology innovations designed to improve and disrupt the traditional insurance industry</li><li>• Islamic fintech - integration of financial technology with Islamic finance principles</li></ul> <b>2. Financial Global Business Services</b> <ul style="list-style-type: none"><li>• Multifunctional service delivery models within large organisation under financial sector / services offering accounting, payroll, treasury, tax and financial reporting services comprising mid-office and back-office functions.</li><li>• Mid-office functions: intermediary between the front office (client-facing roles) and back office, ensuring that financial transactions and business activities are efficient, compliant, and aligned with organizational objectives</li><li>• Back-office functions: transaction processing, record keeping, IT support, etc.</li></ul> <b>3. Foreign-owned Payment System Operator (PSO)</b> <ul style="list-style-type: none"><li>• Foreign-owned PSO that satisfies the definition of PSO under the Financial Services Act 2013 or Islamic Financial Services Act 2013 and approved by Bank Negara Malaysia.</li></ul> <p><i>* Integration of technology into offerings by financial services companies to improve their use and delivery to consumers. It encompasses a wide range of applications, from mobile banking, online payments, and crowdfunding platforms to blockchain and cryptocurrency solutions.</i></p>
Utilising any of the following promoted technology enablers: <ol style="list-style-type: none"><li>1. Artificial intelligence (AI) or big data analytics</li><li>2. Internet of things (IoT)</li><li>3. Cybersecurity</li><li>4. Cloud</li><li>5. Blockchain</li><li>6. Creative media technology including extended reality (XR) or mixed reality (MR)</li><li>7. Robotics or automation</li><li>8. Advanced network connectivity or telecommunication technology.</li></ol>	

An overview of the Forest City SFZ tax incentive (cont'd)

Key eligibility criteria	<ul style="list-style-type: none"><li>• Incorporated under the Companies Act and resident in Malaysia</li><li>• Minimum paid-up capital of RM50,000</li><li>• In relation to the qualifying activity, the applicant:<ul style="list-style-type: none"><li>○ is proposing to undertake the activity in Pulau 1, Forest City</li><li>○ has not been granted any tax incentive by the Government</li></ul></li><li>• In relation to sales invoice for the qualifying activity, the applicant:<ul style="list-style-type: none"><li>○ has not issued any sales invoice before application, or</li><li>○ has not issued any sales invoice for the qualifying activity in Malaysia more than twelve months prior to the date of submission of the tax incentive application where there is 60% of direct / indirect Malaysian equity ownership in the applicant</li></ul></li><li>• The applicant is not eligible if a related company:<ul style="list-style-type: none"><li>○ has been granted tax incentive in respect of the qualifying activity</li><li>○ has issued any sales invoice for the qualifying activity before applicant's application for the tax incentive</li></ul></li></ul>
Application period	Applications received from 1 September 2024 to 31 December 2034
Other information	<ul style="list-style-type: none"><li>• Applicants do not require the MD or MSC Malaysia Status to be eligible</li><li>• Within the incentive period, a company may apply to add qualifying activities which must not have generated any revenue in Malaysia</li></ul>





Key conditions	First 10 years	Second 10 years
		(Apply for extension concurrently with the 10 <sup>th</sup> YA self-declaration form)
Adequate full-time employees (FTE) in Malaysia throughout each year of assessment (YA) comprising adequate knowledge workers (with a minimum monthly basic salary of RM10,000)	Yes	To maintain existing FTE
Adequate new FTE with adequate knowledge workers throughout the YA	-	At least 30% of the existing FTE for the 10 <sup>th</sup> YA
Adequate annual operating expenditure (OPEX) in Malaysia by the end of each YA	Yes	Increase by at least 30% of annual OPEX
Location of qualifying activities throughout the YA	Pulau 1	Pulau 1
Environmental, social and governance (ESG) conditions at the end of each YA	Yes	Yes
Relevant approval / licence from the respective regulatory body for qualifying activity regulated under written law	Yes	Yes
Annual submission to MDEC of independent auditor-verified self-declaration form on compliance of conditions within seven months of the end of each YA, failing which the company is subject to prevailing tax rate for the relevant YA	Yes	Yes
Other economic development condition(s)	Yes	Yes
Minimum paid-up capital	RM50,000	RM2.5 million



Comparison of the MDEC Financial GBS incentive with the MIDA GS-Hub incentive

MDEC's Financial Global Business Services (GBS) and MIDA's Global Services Hub (GS-Hub) incentives aim to position Forest City, Johor as global hub for shared services. Both incentives offer a 5% tax rate for up to 20 years (10+10 years), tailored to different operational focus and activities of investors. Below is a high-level comparison of both incentives:

Financial GBS (MDEC)	GS-Hub (MIDA)
<p>Qualifying activities focusing on financial operational and support functions of fintech or financial institutions, with emphasis on the use of technology to deliver standardised financial operations across regions or business units, offering services under one umbrella in:</p> <ul style="list-style-type: none"><li>Accounting</li><li>Payroll</li><li>Treasury</li><li>Tax</li><li>Financial reporting</li></ul>	<p>Qualifying activities focusing on broad range of high-level strategic, business and shared services, with emphasis on regional management and control across on the following functions:</p> <ul style="list-style-type: none"><li>Regional profit &amp; loss</li><li>Strategic business planning</li><li>Corporate development</li><li>Regional or Global Treasury and Fund Management conducting cash pooling activities via onshore intermediaries</li><li>At least two other qualifying services of either strategic services, business services or shared services</li></ul> <p>Serve or have business control of at least 10 Network Companies including at least 3 related companies</p>
Mandatory use of promoted tech enablers (AI, IOT, blockchain, etc.)	Adoption of tech enablers not mandated / specified
Lower starting capital requirement with RM50,000; to increase to RM2.5 million for extension period	RM2.5 million paid-up capital requirement
Annual turnover requirement is not specified	Annual sales turnover of at least RM500 million and forex in-flow into the local banking system as proposed (applicable for trading income only)
Annual OPEX requirement is to be determined on an adequate basis	A minimum of RM50 million annual operating expenditure is required for all applicants
Number of FTE (≥ RM10,000 monthly salary) is to be determined on an adequate basis. The percentage of Malaysian or number of key personnel is not specified.	<ul style="list-style-type: none"><li>≥ 50% Malaysian FTE (≥ RM10,000 monthly salary)</li><li>≥ 5 key personnel (≥ RM35,000 monthly salary)</li></ul>

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