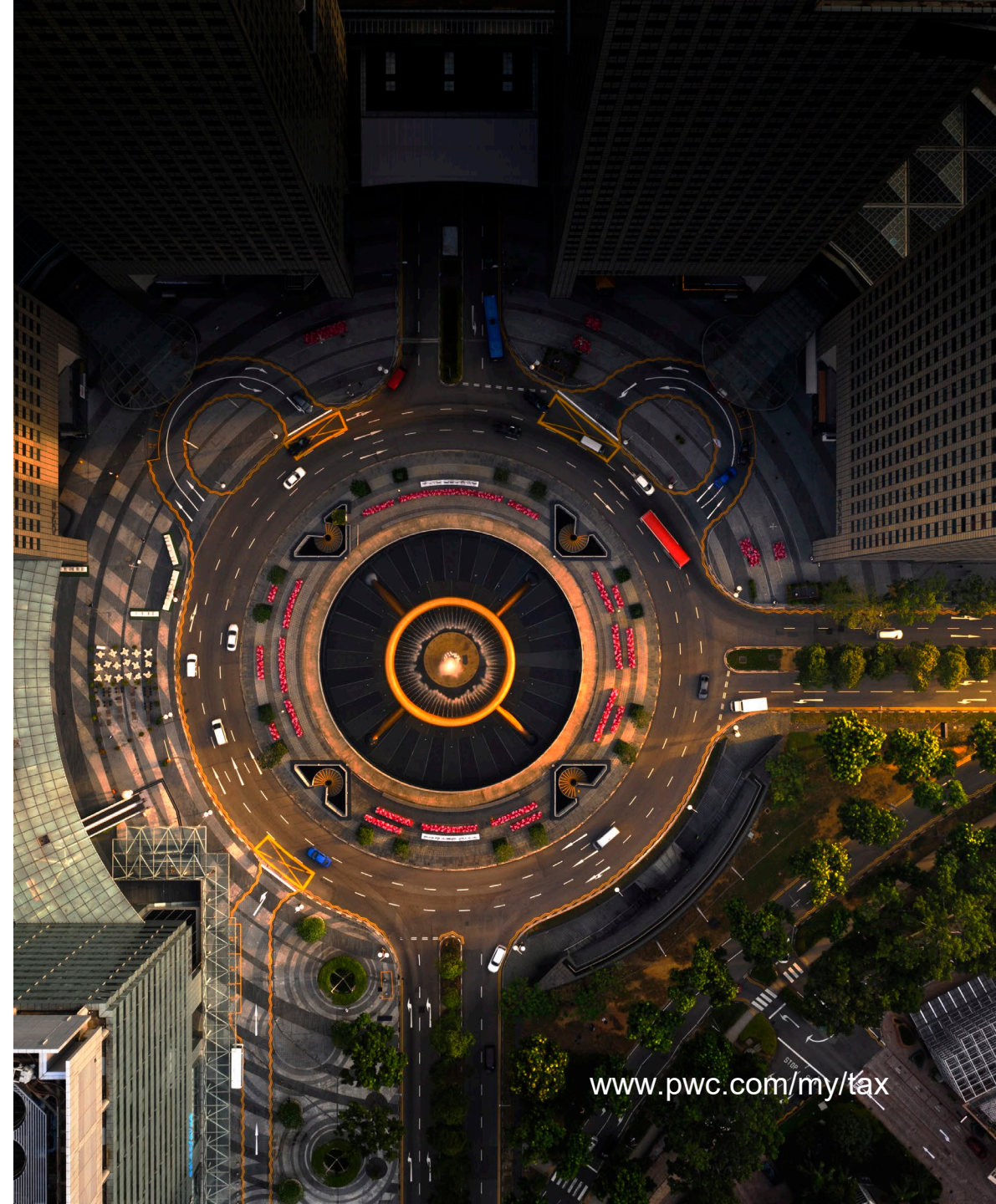




# TaXavvy

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## Single Family Office Scheme



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## Single Family Office Scheme

First announced in September 2024, the Single Family Office Incentive Scheme for the Forest City Special Financial Zone (SFZ) offers a 0% income tax rate on eligible investment income for up to 20 years, conditioned upon meeting at least RM30 million in assets under management (AUM), local and promoted investment criteria, and economic substance. Employees are eligible for a reduced 15% income tax rate.

During the Single Family Office Summit hosted by the Securities Commission (SC) today, the SC provided additional details of the incentive. In addition to the previously announced incentives, a one-off exemption from capital gains tax and stamp duty will be granted on the transfer of qualifying assets into the Single Family Office Vehicle (SFOV).

The scope of permitted investments is also shared today. They include listed shares, bonds, Islamic capital market products, Malaysian private companies (excluding property-only SPVs), real estate holdings limited to Forest City, etc. Bank Negara Malaysia also offers capital flow flexibilities.

To support families and professionals relocating to Malaysia, Resident Pass Talent Visa, which covers family members as well as foreign professionals for up to 20 years will be offered.

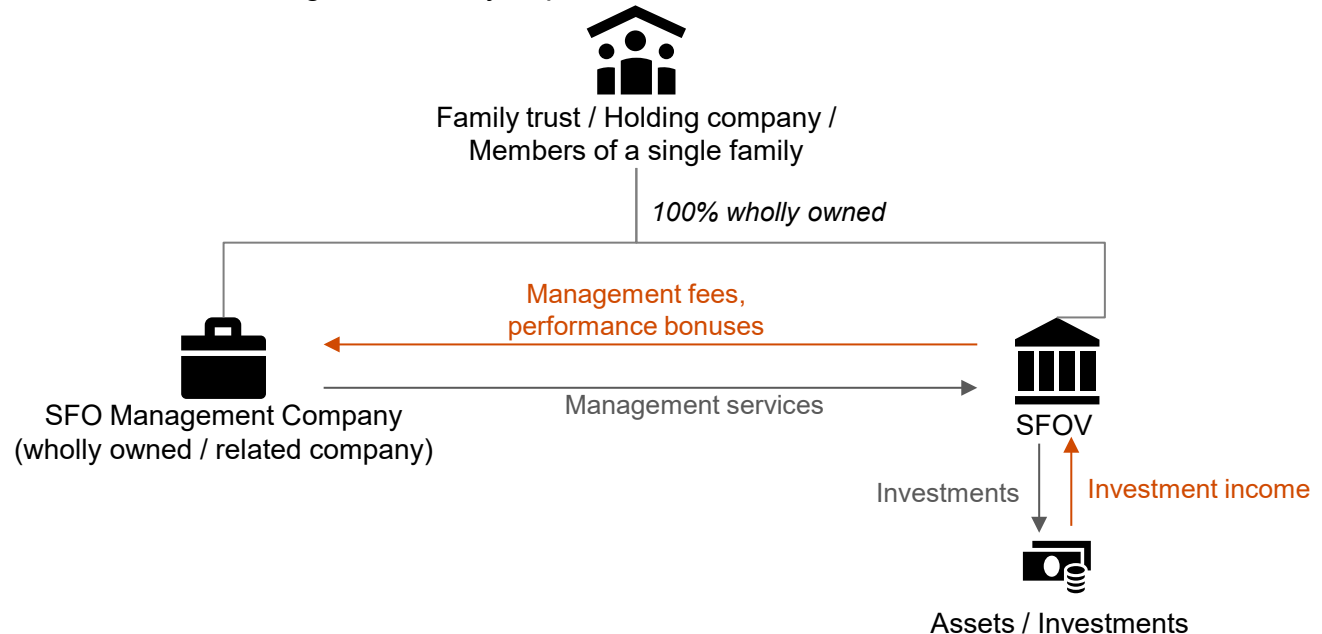
### A recap of the Single Family Office (SFO)

An SFO is a corporate vehicle, wholly owned or controlled by a single high-net-worth (HNW) family, created to exclusively manage the financial and personal affairs of the HNW family. The SFO may represent multiple generations and branches of the same family, centralising and formalising decision making for the HNW family. Key functions of an SFO include:

- Wealth management
- Legal and bookkeeping
- Insurance and risk management
- Family governance and education
- Philanthropy

### The SFO structure

The SFO structure is diagrammatically depicted as follows:



**SFOV**

A new company incorporated under the Companies Act 2016 which is -

- wholly owned, directly or indirectly, by one or more individuals, all of whom are members of a single family;
- established solely for the purposes of holding the assets, investments and long-term interest of members of the single family.

**SFO Management Company (SFO MC)**

An SFO MC is an entity wholly owned, directly or indirectly by members of a single family that provides management services exclusively to its related SFOV, handling tasks such as investment management, administrative services, and other related activities for the benefit of the family members.

**Broad overview of SFO incentive scheme**

<b>Tax incentive</b>	<ul style="list-style-type: none"><li>• A 0% income tax rate on income generated by eligible investments from the SFOV for a period of 20 years (10 + 10 years).</li></ul> <p><u>Latest update</u></p> <ul style="list-style-type: none"><li>• One-off exemption on capital gains tax on transfer of unlisted shares into SFOV upon establishment.</li><li>• One-off stamp duty exemption on transfer of permitted assets into SFOV upon establishment.</li></ul>
<b>AUM</b>	<ul style="list-style-type: none"><li>• Minimum of RM30 million in permitted investment</li><li>• 10% of AUM or RM10 million (whichever lower) in local and promoted investments</li></ul>
<b>Location of office</b>	<ul style="list-style-type: none"><li>• SFOV must be established and operate out of Pulau 1, Forest City SFZ.</li></ul>
<b>Foreign exchange flexibility</b> (subject to Bank Negara's conditions)	<p><u>Latest update</u></p> <ul style="list-style-type: none"><li>• No limit on investment in foreign currency assets using funds sourced from non-resident or abroad</li><li>• No limit on offshore borrowing to finance activities abroad or business operations within the zone</li></ul>
<b>Approval</b>	<ul style="list-style-type: none"><li>• Two-step process: initial conditional approval and annual tax certification (refer to page 7 for details).</li></ul>



Permitted investments\*

Composition of the AUM

90% of AUM must be allocated to permitted assets, which may be invested in Malaysia or globally –

- Shares traded on any stock exchange
- Bonds notes, commercial papers and treasury bills
- Bank deposits (domestic or foreign) with a licenced bank
- Shares of a company incorporated under the Companies Act 2016 (excluding property-only SPVs)
- Collective investment schemes (local and global)
- Global venture capital and private equity fund
- Islamic capital market products
- Unit trust funds by SC-licensed fund manager
- Portfolio management by SC-licensed fund manager
- Interest rate or currency contracts on a forwards, options or swaps
- Derivatives that are traded on a derivate exchange, or dealt in the OTC market, where the underlying instrument of a derivative is a commodity
- Real estate limited to Forest City – residential and commercial properties

Local investment requirement

Eligible local and promoted investments, making up RM10 million or 10% of the total AUM, must comprise local investments:

Local investments	Promoted investments <i>(counted as 1.5 times multiple towards the local AUM requirements)</i>
<ul style="list-style-type: none"><li>• Listed securities on Bursa Malaysia</li><li>• Islamic capital market products in Malaysia</li><li>• Ringgit-denominated debentures and Malaysia Government Securities</li><li>• Exchange traded derivatives on Bursa Malaysia Derivatives</li><li>• Private Equity (PE) and venture capital (VC) funds by SC-registered corporations</li><li>• Portfolio management, where underlying is 70% in Malaysia, offered by SC-licensed fund managers</li><li>• Shares of tech and socially responsible investment (SRI) companies incorporated in Malaysia</li></ul>	<ul style="list-style-type: none"><li>• Sustainability funds, bonds and sukuk that align with Malaysia or ASEAN standards for underlying Malaysian projects</li><li>• <i>Waqf</i> featured framework funds</li><li>• Equity Crowd Funding and peer-to-peer financing campaigns on SC-registered Recognised Market Operators</li><li>• Shares of companies approved by MIDA to carry out approved projects under the Johor-Singapore Special Economic Zone (JS-SEZ) Tax Incentive Package.</li><li>• Shares of companies that align with the New Industrial Master Plan (NIMP) prioritised sectors.</li></ul>

\* Source: Malaysia's Single Family Office Incentive Scheme, An Introduction, Securities Commission Malaysia

Key conditions for SFOV

AUM and economic substance requirements	First 10 years	Additional 10 years
AUM	<ul style="list-style-type: none"><li>At least RM30 million of local/foreign investment</li><li>Composition to include of local and promoted investments of RM10 million or 10% of the total AUM, whichever is lower</li></ul>	<ul style="list-style-type: none"><li>At least RM50 million of local/foreign investment</li><li>Composition to include of local and promoted investments of RM10 million or 10% of the total AUM, whichever is higher</li></ul>
Full-time employees (FTE)	<ul style="list-style-type: none"><li>Minimum 2 FTEs</li><li>At least 1 investment professional has 2 years of relevant working experience and hold a degree or a global recognised professional qualification</li><li>Minimum monthly salary of RM10,000</li><li>Must be a tax resident and based out of Forest City SFZ</li></ul>	<ul style="list-style-type: none"><li>Minimum 4 FTEs</li></ul>
Local operating expenditure spending (include but not limited to employee remuneration, professional services, rental and management fees paid to SFO MC)	<ul style="list-style-type: none"><li>Minimum RM500,000 per year local spending</li></ul>	<ul style="list-style-type: none"><li>Minimum RM650,000 per year local spending</li></ul>



Key terms and conditions for SFO MC

Agreement	<p>The SFO MC must have a Service Level Agreement (SLA) or Investment Management Agreement (IMA) with the SFOV setting out the scope of services, including but not limited to –</p> <ul style="list-style-type: none"><li>• investment management,</li><li>• advisory,</li><li>• reporting obligations, and</li><li>• compliance.</li></ul>
Management of SFOV assets	<ul style="list-style-type: none"><li>• All AUM must be managed in Malaysia and owned directly by the SFOV or held by the SFOV as the beneficial owner.</li><li>• SFO MC may delegate any part of management of the SFOV's assets to a holder of a Capital Market Services Licence for fund management undertaking portfolio management.</li><li>• SFO MC must convene at least one Investment Committee Meeting and one Board of Directors meeting in Malaysia annually if the management of the SFOV's asset is not delegated.</li></ul>
Collaborative management	<ul style="list-style-type: none"><li>• SFO MC may carry out other services outside the SLA or IMA provided the services are provided to family members or other entities owned by the same single family.</li><li>• SFO MC may jointly manage SFOV's asset with investment professionals employed by the SFOV or in collaboration with other SFO managing the wealth of the same single family.</li><li>• The SFO MC is permitted to outsource non-investment management to a service provider.</li></ul>
Licensing under the Capital Market and Services Act 2006	<p>Exempted on the condition that it only provides services to its related company, the SFOV.</p>



## Two-step process for tax certification

### Step 1: Consultation, establishment and conditional approval with the SC

#### ***Consultation with the SC & establishing the SFO***

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- Deliberate on SFOV's fund structure, proposed assets composition and any other matters to ensure the requirements for claiming tax incentive are satisfied.
- Upon consultation with the SC or in parallel, prospective applicants may establish the SFOV and SFO MC.

#### ***Conditional approval*** *(pre-requisite for annual tax certification)*

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- Completed SFOV conditional approval documents are to be submitted to the SC for issuance of a Conditional Approval Letter.

#### ***Submission of one-off exemptions***

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- Submission of forms and supporting documents for one-off CGT and stamp duty exemption on the transfer of qualifying assets into the SFOV to the SC for issuance of a verification letter for such exemption.

### Step 2: Annual tax certification

#### ***Submission of tax certification form***

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- Application of tax certification is to be submitted to the SC at the end of each financial year.
- SFOV Tax Certification Form together with the audited accounts and any supporting documents are required to be submitted.

#### ***Issuance of Tax Certification Letter***

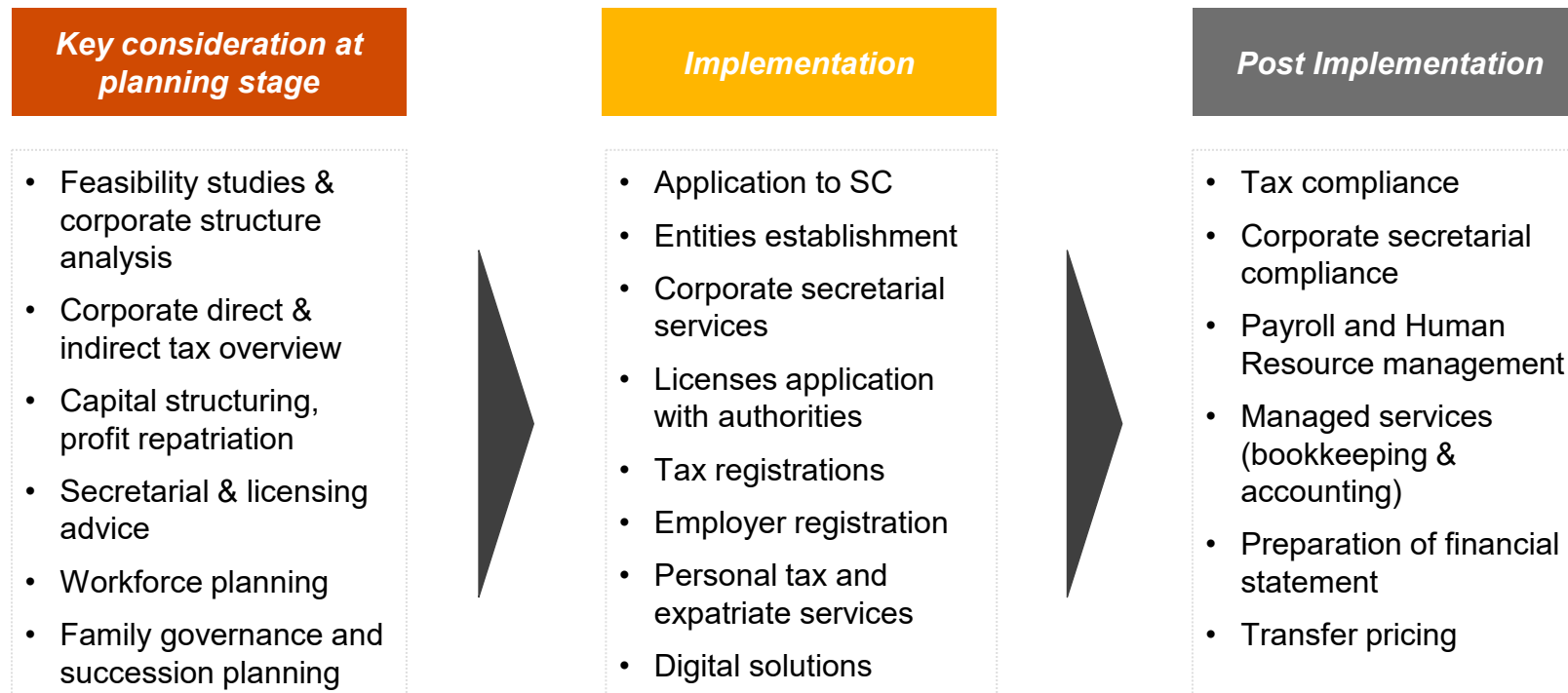
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- Tax Certification Letter will be issued if the SC is satisfied that all the requirements have been met.
- SFOV is eligible for the tax exemption with the Tax Certification Letter issued by the SC.



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