



Taxavvy

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Single Family Office (SFO) Incentive Scheme rules gazetted

Following the launch of SFO incentive scheme by Securities Commission (SC) in September 2024, several gazette orders have been issued on 3 October 2025 providing the legislation in relation to the incentives to promote the establishment of the SFO incentive scheme.

The SC has on 6 October 2025 stated in its media release that the rules provides policy certainty and confidence for families to make structuring decisions and has received more than 30 expression of interest targeting RM2 billion in asset under management (AUM) by the end of 2026.

The SFO incentive scheme is subject to application to the SC from 1 September 2024 to 31 December 2034.

The list of gazette orders is set out in page 4.

Highlights

To enhance Malaysia's investment landscape, particularly within the Forest City Special Financial Zone, tax incentives in relation to the SFO incentive scheme were previously announced (please refer to [TaXavvy issue 13-2025](#)). The legislation in relation to the following incentives announced earlier have now been gazetted:

- 0% income tax rate for single family office vehicle (referred as "single family fund company" in the legislation) on eligible income for up to 20 years (10 + 10 years) with AUM of not less than RM30 million.
- One-off exemption on capital gains tax on transfer of unlisted shares into a single family fund company by a company, limited liability partnership, trust body or co-operative society, where the ultimate beneficial owner of the transferor and transferee shall consist of members of the same single family.
- One-off stamp duty exemption on transfer of permitted assets into a single family fund company by a member of a single family or via a company or trust body owned directly or indirectly, by a member of the single family.
- Relocation incentives which include industrial building allowance of 10% and special tax deduction on relocation costs up to RM500,000.
- Withholding tax exemptions for qualifying service providers in the financial sector.
- 50% stamp duty exemption for instruments of transfer and loan / financing in relation to purchase of residential and commercial unit in Pulau 1 of Forest City Special Financial Zone from a developer.

Although not specified in the rules, the SC has in its media release mentioned exemption on dividend income for shareholders. Clarity will be required to confirm whether this includes exemption from the 2% tax on dividend in excess of RM100,000 received by individuals from a resident company in relation to the SFO, how the exemption may cater to different ownership structures and the period of exemption.

Newly introduced via the gazette orders are exemption from real property gains tax (RPGT) and preferential RPGT tax rates for non-citizens and non-permanent residents for disposal of real property in Pulau 1 of Forest City Special Financial Zone. The RPGT exemption and preferential rates are similar to rates applicable to citizens and permanent residents. This initiative will be supportive of property investments, especially for non-resident professionals working and staying in Pulau 1 of Forest City Special Financial Zone.

Salient details

Payments qualifying for withholding tax exemption

The relevant gazette order provides withholding tax exemption on the following income received by a non-resident from a qualifying person who operates in Pulau 1 of Forest City Special Financial Zone (listed in page 4), on or before 31 August 2024:

- Technical and non-technical services falling under sections 4A(i) and (ii) of the Income Tax Act 1967 (ITA 1967)
- Rent or other payments for use of any movable property falling under section 4A(iii) of ITA 1967
- Other income falling under section 4(f) of ITA 1967

Preferential RPGT rates

Pursuant to the relevant gazette order, a foreign disposer (non-citizen or non-permanent resident) disposing a real property in Pulau 1 of Forest City Special Financial Zone is eligible for preferential RPGT rates. The preferential rates are essentially rates which are applicable to citizens and permanent residents, as summarised in the table below:

Disposal	RPGT rates for non-citizens and non-permanent residents		RPGT rates for citizens and permanent residents
	Normal	Preferential	
Within 3 years	30%	30%	30%
In the 4 th year	30%	20%	20%
In the 5 th year	30%	15%	15%
In the 6 th and subsequent years	10%	0%	0%

The preferential RPGT rates are applicable for sale and purchase agreements executed from 1 September 2024 to 31 July 2024 and duly stamped before 1 September 2024.

Relocation incentives

Salient points to note from the gazette orders are:

	Industrial building allowance on commercial buildings	Special tax deduction on specified relocation costs
Qualifying expenditure incurred by qualifying person listed in page 4	<ul style="list-style-type: none"> • Capital expenditure incurred on the construction or purchase of a commercial building in Pulau 1 of Forest City Special Financial Zone, owned and used for specified business activity such as: <ul style="list-style-type: none"> ○ Investment holding activity by single family fund company ○ Banking business, insurance business or investment banking business ○ Islamic banking business, takaful business, international Islamic banking business or international takaful business ○ Regulated or specified activities under the Capital Markets and Services Act 2007 (CMSA 2007) ○ Financial global business services which has been awarded Malaysia Digital Status 	<p>A deduction is specifically prescribed on the following expenditure incurred* for an amount of up to RM500,000 for relocating of business to Pulau 1 of Forest City Special Financial Zone:</p> <ul style="list-style-type: none"> • Any cost incurred for planning, execution or supervision of the relocation of business • Packing or unpacking (materials or labour charges) • Transportation • Insurance premium for the purposes of relocation of business • Warehousing <p><i>* deemed to be incurred in the year of assessment in which the qualifying person commences to undertake the whole or part of its business in Pulau 1 of Forest City Special Financial Zone.</i></p>
Key qualifying conditions	Capital expenditure must be incurred on or before 31 December 2024.	<ul style="list-style-type: none"> • Relocation must take place between 1 September 2024 to 31 December 2024. • The qualifying expenditure is certified by an external auditor.

Qualifying persons for withholding tax exemption and relocation incentives

- A single family fund company which is verified by the SC
- A person who is licensed under section 10 of the Financial Services Act 2013 (FSA 2013) or section 10 of the Islamic Financial Services Act 2013 (IFSA 2013)
- A company which is a holder of a Capital Market Services Licence under the CMSA 2007
- A recognized market operator who is registered under section 34 of the CMSA 2007 other than an individual
- A registered person registered under section 76 of the CMSA 2007 other than an individual
- A person providing capital market services registered under section 76A of the CMSA 2007 other than an individual
- A financial technology company, insurance technology company, regulatory financial technology company or Islamic financial technology company which has been awarded MSC Malaysia Status or Malaysia Digital Status and is verified by Malaysia Digital Economy Corporation Sdn Bhd
- A payment system operator established or incorporated in a foreign jurisdiction approved under section 11 of the FSA 2013 or section 11 of the IFSA 2013 to operate a payment system in Pulau 1 of Forest City Special Financial Zone
- A centralised services entity providing financial global business services which has been awarded MSC Malaysia Status or Malaysia Digital Status and is verified by Malaysia Digital Economy Corporation Sdn Bhd

List of gazette orders*

<i>Gazette order</i>	<i>Summary of type of incentive</i>
P.U. (A) 350/2025 - Income Tax (Single Family Office Incentive Scheme) (Pulau 1 of Forest City Special Financial Zone) Rules 2025	0% income tax rate for single family fund company on eligible income for up to 20 years with AUM of not less than RM30 million.
P.U. (A) 351/2025 - Income Tax (Single Family Office Incentive Scheme) (Pulau 1 of Forest City Special Financial Zone) (Exemption) Order 2025	One-off exemption on capital gains tax on transfer of unlisted shares into a single family fund company
P.U. (A) 352/2025 - Stamp Duty (Single Family Fund Company) (Pulau 1 of Forest City Special Financial Zone) (Exemption) Order 2025	One-off stamp duty exemption on transfer of permitted assets into a single family fund company.
P.U. (A) 359/2025 - Income Tax (Industrial Building Allowance) (Pulau 1 of Forest City Special Financial Zone) Rules 2025	Relocation incentives which include enhanced industrial building allowance and tax deduction on relocation costs.
P.U. (A) 360/2025 - Income Tax (Deduction of Cost for Relocation of Business) (Pulau 1 of Forest City Special Financial Zone) Rules 2025	
P.U. (A) 357/2025 - Income Tax (Income of Non-resident Person) (Pulau 1 of Forest City Special Financial Zone) (Exemption) Order 2025	Withholding tax exemptions for qualifying service providers in the financial sector.
P.U. (A) 353/2025 - Stamp Duty (Instrument of Loan or Financing Agreement in relation to Individual) (Pulau 1 Forest City Special Financial Zone) (Remission) Order 2025	50% stamp duty exemption for instrument of transfer and loan / financing in relation to purchase of residential and commercial unit in Pulau 1 of Forest City Special Financial Zone, subject to conditions.
P.U. (A) 354/2025 - Stamp Duty (Instrument of Transfer in relation to Individual) (Pulau 1 of Forest City Special Financial Zone) (Remission) Order 2025	
P.U. (A) 355/2025 - Stamp Duty (Instrument of Loan or Financing Agreement in relation to Qualifying Person) (Pulau 1 of Forest City Special Financial Zone) (Remission) Order 2025	
P.U. (A) 356/2025 - Stamp Duty (Instrument of Transfer in relation to Qualifying Person) (Pulau 1 of Forest City Special Financial Zone) (Remission) Order 2025	
P.U. (A) 358/2025 - Real Property Gains Tax (Pulau 1 of Forest City Special Financial Zone) (Exemption) Order 2025	Preferential RPGT rates for disposal of real property in Pulau 1 of Forest City Special Financial Zone

*Generally effective from 1 September 2024

Labuan - fit and proper person for entities

Following the Budget 2025 announcement to broaden the economic substance requirements (ESR) to include the requirement for full-time employees to be fit and proper persons with effect from 1 January 2025, the following amendment orders have been gazetted on 9 September 2025 (collectively “Amendment Orders”):

- Labuan Business Activity Tax (Requirements for Labuan Business Activity) (Amendment) Regulations 2025
- Labuan Business Activity Tax (Requirements for Labuan International Commodity Trading Company) (Amendment) Regulations 2025

Background

A Labuan entity which carry on Labuan business activity and satisfies ESR comprising the prescribed (i) adequate number for full-time employees in Labuan, (ii) adequate amount of annual operating expenditure in Labuan and (iii) conditions in relation to management and control (for Labuan non-trading only) qualifies for the preferential tax rate of 3% (Labuan trading activity) or 0% (Labuan non-trading activity) on its net profits.

If it fails to meet the ESR, it is subject to a tax rate of 24% on its net profits. With effect from 1 January 2025, the full-time employee requirement was expanded to include the fit and proper person condition.

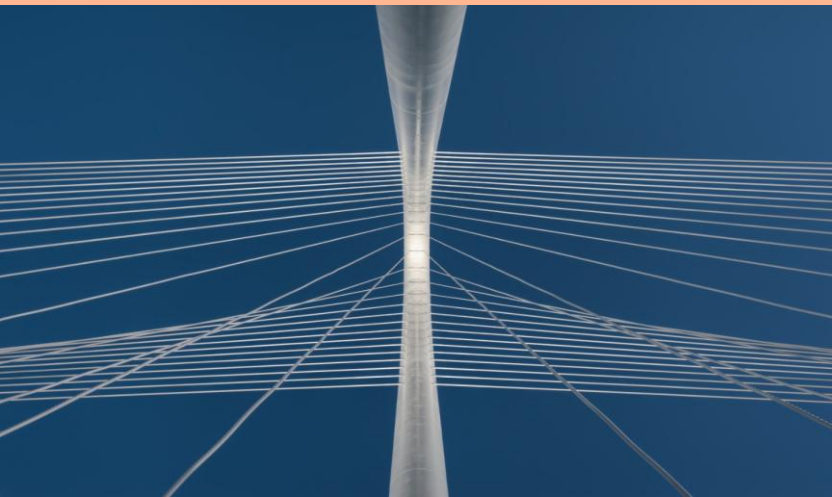
Labuan entities that do not satisfy the fit and proper person condition with respect to its full-time employees are not considered to have met the ESR.

Fit and proper person criteria under the Amendment Orders

The Amendment Orders set out the criteria prescribed by the Minister of Finance for compliance with the fit and proper person condition. The criteria are summarized as follows:

- to carry out work that is appropriate with the relevant Labuan business activity,
- to have adequate and appropriate competency and ability in respect of the activity carried out,
- does not have any personal interests or other responsibilities that may interfere with the performance of his duties,
- is employed on a permanent or contractual basis, and
- carry out the work physically in Labuan.

A Labuan entity that undertakes pure equity holding activities remains exempted from the full-time employee requirement; hence, the fit and proper person condition does not apply.



Labuan filing – further extension of time

The Inland Revenue Board (IRB) has informed the Association of Labuan Trust Companies on the extended deadline for submission of the Labuan income tax return for year of assessment (YA) 2025 (preceding year basis).

The IRB has further extended the deadline for the submission of the Income Tax Return Form (ITRF) under Sections 5 and 10 of the Labuan Business Activity Tax Act 1990 for YA 2025 (preceding year basis) from 31 July 2025 (refer to [TaXavvy 8-2025](#)) to 31 October 2025.

For YA 2025 (current year basis), the grace period for Labuan ITRF submission remains as a one-month extension from the statutory deadline (refer to [TaXavvy 17-2025](#)).

The latest extension of time for YA 2025 for both preceding year basis and current year basis periods are summarised below:

<i>Period</i>	<i>Statutory deadline for ITRF submission and tax payment</i>	<i>Grace period / extension of time granted</i>
YA 2025 with basis period ending in 2024 (preceding year basis)	31 March 2025	31 October 2025
YA 2025 with basis period ending in 2025 (current year basis)	Within seven months from the end of the accounting period coinciding with the basis period for the YA (e.g. A Labuan entity closes its accounts on 31 December 2025, the statutory deadline is 31 July 2026)	One month (e.g. The extension of time for a Labuan entity which closes its accounts on 31 December 2025 is granted until 31 August 2026)



Consolidated e-Invoice not allowed – updates

The IRB has updated the Specific e-Invoice Guidelines to include additional activities / transaction where consolidated e-Invoice is not allowed.

The Specific e-Invoice Guidelines has been updated to include the following into the type of activities / transaction where consolidated e-Invoice is not allowed (Table 3.6):

- Distribution, supply or sale of electricity by an electricity service provider.
- Telecommunication services in relation to postpaid plan and internet subscription, and sale of electronic devices.

The above are effective from 1 January 2026.



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