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Johor-Singapore Special Economic Zone (JS-SEZ) Tax Incentive Package



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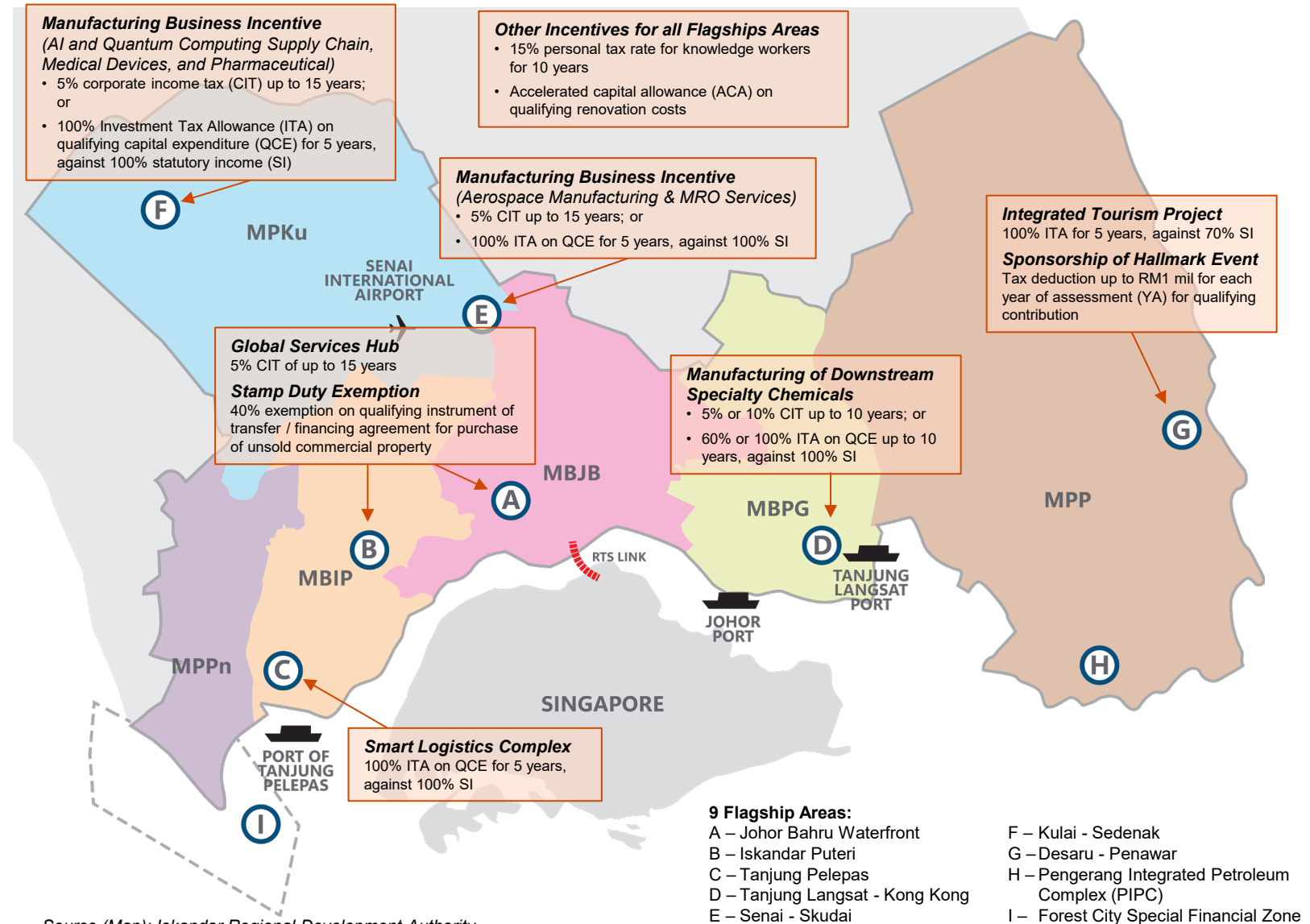
Johor-Singapore Special Economic Zone (JS-SEZ) Tax Incentive Package

Following the media release jointly issued by the Ministry of Finance and the Johor State Government on 8 January 2025, the Malaysian Investment Development Authority (MIDA) has released a snapshot of the available tax incentive package for the flagship areas in the JS-SEZ.

The incentives enhance Malaysia's appeal as a prime destination for investment and talent, contributing to Malaysia's growth in providing robust business infrastructure, global business services, artificial intelligence (AI), quantum computing, supply chain, tourism projects, etc.

Applications for the incentives are to be submitted to MIDA from 1 January 2025 to 31 December 2034. Detailed application guidelines will be made available by MIDA in due course.

Snapshot of the JS-SEZ tax incentive package



Source (Map): Iskandar Regional Development Authority

Flagship Development Focus: Manufacturing Sector

Qualifying activities	Flagship Area	Key eligibility criteria/conditions	Tax incentive	Period
<div><ul style="list-style-type: none">• AI and Quantum Computing Supply Chain• Medical Devices• Pharmaceutical</div>	F	<div><div><u>New Company</u><ul style="list-style-type: none">• New capital investment (excluding land) of at least RM500 million.</div><div><u>Existing Company</u><ul style="list-style-type: none">• New capital investment (excluding land) above RM500 million for relocation of overseas facilities for a new business segment (not expansion of existing products) into Malaysia.</div></div>	<div><div><u>New Company</u> CIT of 5%</div><div><u>Existing Company</u> ITA of 100% on QCE incurred within 5 years (excluding land), against 100% SI</div></div>	<div><div><u>New Company</u><ul style="list-style-type: none">• 15 years (investment above RM1 billion)• 10 years (investment between RM500 million to RM1 billion)</div><div><u>Existing Company</u> 5 years</div></div>
<div><ul style="list-style-type: none">• Aerospace Manufacturing and Maintenance, Repair, and Overhaul (MRO) Services</div>	E			



Flagship Development Focus: Global Services Hub

Qualifying activities	Flagship Area	Key eligibility criteria/conditions	Tax incentive	Period
<ul style="list-style-type: none">Regional Profit & LossStrategic Business PlanningCorporate DevelopmentRegional or Global Treasury and Fund Management conducting cash pooling activities via onshore intermediaries	A and B	<ul style="list-style-type: none">Annual operating expenditure of at least RM50 million.Company must serve or have business control of at least 10 Network Companies.Annual sales turnover of at least RM500 million and foreign exchange in-flow into the local banking system as proposed.At least 50% of high-value positions with a minimum monthly basic salary of RM10,000 filled by full-time Malaysian employees as proposed.	CIT of 5%	Up to 15 years
		<ul style="list-style-type: none">Instrument of transfer / financing agreement for the purchase of a commercial property in Flagships A and B that remains unsold as of 31 December 2024.	40% stamp duty exemption	

Comment:
The period is longer than the incentive period offered under the general Global Services Hub incentive period of up to 10 years

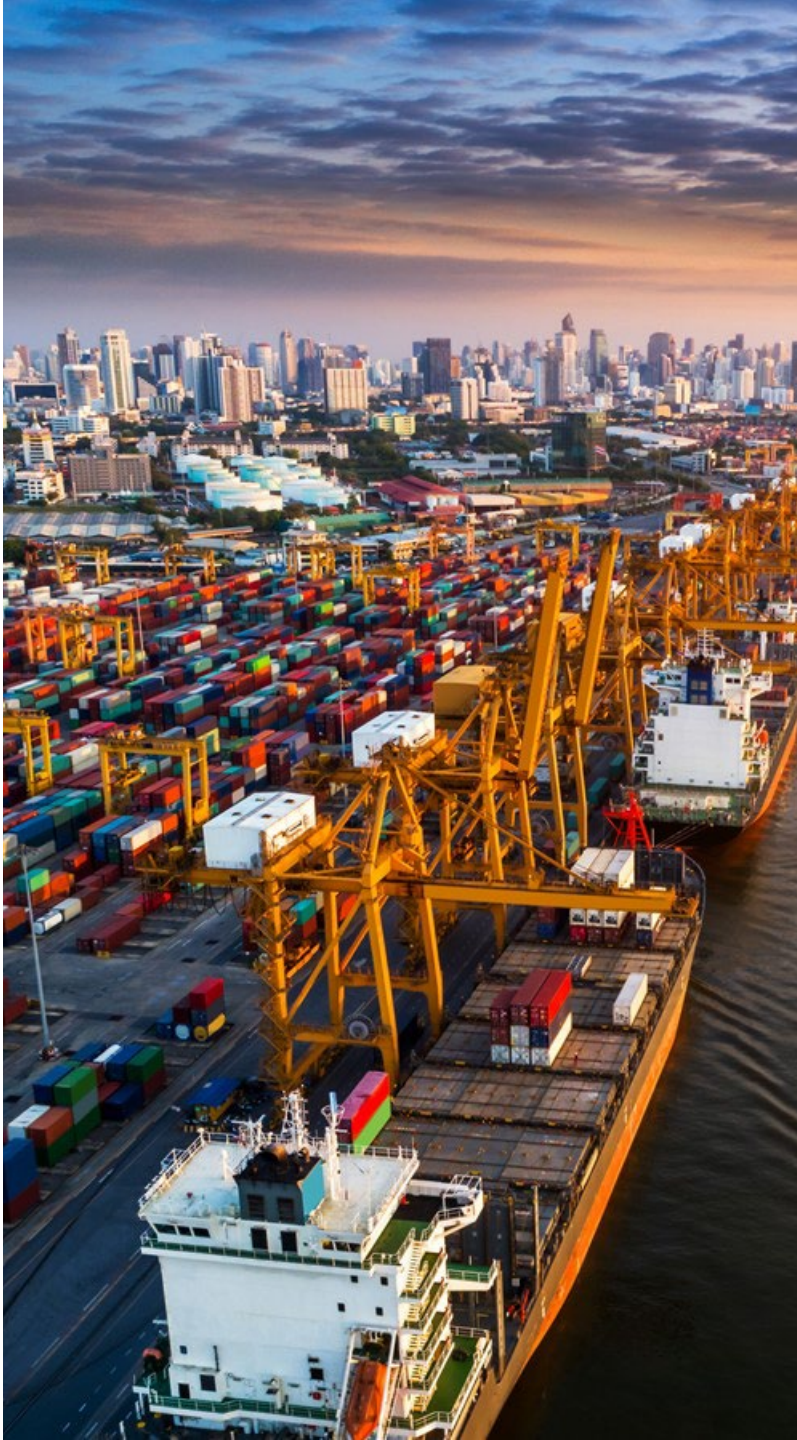


Flagship Development Focus: Integrated Tourism Project

Qualifying activities	Flagship Area	Key eligibility criteria/conditions	Tax incentive	Period
• Integrated Tourism Project	G	<ul style="list-style-type: none">• Company without existing or related entity undertaking same hotel or tourism project in Malaysia.• Paid-up capital of at least RM2.5 million.• Capital expenditure (excluding land) of at least RM500 million.• Undertaking integrated tourism project consisting of:<ul style="list-style-type: none">➢ Hotel with minimum 80 rooms which comprise of standard, superior, deluxe, and suite; and➢ At least 1 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).	ITA of 100% on QCE for 5 years, against 70% SI	5 years
		<ul style="list-style-type: none">• Contribution made in cash or in kind by a qualifying person who sponsors a hallmark event.• Hallmark event refers to an event of regional or international significance carried out in Flagship G and supported/verified by the Ministry of Tourism, Arts and Culture.• Contributions to be made between 1 January 2025 to 31 December 2034.	Tax deduction up to RM1 million for each YA for qualifying contribution	10 years

Flagship Development Focus: Smart Logistics Complex

Qualifying activities	Flagship Area	Key eligibility criteria/conditions	Tax incentive	Period
<ul style="list-style-type: none">Regional Distribution HubIntegrated Logistics ServicesDangerous Goods StorageCold Chain Facilities	C	<ul style="list-style-type: none">Capital expenditure (excluding land) of at least RM500 million.Smart warehouse complex with built-up area of at least 50,000 m² and equipped with at least three enabling element technologies under the IR4.0.Use the application of modern construction techniques, i.e., achieving a score for the Industrial Building System set by the Construction Industry Development Board.Total full-time workforce consisting of at least 80% Malaysian citizens.At least 30% of high-value positions with minimum monthly basic salary of RM10,000 filled by full-time Malaysian employees.	ITA of 100% on QCE incurred within 5 years, against 100% SI	5 years



Flagship Development Focus: Manufacturing of Downstream Specialty Chemicals

Qualifying activities	Flagship Area	Key eligibility criteria/conditions	Tax incentive	Period
<p>Manufacturing of Downstream Specialty Chemicals:</p> <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	D	<ul style="list-style-type: none">• Capital investment (excluding land) of at least RM500 million.• A new company or an existing company undertaking diversification activities for qualifying activities/ products under this cluster.• Paid-up capital of RM2.5 million at the point of submission of application to MIDA.	<p><u>Tier 1</u></p> <ul style="list-style-type: none">• CIT of 5%; or• ITA of 100% on QCE (excluding land), against 100% SI <p><u>Tier 2</u></p> <ul style="list-style-type: none">• CIT of 10%; or• ITA of 60% on QCE (excluding land), against 100% SI	Up to 10 years (5 + 5 years)



Additional Incentives for All Flagship Areas: Renovation Costs Incentive

Qualifying activities	Flagship Area	Key eligibility criteria/conditions	Tax incentive
Renovation costs incentive	All	<ul style="list-style-type: none">• Renovation costs incurred on a building or part thereof located in Flagship Areas A to G for qualifying company’s business.• Qualifying company refers to companies approved with any tax incentives under the Promotion of Investment Act 1986 or the Income Tax Act 1967 between 1 January 2025 to 31 December 2034 and operating in Flagship Areas A to G.• Incentive to be utilised only once throughout their business operation in JS-SEZ.• Qualifying renovation costs include:<ul style="list-style-type: none">➤ General electrical installation➤ Lighting➤ Gas system➤ Water system➤ Kitchen fittings➤ Sanitary fittings➤ Door, gate, window, grill and roller shutter➤ Fixed partitions➤ Flooring (including carpets)➤ Wall covering (including paint work)➤ False ceiling and cornices➤ Ornamental features or decorations excluding fine art➤ Canopy or awning➤ Recreation room for employee➤ Air-conditioning system➤ Day care centre for employees' children➤ Surau➤ Reception area➤ Green elements, smart solutions systems	ACA on qualifying renovation costs (initial allowance 20%, annual allowance 40%)

Additional Incentives for All Flagship Areas: Knowledge Worker Incentive

Qualifying activities	Flagship Area	Key eligibility criteria/conditions	Tax incentive	Period
Employment as knowledge worker in JS-SEZ qualifying sectors	All	<ul style="list-style-type: none">Malaysian/non-Malaysian citizen.Not generating employment income in Malaysia 24 months prior.Salary abroad/in Malaysia above RM20,000 per month.Subject to academic qualifications/years of professional work experience.Subject to Malaysia Critical Occupations Lists (MyCOL) profession and JS-SEZ qualifying sectors.	15% personal tax rate on chargeable income from employment	10 years



Connect with us

Our Offices

Kuala Lumpur

Steve Chia

steve.chia.siang.hai@pwc.com
+60(3) 2173 1572

Penang & Ipoh

Kang Gaik Hong

gaik.hong.kang@pwc.com
+60(4) 238 9225

Johor Bahru & Melaka

Benedict Francis

benedict.francis@pwc.com
+60(7) 218 6000

Kuching

Lee Yuien Siang

yuien.siang.lee@pwc.com
+60(8) 252 7202

Keegan Ong

keegan.sk.ong@pwc.com
+60(3) 2173 1684

Labuan

Jennifer Chang

jennifer.chang@pwc.com
+60(3) 2173 1828

Corporate Tax Compliance & Advisory

Consumer & Industrial Product Services

Margaret Lee

margaret.lee.seet.cheng@pwc.com
+60(3) 2173 1501

Steve Chia

steve.chia.siang.hai@pwc.com
+60(3) 2173 1572

Clifford Yap

clifford.eng.hong.yap@pwc.com
+60(3) 2173 1446

Taariq Murad

taariq.murad@pwc.com
+60(3) 2173 1580

Hee Sien Yian

sien.yian.hee@pwc.com
+60(3) 2173 0222

Cynthia Ng

cynthia.hh.ng@pwc.com
+60(3) 2173 1438

Alvin Woo

alvin.jm.woo@pwc.com
+60(3) 2173 1820

Services & Infrastructure

Lim Phaik Hoon

phaik.hoon.lim@pwc.com
+60(3) 2173 1535

Emerging Markets

Fung Mei Lin

mei.lin.fung@pwc.com
+60(3) 2173 1505

Michelle Chuo

michelle.sy.chuo@pwc.com
+60(3) 2173 1289

Financial Services

Jennifer Chang

jennifer.chang@pwc.com
+60(3) 2173 1828

Lim Phaik Hoon

phaik.hoon.lim@pwc.com
+60(3) 2173 1535

Lorraine Yeoh

lorraine.yeoh@pwc.com
+60(3) 2173 1499

Tan Tien Yee

tien.yee.tan@pwc.com
+60(3) 2173 1584

Energy, Utilities & Mining

Technology, Media & Telecommunications

Heather Khoo

heather.khoo@pwc.com
+60(3) 2173 1636

Lavindran Sandragasu

lavindran.sandragasu@pwc.com
+60(3) 2173 1494

Keegan Ong

keegan.sk.ong@pwc.com
+60(3) 2173 1684

Ang Wei Liang

wei.liang.ang@pwc.com
+60(3) 2173 1597

Aurobindo Ponniah

aurobindo.ponniah@pwc.com
+60(3) 2173 3771

Zarina Othman

zarina.sheikh.othman@pwc.com
+60(3) 2173 1615

Connect with us

Specialist services

Capital Investments & Green Incentives

Richard Baker

richard.baker@pwc.com
+60(3) 2173 0644

China Desk

Lorraine Yeoh

lorraine.yeoh@pwc.com
+60(3) 2173 1499

Corporate Services

Lee Shuk Yee

shuk.yee.x.lee@pwc.com
+60(3) 2173 1626

Corporate Support Services

Mohd Haizam Abdul Aziz

mohd.haizam.abdul.aziz@pwc.com
+60(3) 2173 5355

Dispute Resolution

Tai Weng Hoe

weng.hoe.tai@pwc.com
+60(3) 2173 1600

Chris Tay

christopher.h.tay@pwc.com
+60(3) 2173 1143

Indirect Tax

Raja Kumaran

raja.kumaran@pwc.com
+60(3) 2173 1701

Abd Gani Othman

abdgani.othman@pwc.com
+60(3) 2173 1648

Geeta Balakrishnan

geeta.b.balakrishnan@pwc.com
+60(3) 2173 1652

Annie Thomas

annie.thomas@pwc.com
+60(3) 2173 3539

International Tax Services / Mergers and Acquisition

Gan Pei Tze

pei.tze.gan@pwc.com
+60(3) 2173 3297

Lim Chee Keong

chee.keong.lim@pwc.com
+60(3) 2173 0639

Lee Boon Siew

boon.l.lee@pwc.com
+60(3) 2173 0932

Individual Tax

Michelle Chuo

michelle.sy.chuo@pwc.com
+60(3) 2173 1289

Japanese Business Consulting

Yuichi Sugiyama

yuichi.sugiyama@pwc.com
+60(3) 2173 1191

Clifford Yap

clifford.eng.hong.yap@pwc.com
+60(3) 2173 1446

Korea Desk

Keegan Ong

keegan.sk.ong@pwc.com
+60(3) 2173 1684

New Law

Anushia Soosaipillai

anushia.joan.soosaipillai@pwc.com
+60(3) 2173 1419

Tax Reporting & Strategy

Lavindran Sandragasu

lavindran.sandragasu@pwc.com
+60(3) 2173 1494

Pauline Lum

pauline.ml.lum@pwc.com
+60(3) 2173 1059

Mohd Haizam Abdul Aziz

mohd.haizam.abdul.aziz@pwc.com
+60(3) 2173 5355

Tax Technology

Yap Sau Shiung

sau.shiung.yap@pwc.com
+60(3) 2173 1555

Joey Chong

joey.chong@pwc.com
+60(3) 2173 0092

Workforce Tax

Kartina Abdul Latif

kartina.a.latif@pwc.com
+60(3) 2173 0153

Mohammad Iesa Morshidi

iesa.morshidi@pwc.com
+60(3) 2173 3136

Worldtrade Management Services

Chandrasegaran Perumal

chandrasegaran.perumal@pwc.com
+60(3) 2173 3724

Transfer Pricing

Anushia Soosaipillai

anushia.joan.soosaipillai@pwc.com
+60(3) 2173 1419

Jagdev Singh

jagdev.singh@pwc.com
+60(3) 2173 1469

Desmond Goh

desmond.goh.keng.hong@pwc.com
+60(3) 2173 1439

Lim Ying Tian

ying.tian.lim@pwc.com
+60(3) 2173 0291

Ong Ai Ling

ai.ling.ong@pwc.com
+60 (3) 2173 0711

Lilia Edlina Azmi

lilia.edlina.azmi@pwc.com
+60(3) 2173 1498



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