

GOVERNMENT ANNOUNCES TAX INCENTIVES FOR FOREST CITY SPECIAL FINANCIAL ZONE

23 September 2024



Malaysia's Finance Minister II, Datuk Seri Amir Hamzah Azizan, in his keynote address announced the financial incentive package for the Forest City Special Financial Zone ("FCSFZ") on 20 September 2024.¹

Forest City, dubbed as the 'Jewel of the South', is strategically located on four reclaimed islands in the Straits of Johore between the State of Johore and Singapore and has been declared a duty free zone recently.

To develop the FCSFZ into a preferred regional financial hub similar to Shenzhen in China and the Dubai International Financial Centre in the United Arab Emirates, the Finance Minister II announced the following tax incentives:

- concessionary corporate tax rate between 0% and 5%;
- a special individual income tax rate of 15 percent for knowledge workers and Malaysians who work in the FCSFZ;
- family offices under the Single-Family Office Scheme to be coordinated by the Securities Commission Malaysia (targeted to be operational in the first quarter of 2025) will be subject to 0% tax rate;
- global business services, financial technology and foreign payment system operators will be subject to a special tax rate of 5%;
- qualifying banking institutions, insurance, capital market intermediaries and other eligible financial sector entities will be granted incentives that include special deductions on relocation costs, enhanced industrial building allowances and withholding tax exemptions; and
- locally incorporated foreign banks will be accorded regulatory flexibilities to establish additional branches within the FCSFZ and be accorded foreign exchange flexibilities for offshore borrowing in foreign currency and investment in foreign currency assets.

¹ The Finance Minister II's keynote address can be read [here](#).

According to a media report², the Finance Minister II has provided the following further clarifications on the Single-Family Office Scheme:

- the investor must have an asset size of more than RM30 million;
- part of the assets must be invested in Malaysia³;
- the 0% tax rate is for a period of 10 years; and
- the Investor is required to scale up its operations through an increase in the number of employees, investments or other assets in Malaysia, to continue enjoying the benefits of the scheme.

Comments

The agreement between Malaysia and Singapore on the Johore-Singapore Special Economic Zone (“JS-SEZ”) is anticipated to be signed in November 2024. It is hoped that the FCSFZ will complement rather than compete with the initiatives under JS-SEZ.

It would not be unfair to say that Forest City has struggled to gain traction especially in recent years when Chinese investors – the main target segment of the initial development – have scaled back their overseas investments due to the economic issues in China. By pivoting to provide incentive packages to cater for a wider and different range of investors, the Malaysian Government is in effect, giving a second wind to the Forest City development.

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² [Wooing the wealthy with lucrative tax packages](#); *The Star Online*; 21 September 2024.

³ *The media report Details did not provide details as to the minimum amount or the type of assets to be invested in Malaysia.*



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