

Malaysia: Tax incentives for the Johor-Singapore Special Economic Zone

Key tax incentives in the JS-SEZ

In brief

On 7 January 2025, the Johor-Singapore Special Economic Zone (JS-SEZ) agreement was officially signed. The Malaysian Investment Development Authority (MIDA) has since released more details on the JS-SEZ, including focus sectors, flagship areas and special tax incentive packages.

In this alert, we highlight the key tax incentives and opportunities arising from the JS-SEZ relevant to businesses and investors.

In This Issue

In brief
Introduction
Flagship Areas
Tax Incentive Packages
Remarks

Introduction

The establishment of the JS-SEZ aims to leverage Malaysia's capacity for infrastructure and Singapore's global connectivity and expertise in finance and trade to better compete for global investments together. Both governments have pledged to strengthen economic co-operation, improve the ease of doing business and facilitate cross-border movement of people and goods.

To support this, the Malaysian government has announced the following:

- the facilitation of investments in specific economic sectors;
- flagship development focus; and
- tax incentive packages, including a special corporate tax rate, investment tax allowances, stamp duty exemptions and accelerated capital allowances.

Flagship Areas

The bulk of the development within the JS-SEZ will occur in 9 flagship areas, each focused on specific key sectors. Operations within these flagship areas may be eligible for certain tax incentive packages.

Flagship Area	Designated sectors
A Johor Bahru City Centre	Business services, digital economy, health
B Iskandar Puteri	Manufacturing, business services, digital economy, education, health, tourism
C Tanjung Pelepas-Tanjung Bin	Manufacturing, energy, logistics
D Pasir Gudang	Manufacturing, energy, logistics
E Senai-Skudai	Manufacturing, digital economy, education, logistics, tourism
F Sedenak	Manufacturing, business services, digital economy, energy, food security, health, logistics, tourism
G Forest City	Financial services

Flagship Area		Designated sectors
H	Pengerang Integrated Petroleum Complex (PIPC)	Manufacturing, energy, logistics
I	Desaru	Education, food security, health, tourism

Tax Incentive Packages

Several tax incentive packages have been announced by MIDA for companies operating in qualifying sectors, within the designated flagship areas. Generally, the focus is on high-value manufacturing activities, business services, integrated tourism projects and smart logistics. The key tax incentives are summarized below:

Special Corporate Tax Rate

Sector		Applicable flagship areas	Tax Rate
Manufacturing	<ul style="list-style-type: none"> AI and quantum computing supply chain Medical devices Pharmaceuticals 	F (Kulai – Sedenak)	<ul style="list-style-type: none"> 5% for 15 years, for new companies with capital investment (excluding land) above RM1 billion; or 5% for 10 years, for new companies with capital investment (excluding land) in between RM500 million to RM1 billion.
	Aerospace manufacturing and maintenance, repair and overhaul services	E (Senai – Skudai)	
	Downstream specialty chemicals, i.e.: <ul style="list-style-type: none"> Base chemical Specialty chemical Organic intermediates Fertilizers Polymers or plastics Oleochemical or biochemical 	D (Tanjung Langsat – Kong-kong)	<ul style="list-style-type: none"> Tier 1: 5% for up to 5+5 years for companies with capital investment (excluding land) of RM500 million and above; or Tier 2: 10% for up to 5+5 years for companies with capital investment (excluding land) of RM500 million and above. <p>This incentive is available to a new company or an existing company undertaking diversification activities in relation to the eligible activities/products.</p> <p>Additionally, the company must have a minimum paid-up capital of RM2.5 million when submitting the tax incentive application.</p>
Global Services Hub	<ul style="list-style-type: none"> Regional P&L Strategic business planning Corporate development Regional or global treasury and fund management conducting cash pooling activities via onshore intermediaries 	A (Johor Bahru Waterfront) and B (Iskandar Puteri)	<p>5% for up to 15 years, for companies which meet the following criteria:</p> <ul style="list-style-type: none"> Annual operating expenditure of at least RM50 million; Serves or has business control of at least 10 network companies; Annual sales turnover of at least RM500 million with approved forex in-flow into the local banking system; and At least 50% of high-value positions with a minimum monthly basic salary of RM10,000 to be held by full-time Malaysian employees.

Investment Tax Allowance

Sector	Applicable flagship areas	Investment tax allowance
<p>Manufacturing</p> <ul style="list-style-type: none"> AI and quantum computing supply chain Medical devices Pharmaceuticals 	<p>F (Kulai – Sedenak)</p>	<p>100% on qualifying capital investment incurred within 5 years against 100% of statutory income, for existing companies which relocate overseas facilities for new investments in this sector.</p> <p>To be eligible, the company's capital investment (excluding land) must be above RM500 million. The investment must be a completely new business segment for the existing company i.e., the company cannot merely expand its existing product lines.</p>
	<p>E (Senai – Skudai)</p>	
<p>Tourism</p>	<p>Integrated tourism project which consist of:</p> <ul style="list-style-type: none"> A hotel with a minimum of 80 rooms (consisting of standard, superior, deluxe and suite rooms); and At least 1 tourist attraction (e.g., water park, outdoor park with rides and/or games, convention centre with a minimum capacity of 3,000 persons or outdoor sports, excluding golf course and driving range) 	<p>G (Desaru – Penawar)</p> <p>100% on qualifying capital expenditure incurred within 5 years, to be offset against 70% of statutory income for each year of assessment.</p> <p>To be eligible, the company:</p> <ul style="list-style-type: none"> (a) should not have an existing entity or related entity undertaking the same hotel or tourism project in Malaysia; (b) must have a paid up capital of at least RM 2.5 million; and (c) must have investment in capital expenditure (excluding land) of at least RM500 million.
<p>Logistics</p>	<p>Smart logistics operator who invests in development of smart logistics and which carries out the following logistics activities:</p> <ul style="list-style-type: none"> Regional distribution hub; Integrated logistics services; Storage of dangerous goods; or Cold chain facilities. 	<p>C (Tanjung Pelepas)</p> <p>100% on qualifying capital expenditure incurred within 5 years, to be offset against 100% of statutory income, for companies which meet the following criteria:</p> <ul style="list-style-type: none"> Capital expenditure (excluding land) of at least RM500 million; Built-up area of the smart warehouse complex must be at least 50,000m² and equipped with at least 3 enabling element technologies under the IR4.0; Use of application of modern constructions techniques (achieving a score for Industrial Building System set by the Constructions Industry Development Board); At least 80% of the full-time workforce are Malaysian citizens; At least 30% of high-value positions with a minimum monthly basic salary of RM10,000 to be held by full-time Malaysian employees.

Income Tax Exemption Equivalent to Investment Tax Allowance

Sector		Applicable flagship areas	Exemption equivalent to investment tax allowance of
Manufacturing	Downstream specialty chemicals, i.e.: <ul style="list-style-type: none"> • Base chemical • Specialty chemical • Organic intermediates • Fertilizers • Polymers or plastics • Oleochemical or biochemical 	D (Tanjung Langsat – Kong-kong)	<ul style="list-style-type: none"> • Tier 1: 100% on the qualifying capital investment (excluding land) for up to 5+5 years, to be offset against up to 100% of statutory income for each year of assessment. • Tier 2: 60% on the qualifying capital investment (excluding land) for up to 5+5 years, to be offset against up to 100% of statutory income for each year of assessment. <p>This incentive is available to a new company or an existing company undertaking diversification activities in relation to the eligible activities/products.</p> <p>Additionally, the company must have a minimum paid-up capital of RM2.5 million when submitting the tax incentive application.</p>

Additional Incentives

Incentive	Applicable flagship areas	Details
Stamp duty exemption	A (Johor Bahru Waterfront) and B (Iskandar Puteri)	40% stamp duty exemption on instrument of transfers or financing agreements for the purchase of a commercial property that has not been sold as of 31 December 2024.
Accelerated capital allowance	All flagships	Initial allowance of 20% and annual allowance of 40%, for renovation costs incurred on commercial buildings for the company's business. The company must have an approval for any tax incentives under the Promotion of Investment Act 1986 or Income Tax Act 1967 between 1 January 2025 and 31 December 2034 and operating in flagships A to G. This allowance may only be utilized once throughout the company's operations in the JS-SEZ.
Tax deduction	G (Desaru – Penawar)	Tax deduction equivalent to an amount not exceeding RM 1 million for each year of assessment for cash contribution or contribution-in-kind by a qualifying person sponsoring a hallmark event. The hallmark event is an event of regional or international significance carried on in Flagship G and supporter/verified by the Ministry of Tourism, Arts and Culture. Contributions are to be made between 1 January 2025 to 31 December 2034.

Incentive	Applicable flagship areas	Details
Special income tax rate for knowledge workers	All flagships	15% income tax rate on employment income for 10 years for eligible knowledge workers. This is subject to the following eligibility criteria: <ul style="list-style-type: none"> (a) Malaysian / Non-Malaysian citizen; (b) Not generating employment income in Malaysia 24-months prior; (c) Salary abroad / in Malaysia of more than RM 20,000 per month; (d) Subject to academic qualifications or years of professional work experience; and (e) Subject to Malaysia Critical Occupations List profession and JS-SEZ qualifying sectors.

Additional detailed guidelines for the tax incentive applications are set to be released in due course. Applications for these tax incentive packages are currently open until 31 December 2034.

Remarks

The JS-SEZ represents a significant opportunity for businesses to harness the combined strengths of Malaysia and Singapore. By offering a range of attractive tax incentives for key sectors, the JS-SEZ is poised to create a dynamic economic environment. With further guidance on the tax incentive packages expected, businesses should stay informed and strategically plan their investments to capitalize on the opportunities presented by the JS-SEZ.

Contact Us



Adeline Wong
 Partner
 Kuala Lumpur
adeline.wong@wongpartners.com



Yvonne Beh
 Partner
 Kuala Lumpur
yvonne.beh@wongpartners.com



Bridget Chua
 Legal Assistant
 Kuala Lumpur
bridget.chua@wongpartners.com

Keywords

Johor-Singapore Special Economic Zone; Tax Incentives; Malaysia

© 2025 Wong & Partners. All rights reserved. Wong & Partners, member of Baker & McKenzie International. This may qualify as "Attorney Advertising" requiring notice in some jurisdictions. Prior results do not guarantee a similar outcome.

