



Tax Espresso – Special Alert

Johor-Singapore Special Economic Zone (JS-SEZ) updates

Following our recent Tax Espresso on the Johor-Singapore Special Economic Zone (JS-SEZ), the Malaysian Investment Development Authority (MIDA) has provided further information on the JS-SEZ tax incentives package and its eligibility criteria as of 3 February 2025:



Projects	Tax Incentive	Period	Flagship area
Manufacturing Business Incentive Scheme: i. AI and Quantum Computing Supply Chain; ii. Medical Devices; iii. Pharmaceutical; or iv. Aerospace Manufacturing and MRO Services	<ul style="list-style-type: none"> New company <ol style="list-style-type: none"> 5% special tax rate for new investment in the manufacturing sector with capital investment (excluding land) above RM1 billion; or 5% special tax rate for new investment in the manufacturing sector with capital investment (excluding land) between RM500 million to RM1 billion. 	15 years	<ul style="list-style-type: none"> ❖ Flagship F [Kulai – Sedenak] (AI and Quantum Computing Supply Chain, Medical Devices, and Pharmaceutical)
		10 years	<ul style="list-style-type: none"> ❖ Flagship E [Senai – Skudai] (Aerospace Manufacturing and MRO Services)

	<ul style="list-style-type: none"> • Existing company in Malaysia relocating overseas facilities into Malaysia (Note: Applicable for a new business segment, not expansion of existing products) <ul style="list-style-type: none"> a. 100% Investment Tax Allowance (“ITA”) on qualifying capital expenditure (“CAPEX”), against 100% statutory income for new investment in the manufacturing sector with capital investment (excluding land) above RM500 million. 	5 years	
Global Services Hub i. Regional P&L; ii. Strategic Business Planning; iii. Corporate Development; and iv. Regional or Global Treasury and Fund Management conducting cash pooling activities via onshore intermediaries.	<ul style="list-style-type: none"> • 5% special tax rate • <u>Eligibility Criteria / Conditions</u> <ul style="list-style-type: none"> i. Annual operating expenditure of at least RM50 million; ii. Company must serve / Business Control of at least 10 Network Companies; iii. Annual sales turnover of at least RM500 million and forex in-flow into the local banking system as proposed; iv. A minimum of 50% of high-value positions (with a minimum monthly basic salary of RM10,000) filled by full-time Malaysian employees as proposed. 	Up to 15 years	❖ Flagship A [Johor Bahru Waterfront] ❖ Flagship B [Iskandar Puteri]
Integrated Tourism Project	<ul style="list-style-type: none"> • 100% ITA on qualifying CAPEX, against 70% of the statutory income for each year of assessment. • <u>Eligibility Criteria / Conditions</u> <ul style="list-style-type: none"> i. Company which does not have an existing entity or related entity undertaking same hotel or tourism project in Malaysia; ii. Paid-up capital of at least RM2.5 million; iii. Investment in CAPEX (excluding land) of at least RM500 million; 	5 years	❖ Flagship G [Desaru – Penawar]

	<ul style="list-style-type: none"> iv. Company undertaking integrated tourism project which consists of the following: <ul style="list-style-type: none"> a) Hotel with minimum number of rooms of 80 which consists of standard, superior, deluxe and suite; and b) Minimum 1 tourist attraction (i.e. water park, outdoor park consists of rides and / or games, convention centre with capacity minimum of 3,000 participants, or outdoor sport excluding golf course and driving range). 		
<p>Smart Logistics Complex</p> <p>Smart logistic operator who invests in development of smart logistics and carry out any of the eligible logistic activities:</p> <ul style="list-style-type: none"> i. Regional Distribution Hub; ii. Integrated Logistic Services; iii. Dangerous Goods Storage; iv. Cold Chain Facilities. 	<ul style="list-style-type: none"> • 100% ITA on qualifying CAPEX, against 100% of the statutory income for each year of assessment. • <u>Eligibility Criteria / Conditions</u> <ul style="list-style-type: none"> i. Investment in CAPEX (excluding land) of at least RM500 million; ii. The built-up area of the smart warehouse complex must be at least 50,000 m² and equipped with at least three (3) enabling elements technologies under the IR4.0; iii. Use the application of modern construction techniques i.e. achieving a score for the Industrial Building System (IBS) that has been set by the Construction Industry Development Board (CIDB); iv. Total full-time workforce must consist of at least 80% Malaysian citizens; v. A minimum of 30% of total high-value positions (with a minimum basic salary of RM10,000) s filled by full-time Malaysian employees. 	5 years	❖ Flagship C [Tanjung Pelepas]

<p>Manufacturing – Downstream Specialty Chemicals:</p> <ul style="list-style-type: none"> i. Base chemical – methanol, ethylene, propylene, benzene, aromatics; ii. Organics intermediates – C1 to C6; iii. Specialty chemical; iv. Fertilisers; v. Polymers/plastics; or vi. Oleochemical/biochemical 	<ul style="list-style-type: none"> • Special Tax Rate for a company with capital investment (excluding land) of RM500 million and above in the manufacturing sector: <ul style="list-style-type: none"> i. Tier 1: 5% Special Tax Rate for up to 10 years ii. Tier 2: 10% Special Tax Rate for up to 10 years OR ITA for a company with capital investment (excluding land) of RM500 million and above in the manufacturing sector: <ul style="list-style-type: none"> i. Tier 1: 100% ITA on qualifying CAPEX, against 100% of the statutory income for each year of assessment. ii. Tier 2: 60% ITA on qualifying CAPEX, against 100% of the statutory income for each year of assessment. • <u>Eligibility Criteria / Conditions</u> <ul style="list-style-type: none"> i. A new company or an existing company undertaking diversification activities in relation to the eligible activities/products under this cluster; ii. Minimum paid-up capital of RM2.5 million at the point of submission of application to MIDA. 	<p>Up to 10 years (5 + 5)</p> <p>Up to 10 years (5 + 5)</p>	<p>❖ Flagship D [Tanjung Langsat – Kong-Kong]</p>
<p>Additional Incentives</p>	<ul style="list-style-type: none"> • 40% stamp duty exemption on the instrument of transfer/financing agreement for the purchase of a commercial property in Flagship A and B that remains unsold as of 31 December 2024. 		<p>❖ Flagship A [Johor Bahru Waterfront]</p> <p>❖ Flagship B [Iskandar Puteri]</p>

<ul style="list-style-type: none"> • The stamp duty exemption to be provided under Section 80(1) under the Stamp Act 1949. 		
<ul style="list-style-type: none"> • A deduction equivalent to amount not exceeding RM1 million for each year assessment in respect of cash contribution or contribution in-kind by qualifying person who sponsors a hallmark event. • The hallmark event referred to is an event of regional or international significance which is carried on in Flagship G and supported / verified by the Ministry of Tourism, Arts & Culture. 	1 Jan 2025 to 31 Dec 2034	❖ Flagship G [Desaru – Penawar]
<ul style="list-style-type: none"> • ACA (Initial Allowance of 20%; Annual Allowance of 40%) in respect of renovation costs incurred on a building or part of a commercial building located in Flagship A-G for the purpose of qualifying company's business. • Qualifying companies are companies that have been approved any tax incentives under PIA 1986 or ITA 1967. • This incentive is to be utilised only once throughout their business operation in JS-SEZ. • Qualifying CAPEX: <ul style="list-style-type: none"> ✓ General electrical installation ✓ Lighting ✓ Gas system ✓ Water system ✓ Kitchen fittings 	1 Jan 2025 to 31 Dec 2034	❖ Flagships A to G

	<ul style="list-style-type: none"> ✓ Sanitary fittings ✓ Door, gate, window, grill, and roller shutter ✓ Fixed partitions ✓ Flooring (including carpets) ✓ Wall covering (including paint work) ✓ Incentives & Eligibility Criteria ✓ 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 		
Knowledge Worker Incentive	<ul style="list-style-type: none"> • 15% flat tax rate on chargeable employment income • <u>Eligibility Criteria / Conditions</u> <ol style="list-style-type: none"> i. Malaysian / Non-Malaysian citizen; ii. Not generating employment income in Malaysia 24-months prior; iii. Salary abroad / in Malaysia >RM20,000 per month; iv. Subject to academic qualifications / years of professional work experience; v. Subject to Malaysia Critical Occupations Lists profession and JS-SEZ qualifying sectors. 	10 years	❖ Flagships A to G

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