

GUIDELINES FOR JOHOR-SINGAPORE SPECIAL ECONOMIC ZONE (JS-SEZ) TAX INCENTIVE PACKAGE

1. BACKGROUND

The Johor-Singapore Special Economic Zone (JS-SEZ) is a cross-border economic zone aimed at strengthening economic ties and enhancing connectivity between Malaysia and Singapore. The JS-SEZ encompasses a wide range of sectors, including manufacturing, logistics, tourism, global services and the digital economy, with a focus on attracting high-value investments and creating numerous job opportunities.

The JS-SEZ is designed to attract investments and foster growth across various economic sectors within the flagship areas. The nine (9) designated flagship zones are Johor Bahru city centre, Iskandar Puteri, Tanjung Pelepas, Pasir Gudang, Senai, Sedenak, Desaru, Pengerang Integrated Petroleum Complex (PIPC) and Forest City Special Financial Zone (FCSFZ).

Following the signing of the JS-SEZ agreement between Malaysia and Singapore, the Government of Malaysia announced an incentive package for the JS-SEZ on 8 January 2025. The incentive package covers seven (7) flagship zones as follows:

- i. Flagship A (Johor Bahru Waterfront)
- ii. Flagship B (Iskandar Puteri)
- iii. Flagship C (Tanjung Pelepas)
- iv. Flagship D (Tanjung Langsat – Kong Kong)
- v. Flagship E (Senai – Skudai)
- vi. Flagship F (Kulai – Sedenak)
- vii. Flagship G (Desaru – Penawar)

For Pengerang Integrated Petroleum Complex (PIPC) – Flagship H, the tax incentive package was announced in the 2024 National Budget which covers industrial park developer and manufacturing of chemical and petrochemical products.

Meanwhile, for FCSFZ – Flagship I, the Malaysian Government had announced a comprehensive package of incentives for FCSFZ on 20 September 2024 for companies and individuals operating within the FCSFZ.

2. **JS-SEZ TAX INCENTIVES PACKAGE UNDER MIDA**

These guidelines specify the tax incentives applicable to Flagship Areas A through G, administered by MIDA, as outlined in the JS-SEZ incentive package announced by the Malaysian Government on 8 January 2025 as follows:

Projects	Flagship
<p>A. Global Services Hub</p> <ul style="list-style-type: none"> i. Regional Profit & Loss (P&L); and ii. Strategic Business Planning; and iii. Corporate Development; and iv. Regional or Global Treasury and Fund Management conducting cash pooling activities via onshore intermediaries; and v. A minimum of two (2) other qualifying services of either strategic services, business services or shared services. <p>Details of tax incentive are as in Appendix A</p>	<ul style="list-style-type: none"> • Flagship A (Johor Bahru Waterfront) • Flagship B (Iskandar Puteri)
<p>B. Smart Logistics Complex</p> <ul style="list-style-type: none"> i) Smart logistic operator who invests in development of smart logistics and carry out any of the eligible logistic activities; ii) Qualifying logistics services/activities: <ul style="list-style-type: none"> a) Regional Distribution Hub; (and/or) b) Integrated Logistics Services; (and/or) c) Dangerous Goods Storage; (and/or) d) Cold Chain Facilities <p>Details of tax incentive are as in Appendix B.</p>	<ul style="list-style-type: none"> • Flagship C (Tanjung Pelepas)
<p>C. 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 <p>Details of tax incentive are as in Appendix C.</p>	<ul style="list-style-type: none"> • Flagship D (Tanjung Langsat – Kong-kong)

Projects	Flagship
D. Manufacturing Business Incentive Scheme: <ul style="list-style-type: none"> i. AI; and/or Quantum Technology Supply Chain ii. Medical Devices; iii. Pharmaceutical; or iv. Aerospace Manufacturing and MRO Services Details of tax incentive are as in Appendix D.	<ul style="list-style-type: none"> • Aerospace Manufacturing and MRO Services (Flagship E – Senai - Skudai) • AI and/or Quantum Technology Supply Chain, Medical Devices, and Pharmaceutical (Flagship F – Kulai - Sedenak)
E. Integrated Tourism Project Details of tax incentive are as in Appendix E.	<ul style="list-style-type: none"> • Flagship G (Desaru – Penawar)

3. ELIGIBLE APPLICANT

3.1 **New Company**, refers to company:

- a) which is incorporated under the Companies Act 2016 and resident in Malaysia; and
- b) which is established for the purpose of carrying on a project as specified in Para 2:
 - i) which does not have an existing entity or related entity in Malaysia prior to the submission of application being made; or
 - ii) which has an existing entity or related entity in Malaysia which has not carried on the same project as specified in Para 2 in Malaysia.

3.2 **Existing Company**, refers to company:

- a) which is incorporated or registered under the Companies Act 2016 and resident in Malaysia; and
- b) which is already operating in Malaysia and carrying project as specified in Para 2 as diversification project.

3.3 An existing company granted approval for this incentive has to keep separate accounts for the services/activities approved with Tax Incentive and services/activities without Tax Incentive.

3.4 Company is not eligible for the JS-SEZ Tax Incentive if the company or its related company has been approved for tax incentive for the same project.



4. EFFECTIVE DATE OF APPLICATION

Applications received by the Malaysian Investment Development Authority (MIDA) from **1 January 2025 until 31 December 2034**.

5. MALAYSIA'S PARTICIPATION IN THE GLOBAL ANTI-BASE EROSION (GLOBE) MODEL RULES (PILLAR TWO) INITIATIVE

- 5.1 On 8 October 2021, 136 members of the OECD/G20 Inclusive Framework on Base Erosion Profit Shifting (BEPS) have joined the Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy. The Two-Pillar Solution is comprised of Pillar One and Pillar Two.
- 5.2 Pillar One aims to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest multinational enterprises (MNEs). Meanwhile, Pillar Two puts a floor on tax competition on corporate income tax through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases.
- 5.3 The Global Anti-Base Erosion (GloBE) Rules are the main Pillar Two Rules which set out the scope and mechanism of the new global minimum effective tax rate (ETR) of 15%. A top-up tax will be charged when the group's ETR in a jurisdiction falls below the 15% level.
- 5.4 Malaysia implements the Global Minimum Tax (GMT) starting from 2025 in line with international taxation standards as announced by the Malaysian Government through Budget 2024. Companies with annual global revenue of at least 750 million EURO can be subject to top-up tax if the ETR in Malaysia is below 15 percent. This top up tax can be collected through the Domestic Top Up Tax (DTT) mechanism under Part XI, Income Tax Act 1967 which will be enforced on January 1, 2025.

6. APPLICATION SUBMISSION

- 6.1 Applications shall be made online at <https://investmalaysia.mida.gov.my>.
- 6.2 Application with incomplete information will not be accepted and will be returned to the applicant company.



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6.3 For enquiries and clarification, please refer to: -

MIDA

Website : www.mida.gov.my
Tel : (603) – 2267 3633
Email : investment@mida.gov.my

Invest Malaysia Facilitation Centre Johor (IMFC-J)

Website : www.irda.com.my
Tel : (607) 233 3000
Faks : (607) 233 3001
Email : info@imfc-j.com.my

Appendix A

**GUIDELINES FOR JS-SEZ TAX INCENTIVE PACKAGE –
GLOBAL SERVICES HUB**

1. Type of Incentives

- 1.1 Special tax rate of 5% for 15 years on trading and services income or services income.

2. Qualifying Services

- 2.1 The company must undertake the following qualifying functions:

Mandatory Functions:

- i) **Regional Profit & Loss (P&L); and**

P&L Management focuses on the growth of the company with direct influence on how company resources are allocated - determining the regional/ global direction, monitoring budget expenditure and net income, and ensuring every program generates a positive Return on Investments (ROI); and

- ii) **Strategic Business Planning; and**

- iii) **Corporate Development; and**

- iv) **Regional or Global Treasury and Fund Management conducting cash pooling activities via onshore intermediaries; and**

- v) **A minimum of two (2) other qualifying services** of either strategic services, business services or shared services as follows:

A. Strategic Services

1. Corporate Finance Advisory Services
2. Brand Management
3. IP Management¹
4. Senior-level Talent Acquisition and Management

B. Business Services

1. Bid and Tender Management
2. Treasury and Fund Management

¹ The GS-Hub must incur a minimum amount of **operating expenditure** to carry out its day-to-day operation. This amount shall include local services for insurance, legal, banking, ICT and transport. However, this amount shall not include the cost of materials sold, depreciation, loan interest and expenses that are not directly involved in the company's proposed activities.

3. Research, Development & Innovation
4. Project Management
5. Sales and Marketing
6. Business Development
7. Technical Support and Consultancy
8. Information Management and Processing
9. Economic/ Investment Research Analysis
10. Strategic Sourcing, Procurement and Distribution
11. Logistics Services

C. Shared Services

1. Corporate Training and Human Resource Management
2. Finance & Accounting (Transactions, Internal Audit)

3. Eligibility Criteria / Conditions

- 3.1 Paid-up capital of at least RM2.5 million;
- 3.2 Annual operating expenditure² of at least RM50 million;
- 3.3 Company must undertake mandatory functions i.e. Regional P&L, Strategic Business Planning, Corporate Development, Regional or Global Treasury and Fund Management conducting cash pooling activities via onshore intermediaries and additional two (2) qualifying activities of either strategic services, business services or shared services;
- 3.4 Company must Serve / Business Control of at least 10 Network Companies.
- 3.5 A minimum of 50% of high-value positions (with a minimum basic salary of RM10,000) shall be filled by full-time Malaysian employees;
- 3.6 Annual sales turnover of at least RM500 million and forex in-flow into the local banking system as proposed (applicable for trading income only);
- 3.7 Annual expenditure for domestic ancillary services³ as proposed;

² The GS-Hub must incur a minimum amount of **operating expenditure** to carry out its day-to-day operation. This amount shall include local services for insurance, legal, banking, ICT and transport. However, this amount shall not include the cost of materials sold, depreciation, loan interest and expenses that are not directly involved in the company's proposed activities.

³ Significant use of **ancillary services** from locally incorporated companies from Malaysia. Company shall provide a proposed amount of domestic ancillary expenditure which shall be excluded from the proposed OPEX commitment for imposition of incentive condition. This may include but not limited to trade and logistics services, legal and arbitration services, finance, treasury services, architectural consultancy, audit, accounting and taxation, management and business consultancy, advertising & market research, ICT solution providers for Industry 4.0 and Research & Development

- 3.8 At least 5 key personnel with minimum basic monthly salary of RM35,000;
- 3.9 At least 20% of the entire workforce to undergo structured training programs for upgrading of skills in related qualifying services during incentive period.
- 3.10 Company must undertake the National Structured Internship Programme (MySIP) under the TalentCorp Malaysia for at least 3 Malaysian students yearly.

Companies are advised to share and discuss their level of commitment and compliance pertaining to the above agenda with MIDA. Specific conditions related to the agenda shall be imposed upon the incentive approval.

4. Tax Treatment

- 4.1 The company must submit the application to MIDA before commencement of the proposed project. Commencement is defined as the first sales invoice issued by company for the proposed project.
- 4.2 The company shall submit the application for determination of commencement year of assessment (YA) not later than 24 months from the date of approval letter.
- 4.3 The determination of the incentive effective date will be based on the YA company commences the operation of the approved project.
- 4.4 Where an approved company has been granted the determination of incentive effective date, the company must provide the annual compliance of incentive within 7 months after the end of each year of assessment throughout the incentive period.

Note: The application in paragraphs 4.2 is to be submitted to the Investment Compliance Division, MIDA online through the Invest Malaysia portal at <https://investmalaysia.mida.gov.my>.

Failing to obtain the determination of the effective date and to submit the annual compliance of the incentive within the stipulated period, may have implications for the eligibility in the claiming of the tax incentive.

- 4.5 An approved company must comply with the stipulated conditions throughout the incentive period.
- 4.6 In the event, the approved company fails to comply with the stipulated conditions in any year of assessment during the special tax rate incentive period, the company is not entitled to claim the special income tax rate derived from the approved product (s) / activity (ies) for that particular YA and will subject to tax at prevailing rates.



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- 4.7 The Minister of Finance, may at any time, except where the approved company fails to comply with any conditions imposed on the incentive, allow the company to surrender the approved incentive by notice in writing to the Minister of Finance through the Malaysian Investment Development Authority (MIDA).

5. Mechanism

The incentive to be provided through subsidiary legislation under the Income Tax Act, 1967 in the exercise of the powers conferred in the Section 65B and to be considered by the National Committee on Investments (NCI).

Appendix B

**GUIDELINES FOR JS-SEZ TAX INCENTIVE PACKAGE –
SMART LOGISTIC COMPLEX**

1. Definition Smart Logistic Complex (SLC)

Smart Logistics Complex refers to a modern facility that utilises technology to optimise and automate various warehouse operations. It integrates advanced systems such as the Internet of Things (IoT), artificial intelligence (AI), Radio Frequency Identification (RFID) and automated material handling equipment to enhance efficiency, reduce costs, and improve overall supply chain performance.

2. Type of Incentives

Investment Tax Allowance (ITA) of 100% qualifying capital expenditure incurred within 5 years. The allowance can be offset against 100% of the statutory income for each year of assessment.

3. Qualifying Services

Smart logistic operator who invests in development of smart logistics and carry out any of the eligible logistic activities:

- i) **Regional Distribution Hub** - refers to a collection and consolidation centre for finished goods, components and spare parts produced by its own group of companies for its own brand to be distributed to dealers, importers or its subsidiaries or other unrelated companies within or outside the country. Among the activities involved are bulk breaking, repackaging and labeling; (and/or)
- ii) **Integrated Logistics Services** – refers to end-to-end logistics services, including warehousing, transportation, freight forwarding, distribution, other value-added services (i.e., product assembly/installation, consolidation, procurement, quality control, and supply chain management); (and/or)
- iii) **Dangerous Goods Storage** – refers to safe warehousing, handling, and storing of any goods classified as dangerous goods with all applicable Malaysian regulations for dangerous goods storage; (and/or)
- iv) **Cold Chain Facilities** – refers to the operation of a facility designed and equipped to store and handle temperature sensitive products including:
 - perishable food products within the designated temperature;
 - pharmaceutical and medicine products;
 - cosmetic product and personal care products;
 - electronics products;
 - medical device products;

- chemical and chemical related product,
that requires temperature control environment which must be in compliance with relevant Malaysian regulations for the cold chain facility.

4. Eligibility Criteria / Conditions

- 4.1. Paid-up capital of at least RM2.5 million;
- 4.2. Investment in capital expenditure (excluding land) of at least RM500 million;
- 4.3. The total 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 as follows:
 - i) Big data analytics (and/or)
 - ii) Cloud computing (and/or)
 - iii) Augmented reality (and/or)
 - iv) Cybersecurity (and/or)
 - v) Artificial intelligence (and/or)
 - vi) Additive manufacturing (and/or)
 - vii) System integration (and/or)
 - viii) Simulation (and/or)
 - ix) Internet of Things (and/or)
 - x) Autonomous robot (and/or)
 - xi) Advanced materials
- 4.4. 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).
- 4.5. Total full-time workforce must consist of at least 80% Malaysian citizens.
- 4.6. A minimum of 30% of total high-value positions (with a minimum basic salary of RM10,000) shall be filled by full-time Malaysian employees;
- 4.7. The Company must incur an **adequate amount of operating expenditure** of annually as proposed throughout the tax incentive period. This operating expenditure shall include local services for insurance, legal, banking, ICT and transportation. However, this **amount shall not include the cost of goods sold**, depreciation, interest on borrowings and expenses not directly involved in the company's proposed activities.

- 4.8. The company must **appoint local contractors**⁴ as the **main contractor for the construction of the smart warehouse complex**.
- 4.9. Hiring of local fresh graduates with experience less than 3 years as proposed.
- 4.10. Company must undertake the National Structured Internship Programme (MySIP) under the TalentCorp Malaysia for at least 3 Malaysian students yearly.
- 4.11. Investment in green technology to generate energy using renewable energy resources as proposed.
- 4.12. The company must establish partnerships with **at least three (3) locally owned logistics companies**⁵ to carry out the integrated logistics activities for the purpose of enhancing the capabilities of the respective companies. The company is encouraged to establish this partnership with small and medium-sized Bumiputera companies.
- 4.13. The company must use local seaports and/or airports and/or free zone areas for export activities.

Companies are advised to share and discuss their level of commitment and compliance pertaining to the above agenda with MIDA. Specific conditions related to the agenda shall be imposed upon the incentive approval.

5. Tax Treatment

- 5.1 The company must submit the application to MIDA before commencement of the proposed project. Commencement is defined as the first sales invoice issued by company for the proposed project.
- 5.2 The commencement date of the tax incentive will be determined based on the date of first qualifying capital expenditures incurred for the approved product(s) / activity(ies) one day after the date of submission of application.
- 5.3 The company may incur capital expenditure before the date of submission of application to MIDA, nevertheless the capital expenditure incurred is not to be deemed as the qualifying capital expenditure.
- 5.4 The company shall submit the application for determination of tax incentive effective date to MIDA (Investment Compliance Division) within 36 months from the date of approval letter.

6. Mechanism

The incentive to be provided under P.U. (A) 113 Income Tax (Exemption) (No.12) Order 2006, Income Tax Act. 1967 and to be considered by the National Committee on Investments (NCI).

⁴ **Local contractor** means a company incorporated under the Companies Act 2016 and resident in Malaysia **with at least 51% Malaysian equity**.

⁵ **Locally owned logistics company** means a company incorporated under the Companies Act 2016 and resident in Malaysia **with at least 60% Malaysian equity**.

Appendix C

GUIDELINES FOR JS-SEZ TAX INCENTIVE PACKAGE – DOWNSTREAM SPECIALTY CHEMICALS

1. Type of Incentives

1.1 The incentive package comprises:

Special Tax Rate for a company with capital investment (excluding land) of at least RM500 million in the manufacturing sector;

- i. **Tier 1: 5% Special Tax Rate for up to 10 years (5 years + 5 years)**
- ii. **Tier 2: 10% Special Tax Rate for up to 10 years (5 years + 5 years)**

or

Income tax exemption equivalent to Investment Tax Allowance (ITA) for a company with capital investment (excluding land) of at least RM500 million in the manufacturing sector;

- i. **Tier 1:** Income tax exemption equivalent to **Investment Tax Allowance (ITA)** of **100%** on the qualifying capital investment (excluding land) for **up to 10 years (5 years + 5 years)**. The allowance can be offset against up to **100%** of statutory income for each assessment year.
- ii. **Tier 2:** Income tax exemption equivalent to **Investment Tax Allowance (ITA)** of **60%** on the qualifying capital investment (excluding land) for **up to 10 years (5 years + 5 years)**. The allowance can be offset against up to **100%** of statutory income for each assessment year.

2. Eligibility Criteria

- 2.1 The company is required to have a minimum paid-up capital of RM2.5 million.
- 2.2 The **eligible activity(ies) / product(s)** under this cluster are chemical and petrochemical product(s)⁶ as below:
 - i. Base chemical – Methanol, Ethylene, Propylene, Benzene, Aromatics
 - ii. Organic intermediates – C1 to C6
 - iii. Specialty chemical

⁶ Product(s)/activity(ies) which involve simple manufacturing process (such as mixing and blending) is not eligible for the incentive. The eligible product(s)/activity(ies) may also be subjected to the discretion of both the Minister of Finance and Minister of Investment, Trade and Industry.

- iv. Fertilisers
- v. Polymers/plastics
- vi. Oleochemical/biochemical

2.3 The **tiering tax incentive will be based on an outcome-based approach** and the company is required to fulfill the criteria as per **Appendix I** or **Appendix II**.

3. **TAX TREATMENT MECHANISM**

I. **Special Tax Rate**

- 3.1 The company must **submit the application to MIDA before commencement of operation for the proposed product(s) / activity(ies)**. The commencement of operation is **defined as the first sales invoice issued by the company for the proposed product(s) / activity(ies)**.
- 3.2 MIDA will issue **a principle approval letter** to the company on the tax incentive for the proposed product(s) / activity(ies) as approved by the National Committee on Investment (NCI). The principle approval letter will indicate **tiering approach and outcome-based tax incentives** with minimum and additional conditions imposed for each Tier as per Appendix I.
- 3.3 The company shall submit the application for determination of commencement year of assessment (YA) not later than 24 months from the date of the principle approval letter.
- 3.4 The commencement YA of the incentive will be determined based on the YA company commences the operation for the approved activity.
- 3.5 The company is required to submit Annual Compliance Report (ACR) to MIDA within seven (7) months after the end of each year of assessment throughout the incentive period.
- 3.6 The compliance of minimum conditions will entitle the company to enjoy Tier 2 tax incentive for the particular year of assessment. Whereas, the compliance of both minimum and additional conditions will entitle the company to enjoy Tier 1 tax incentive for that particular year of assessment.
- 3.7 In the event, the company fails to comply with the minimum conditions, the company is not entitled to claim the tax incentive for the particular year of assessment and will subject to tax at prevailing rates.

- 3.8 The **Special Tax Rate incentive** is to be provided through **subsidiary Legislation under the Income Tax Act, 1967 under Section 65B, Subsection 6(1A), Paragraph 6(1)(m), Schedule 1 Part XVII, Income Tax Act 1967** and to be considered in the National Committee of Investment (NCI).

II. Income Tax Exemption Equivalent to Investment Tax Allowance

- 3.9 The company must **submit the application to MIDA before commencement of operation for the proposed product(s) / activity(ies)**. The commencement of operation is **defined as the first sales invoice issued by the company for the proposed product(s) / activity(ies)**.
- 3.10 MIDA will issue a **principle approval letter** to the company on the tax incentive for the proposed product(s) / activity(ies) as approved by the National Committee on Investment (NCI). The principle approval letter will indicate **tiering approach and outcome-based tax incentives** with minimum and additional conditions imposed for each Tier as per Appendix II.
- 3.11 The commencement date of the tax incentive will be determined based on the **date of first qualifying capital expenditures (CAPEX)⁷** incurred for the approved product(s) / activity (ies) one day after the date of submission of application.
- 3.12 The company shall submit the following not later than 36 months from the date of the principle approval letter:
- i) application for determination of tax incentive commencement date; and
 - ii) declaration on the compliance of minimum conditions as verified by the external auditors.
- 3.13 In the event, the company fails to submit the application as in para (3.12) within the stipulated period, the principle approval letter is automatically cancelled.
- 3.14 The company shall submit the **declaration on compliance of all minimum and additional conditions** as stated in the principle approval letter and verified by the external auditors to MIDA not later than **seven (7) months after the expiry of the 5-year tax incentive and/or for the 10-year tax incentive**.

⁷ Company may incur capital expenditure before the date of submission of application to MIDA. Nevertheless, the capital expenditure incurred is not to be deemed as a qualifying capital expenditure.



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- 3.15 The compliance of minimum conditions will entitle the company to enjoy Tier 2 tax incentive. Whereas, the compliance of both minimum and additional conditions will entitle the company to enjoy Tier 1 tax incentive.
- 3.16 The investment tax allowance is to be provided through **subsidiary Legislation** under the Section 127(3)(b) of Income Tax Act, 1967 and to be considered in the National Committee of Investment (NCI).



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Appendix I

Eligibility Criteria for the Special Tax Rate

Special Tax Rate	First Five (5) Years	Second Five (5) Years
<p>Tier 2 (10% Tax Rate)</p> <p>Company is required to comply to the specified minimum conditions</p>	<p>i) Capital expenditure (excluding land) to be realised as proposed by company at the point of submission the determination of effective date and cumulative capital expenditure (excluding land) shall be at least RM500 million by the end of 5th year of incentive period.</p> <p>ii) Adequate⁸ number of full-time Malaysian employees with high-value jobs⁹ as proposed.</p> <p>iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower.</p> <p>iv) Adoption of Industrial Revolution 4.0 (IR4.0) Technology¹⁰</p>	<p>i) Incremental cumulative capital expenditure (excluding land) as proposed by company; <u>OR</u> at least RM500 million capital expenditure incurred in the first 5 years to be maintained throughout the second 5 year period.</p> <p>ii) Substantial increase in number of full-time Malaysian employees with high value jobs as proposed.</p> <p>iii) Substantial increase in number of Managerial, Technical and Supervisory levels from the total manpower.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>For condition (ii) and (iii), the determination of substantial increase will be evaluated by MIDA.</i>

⁸ Proposals submitted by companies for number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

⁹ **High value job** refers to minimum basic salary of RM10,000 per month.

¹⁰ Adoption of **Industrial Revolution (IR4.0) Technology** refers to machinery / equipment that adapt at least one of the Industry 4.0 pillars namely big data analytics, cloud computing, augmented reality, cybersecurity, artificial intelligence, additive manufacturing, system integration, simulation, internet of things (IoT), autonomous robots and advanced materials.


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Special Tax Rate	First Five (5) Years	Second Five (5) Years
	<p><i>Note:</i></p> <ul style="list-style-type: none"> • Minimum conditions need to be complied not later than 24 months from the date of principle approval letter until the expiry of the first five years. • The compliance of minimum conditions will entitle the company to enjoy Tier 2 tax incentive for the particular year of assessment. 	
<p>Tier 1 (5% Tax Rate)</p> <p>Company is required to comply to the specified minimum and additional conditions</p>	<p>i) Capital expenditure (excluding land) to be realised as proposed by company at the point of submission the determination of effective date and cumulative capital expenditure (excluding land) shall be at least RM500 million by the end of 5th year of incentive period.</p> <p>ii) Adequate¹¹ number of full-time Malaysian employees with high-value jobs¹² as proposed.</p> <p>iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower.</p>	<p>i) Incremental cumulative capital expenditure (excluding land) as proposed by company; OR at least RM500 million capital expenditure incurred in the first 5 years to be maintained throughout the second 5 year period.</p> <p>ii) Substantial increase in number of full-time Malaysian employees with high value jobs as proposed.</p> <p>iii) Substantial increase in number of Managerial, Technical and Supervisory levels from the total manpower.</p>

¹¹ Proposals submitted by companies for number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

¹² **High value job** refers to minimum basic salary of RM10,000 per month.


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Special Tax Rate	First Five (5) Years	Second Five (5) Years
	iv) Adoption of Industrial Revolution 4.0 (IR4.0) Technology ¹³ . v) Adoption of Environmental, Social and Governance (ESG) programmes e.g. set energy consumption, recycling activity, implementing ethical supply chain management, ethical treatment of suppliers, and adherence to fair labor practices as a key area in its ESG commitment. vi) Number of local suppliers ¹⁴ or local service providers ¹⁵ appointed as proposed. vii) Other conditions related to the sustainable economy development such as education, social, accelerate Malaysian SMEs and as stated in the principle approval letter. (e.g. collaboration with	iv) Substantial increase on number of local suppliers ¹⁶ or local service providers ¹⁷ appointed as proposed. v) Substantial increase on other conditions related to the sustainable economy development such as education, social, accelerate Malaysian SMEs and as stated in the principle approval letter. (e.g. collaboration with higher education institution/TVET, number of intern, vendor development) <i>Note:</i> <ul style="list-style-type: none"> For condition (ii) until (v), the determination of a substantial increase will be evaluated by MIDA.

¹³ Adoption of **Industrial Revolution (IR4.0) Technology** refers to machinery / equipment that adapt at least one of the Industry 4.0 pillars namely big data analytics, cloud computing, augmented reality, cybersecurity, artificial intelligence, additive manufacturing, system integration, simulation, internet of things (IoT), autonomous robots and advanced materials.

¹⁴ **Local suppliers** refer to the companies incorporated in Malaysia and manufacture goods locally (raw materials, consumables, machinery, equipment, parts and components).

¹⁵ **Local service providers** refer to the companies incorporated in Malaysia and provide services related to the company's proposed activities e.g. logistics, maintenance of plant/machinery/equipment, sterilisation and etc.

¹⁶ **Local suppliers** refer to the companies incorporated in Malaysia and manufacture goods locally (raw materials, consumables, machinery, equipment, parts and components).

¹⁷ **Local service providers** refer to the companies incorporated in Malaysia and provide services related to the company's proposed activities e.g. logistics, maintenance of plant/machinery/equipment, sterilisation and etc.



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Special Tax Rate	First Five (5) Years	Second Five (5) Years
	higher education institution/TVET, number of intern, vendor development)	



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Appendix II

Eligibility Criteria for Investment Tax Allowance

Investment Tax Allowance	First Five (5) Years	Second Five (5) Years
<p>Tier 2 (60% of Qualifying CAPEX, offset against 100% of statutory income)</p> <p>Company is required to comply to the specified minimum conditions</p>	<p>i) Capital expenditure (excluding land) to be realised as proposed by company at the point of submission the determination of effective date and cumulative capital expenditure (excluding land) should be at least RM500 million by end of 5th year.</p> <p>ii) Adequate¹⁸ number of full-time Malaysian employees with high-value jobs¹⁹ as proposed.</p> <p>iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower.</p> <p>iv) Adoption of Industrial Revolution 4.0 (IR4.0) Technology²⁰.</p>	<p>i) Incremental increase of cumulative capital expenditure (excluding land) as proposed by company.</p> <p>ii) Substantial increase in number of full-time Malaysian employees with high value jobs as proposed.</p> <p>iii) Substantial increase in number of Managerial, Technical and Supervisory levels from the total manpower.</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>For condition (ii) and (iii), the determination of substantial increase will be evaluated by MIDA.</i>

¹⁸ Proposals submitted by companies for number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

¹⁹ **High value job** refers to minimum basic salary of RM10,000 per month.

²⁰ Adoption of **Industrial Revolution 4.0 (IR4.0) Technology** refers to machinery / equipment that adapt at least one of the Industry 4.0 pillars namely big data analytics, cloud computing, augmented reality, cybersecurity, artificial intelligence, additive manufacturing, system integration, simulation, internet of things (IoT), autonomous robots and advanced materials.


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Investment Tax Allowance	First Five (5) Years	Second Five (5) Years
	<p><i>Note:</i></p> <ul style="list-style-type: none"> • Minimum conditions need to be complied not later than 36 months from the date of principle approval letter until the expiry of the first five years. • The compliance of minimum conditions will entitle the company to enjoy Tier 2 tax incentive during the incentive period. 	
<p>Tier 1 (100% of Qualifying CAPEX, offset against 100% of statutory income)</p> <p>Company is required to comply to the specified minimum and additional conditions</p>	<p>i) Capital expenditure (excluding land) to be realised as proposed by company at the point of submission the determination of effective date and cumulative capital expenditure (excluding land) should be at least RM500 million by end of 5th year.</p> <p>ii) Adequate²¹ number of full-time Malaysian employees with high-value jobs²² as proposed.</p> <p>iii) Number of Managerial, Technical and Supervisory levels shall be at least 25% of overall manpower.</p>	<p>i) Incremental increase of cumulative capital expenditure (excluding land) as proposed by company.</p> <p>ii) Substantial increase in number of full-time Malaysian employees with high value jobs as proposed.</p> <p>iii) Substantial increase in number of Managerial, Technical and Supervisory levels from the total manpower.</p>

²¹ Proposals submitted by companies for number of employees will be evaluated in detail by MIDA and will be deliberated in the National Committee on Investments (NCI) for decision.

²² **High value job** refers to minimum basic salary of RM10,000 per month.



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Investment Tax Allowance	First Five (5) Years	Second Five (5) Years
	<p>iv) Adoption of Industrial Revolution 4.0 (IR4.0) Technology²³.</p> <p>v) Adoption of Environmental, Social and Governance (ESG) programmes e.g. set energy consumption, recycling activity, implementing ethical supply chain management, ethical treatment of suppliers, and adherence to fair labor practices as a key area in its ESG commitment.</p> <p>vi) Number of local suppliers²⁴ or local service providers²⁵ appointed as proposed.</p> <p>vii) Other conditions related to the sustainable economy development such as education, social, accelerate Malaysian SMEs and as stated in the principle approval letter. (e.g. collaboration</p>	<p>iv) Substantial increase on number of local suppliers²⁶ or local service providers²⁷ appointed as proposed.</p> <p>v) Substantial increase on other conditions related to the sustainable economy development such as education, social, accelerate Malaysian SMEs and as stated in the principle approval letter. (e.g. collaboration with higher education institution/TVET, number of intern, vendor development)</p> <p><i>Note:</i></p> <ul style="list-style-type: none"> • For condition (ii) until (v), the determination of a substantial increase will be evaluated by MIDA.

²³ Adoption of **Industrial Revolution 4.0 (IR4.0) Technology** refers to machinery / equipment that adapt at least one of the Industry 4.0 pillars namely big data analytics, cloud computing, augmented reality, cybersecurity, artificial intelligence, additive manufacturing, system integration, simulation, internet of things (IoT), autonomous robots and advanced materials.

²⁴ **Local suppliers** refer to the companies incorporated in Malaysia and manufacture goods locally (raw materials, consumables, machinery, equipment, parts and components).

²⁵ **Local service providers** refer to the companies incorporated in Malaysia and provide services related to the company's proposed activities e.g. logistics, maintenance of plant/machinery/equipment, sterilisation and etc.

²⁶ **Local suppliers** refer to the companies incorporated in Malaysia and manufacture goods locally (raw materials, consumables, machinery, equipment, parts and components).

²⁷ **Local service providers** refer to the companies incorporated in Malaysia and provide services related to the company's proposed activities e.g. logistics, maintenance of plant/machinery/equipment, sterilisation and etc.



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Investment Tax Allowance	First Five (5) Years	Second Five (5) Years
	with higher education institution/TVET, number of intern, vendor development).	

Appendix D

**GUIDELINES FOR JS-SEZ TAX INCENTIVE PACKAGE -
MANUFACTURING BUSINESS INCENTIVE SCHEME**

1. Type of Incentives

Type of Company		Tax Incentive	Period
New Company	New investment in the manufacturing sector with capital investment (excluding land) above RM1 billion	Tax Rate of 5%	15 years
	New investment in the manufacturing sector with capital investment (excluding land) between RM500 million to RM1 billion	Tax Rate of 5%	10 years
Existing Company	New investment in the manufacturing sector with capital investment (excluding land) above RM500 million for existing company in Malaysia relocating overseas facilities (for a new business segment not expansion of existing products) into Malaysia.	Income tax exemption equivalent to Investment Tax Allowance of 100% on the qualifying capital investment (excluding land) incurred within 5 years. The allowance to be offset against 100% statutory income	5 years

2. Qualifying Activities

- 2.1 AI and/or Quantum Technology Supply Chain – Flagship F (Kulai – Sedenak)
- 2.2 Medical Devices – Flagship F (Kulai – Sedenak)
- 2.3 Pharmaceutical – Flagship F (Kulai – Sedenak)
- 2.4 Aerospace Manufacturing, MRO services – Flagship E (Senai – Skudai)

3. Eligibility Criteria / Conditions

- 3.1 The company is required to have a paid-up capital of RM2.5 million and above.
- 3.2 Investment in qualifying capital investment (excluding land) as follows:

3.2.1 New Company

10 years	15 years
Capital expenditure (excluding land) to be realised shall be at least RM500 million at the point of submission for determination of effective date for special tax rate.	Capital expenditure (excluding land) to be realised shall be at least RM1 billion at the point of submission for determination of effective date for special tax rate.

3.2.2 Existing Company

Capital expenditure (excluding land) to be realised shall be above RM500 million at the point of submission for determination of effective date for investment tax allowance.

- 3.3 Undertake minimum one (1) local Vendor Development Programme.
- 3.4 Use of local ancillary services, including banking as proposed.
- 3.5 A minimum of 50% of high-value positions (with a minimum basic salary of RM10,000) shall be filled by full-time Malaysian employees.
- 3.6 Hire local graduates (minimum diploma) with less than 3 years of experience as proposed.
- 3.7 Company must undertake the National Structured Internship Programme (MySIP) under the TalentCorp Malaysia for at least 3 Malaysian students yearly
- 3.8 Collaboration with academic institutions such as local universities, Technical & Vocational Education & Training (TVET) centres, and/or technical certification bodies in relevant manufacturing fields.
- 3.9 The company must use local seaports and/or airports and/or free zone areas for export activities.

Companies are advised to share and discuss their level of commitment and compliance pertaining to the above agenda with MIDA. Specific conditions related to the agenda shall be imposed upon the incentive approval.

4. Tax Treatment

A. New Company eligible for **Special Tax Rate**.

- 4.1 The company must submit the application to MIDA before commencement of the proposed project. Commencement is defined as the first sales invoice issued by company for the proposed project.
- 4.2 The company shall submit the application for determination of commencement year of assessment (YA) not later than 24 months from the date of approval letter.

- 4.3 The determination of the incentive effective date will be based on the YA company commences the operation of the approved project.
- 4.4 Where an approved company has been granted the determination of incentive effective date, the company must provide the annual compliance of incentive within 7 months after the end of each year of assessment throughout the incentive period.
- 4.5 Note: The application in paragraphs 4.2 is to be submitted to the Investment Compliance Division, MIDA online through the Invest Malaysia portal at <https://investmalaysia.mida.gov.my>.
- 4.6 Failing to obtain the determination of the effective date and to submit the annual compliance of the incentive within the stipulated period, may have implications for the eligibility in the claiming of the tax incentive.
- 4.7 An approved company must comply with the stipulated conditions throughout the incentive period.
- 4.8 In the event, the approved company fails to comply with the stipulated conditions in any year of assessment during the special tax rate incentive period, the company is not entitled to claim the special income tax rate derived from the approved product (s) / activity (ies) for that particular YA and will subject to tax at prevailing rates.
- 4.9 The Minister of Finance, may at any time, except where the approved company fails to comply with any conditions imposed on the incentive, allow the company to surrender the approved incentive by notice in writing to the Minister of Finance through the Malaysian Investment Development Authority (MIDA).

B. Existing Company eligible for **Income tax exemption equivalent to Investment Tax Allowance**

- 4.10 The company must submit the application to MIDA before commencement of the proposed project. Commencement is defined as the first sales invoice issued by company for the proposed project.
- 4.11 The commencement date of the tax incentive will be determined based on the date of first qualifying capital expenditures incurred for the approved product(s) / activity(ies) one day after the date of submission of application.
- 4.12 The company may incur capital expenditure before the date of submission of application to MIDA, nevertheless the capital expenditure incurred is not to be deemed as the qualifying capital expenditure.
- 4.13 The company shall submit the application for determination of tax incentive effective date to MIDA through Investment Compliance Division within 36 months from the date of approval letter.



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5. Mechanism

The incentive to be provided through subsidiary legislation under the Income Tax Act, 1967 in the exercise of the powers conferred in the Section 65B and P.U.(A) 113/2006.

Appendix E

**GUIDELINES FOR JS-SEZ TAX INCENTIVE PACKAGE –
INTEGRATED TOURISM PROJECT**

1. Type of Incentives

Investment Tax Allowance (ITA) of 100% qualifying capital expenditure incurred within 5 years. The allowance can be offset against 70% of the statutory income for each year of assessment.

2. Eligibility Criteria / Conditions

- 2.1 Paid-up capital of at least RM2.5 million;
- 2.2 Investment in capital expenditure (excluding land) of at least RM500 million.
- 2.3 Company undertaking integrated tourism project which consists of the following:
 - i) Hotel with minimum number of rooms of 80 which consists of standard, superior, deluxe and suite; and
 - ii) Minimum 1 tourist attractions (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).
- 2.4 Adoption of the Industrial Revolution 4.0 as follows:
 - i) Big data analytics (and/or)
 - ii) Cloud computing (and/or)
 - iii) Augmented reality (and/or)
 - iv) Cybersecurity (and/or)
 - v) Artificial intelligence (and/or)
 - vi) Additive manufacturing (and/or)
 - vii) System integration (and/or)
 - viii) Simulation (and/or)
 - ix) Internet of Things (and/or)
 - x) Autonomous robot (and/or)
 - xi) Advanced materials
- 2.5 Total full-time workforce must consist at least 80% Malaysian citizens.
- 2.6 A minimum of 50% of high-value positions (with a minimum basic salary of RM10,000) shall be filled by full-time Malaysian employees.
- 2.7 Hiring of local fresh graduates with experience less than 3 years as proposed.



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- 2.8 Company must undertake the National Structured Internship Programme (MySIP) under the TalentCorp Malaysia for at least 3 Malaysian students yearly
- 2.9 Investment in green technology to generate energy using renewable energy resources (e.g: solar, wind) as proposed.

Companies are advised to share and discuss their level of commitment and compliance pertaining to the above agenda with MIDA. Specific conditions related to the agenda shall be imposed upon the incentive approval.

3. Tax Treatment

- 3.1 The company must submit the application to MIDA before commencement of the proposed project. Commencement is defined as the first sales invoice issued by company for the proposed project.
- 3.2 The commencement date of the tax incentive will be determined based on the date of first qualifying capital expenditures incurred for the approved product(s) / activity(ies) one day after the date of submission of application.
- 3.3 The company may incur capital expenditure before the date of submission of application to MIDA, nevertheless the capital expenditure incurred is not to be deemed as the qualifying capital expenditure.
- 3.4 The company shall submit the application for determination of tax incentive effective date to MIDA (Investment Compliance Division) within 36 months from the date of approval letter.

4. Mechanism

The incentive to be provided under P.U.(A) 113/2006 Income Tax Act, 1967 and to be considered by the National Committee on Investments (NCI).