

GUIDELINES FOR FOREST CITY SPECIAL FINANCIAL ZONE (FCSFZ) TAX INCENTIVE PACKAGE

1. BACKGROUND

The Forest City Special Financial Zone (FCSFZ) is Malaysia's pioneering special financial zone. This strategic location underpins Malaysia's ambition to become a global hub for financial services, attracting foreign and domestic investment and fostering high-value business activities.

On 20 September 2024, Government of Malaysia announced a comprehensive package of incentives makes the FCSFZ a uniquely attractive destination for multinational corporations, financial institutions, and high-net-worth individuals seeking opportunities for capital growth and wealth management.

2. FCSFZ TAX INCENTIVES PACKAGE UNDER MIDA

These guidelines specify the tax incentives applicable to Forest City Mainland, administered by MIDA, as outlined in the JS-SEZ incentive package announced by the Malaysian Government on 20 September 2024 as follows:

| Projects | Tax Incentives |
|--|--|
| A. Smart Logistics Complex 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: a) Regional Distribution Hub; (and/or) b) Integrated Logistics Services; (and/or) c) Dangerous Goods Storage; (and/or) d) Cold Chain Facilities. Details of tax incentive are as in Appendix A . | Income tax exemption equivalent to Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure (excluding land) for a period of 5 years. The allowance can be offset against up to 100% of statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed. |

| Projects | Tax Incentives |
|--|--|
| B. Global Services Hub <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 B.</p> | <p>Corporate tax rate of 5% for a period of up to 10 years and extension of additional 10 years.</p> |
| C. Relocation (Services) <ul style="list-style-type: none"> i) Research and development/design and development activities; or ii) Medical devices testing laboratory and clinical trials; or iii) Independent conformity assessment laboratories (e.g. testing laboratories, calibration laboratories, certification bodies, inspection bodies, good laboratory practise compliant testing, technical training laboratories, process improvement (enhance productivity), digital technology adaptation (including automation); or iv) Centre of Excellence (CoEs): Specialised hubs focusing on specific fields, bringing together experts, researchers, and resources to drive innovation and development in the following areas: <ul style="list-style-type: none"> a. AI / Big Data / Cybersecurity / Fintech technology; or b. Specialised research / advanced treatment centres; or c. Specialised training centre in relation to emerging technology (i.e. Industrial Revolution 4.0); or | <p>Corporate tax rate of 5% for a period of up to 10 years and extension of additional 10 years.</p> |

| Projects | Tax Incentives |
|--|----------------|
| v) Design, Development and Services of: <ul style="list-style-type: none"> a. Integrated Circuit (IC) Design b. IC Packaging design c. Embedded system design d. Test and engineering design services for E&E clusters and its connecting supply chain ecosystem. Details of tax incentive are as in Appendix C . | |

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; or
 - ii) which has an existing entity or related entity in Malaysia which has not carried on the same project 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 FCSFZ 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 September 2024 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.
- 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 FCSFZ TAX INCENTIVE PACKAGE –
SMART LOGISTICS COMPLEX**

1. Definition Smart Logistics 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

Income tax exemption equivalent to Investment Tax Allowance (ITA) of 100% on the qualifying capital expenditure (excluding land) for a period of 5 years. The allowance can be offset against up to 100% of statutory income for each year of assessment. Unutilised allowances can be carried forward until fully absorbed.

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 labelling; (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 contractors¹** 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 companies²** 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).

¹ **Local contractor'** means a company incorporated under the Companies Act 2016 and resident in Malaysia **with at least 51% Malaysian equity.**

² **'Locally owned logistics company'** means a company incorporated under the Companies Act 2016 and resident in Malaysia **with at least 60% Malaysian equity.**

Appendix B

**GUIDELINES FOR FCSFZ TAX INCENTIVE PACKAGE -
GLOBAL SERVICES HUB**

1. Type of Incentives

Corporate tax rate of 5% for a period of up to 10 years and extension of additional 10 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);

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 Management³
4. Senior-level Talent Acquisition and Management

³ 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.

B. Business Services

1. Bid and Tender Management
2. Treasury and Fund Management
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 First 10 years:

- a) Paid-up capital of at least RM2.5 million;
- b) Annual operating expenditure⁴ of at least RM50 million;
- c) Company must undertake 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;
- d) Company must Serve / Business Control of at least 10 Network Companies which include at least 3 related companies;
- e) A minimum of 50% of high-value positions (with a minimum basic salary of RM10,000) shall be filled by full-time Malaysian employees;

⁴ 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.

- f) Annual sales turnover of at least RM500 million and forex in-flow into the local banking system as proposed (applicable for trading income only);
- g) Annual expenditure for domestic ancillary services⁵ as proposed;
- h) At least 5 key personnel with minimum basic monthly salary of RM35,000;
- i) At least 20% of the entire workforce to undergo structured training programs for upgrading of skills in related qualifying services during incentive period.
- j) 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.

3.2 Second 10 years:

- a) Paid-up capital of at least RM2.5 million;
- b) Minimum 30% increment of annual operating expenditure based on the annual operating expenditure imposed in the first 10 years.
- c) Company must undertake 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;
- d) Company must Serve / Business Control of at least 10 Network Companies which include at least 3 related companies;
- e) A minimum of 50% of high-value positions (with a minimum basic salary of RM10,000) shall be filled by full-time Malaysian employees;
- f) Minimum 30% increment of annual sales turnover and forex in-flow into the local banking system based on the annual sales turnover and forex in-flow imposed in the first 10 years;
- g) Annual expenditure for domestic ancillary services as proposed;
- h) At least 5 key personnel with minimum basic monthly salary of RM35,000;

⁵ 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



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- i) At least 20% of the entire workforce to undergo structured training programs for upgrading of skills in related qualifying services during incentive period.
- j) 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 tax incentive effective date to MIDA (within 24 months from the date of interim approval letter).
- 4.3 The determination of the incentive effective date will be based on the year of assessment 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 6 months from the company's each years of assessment ended.

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 project for that particular year of assessment.
- 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).



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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 to be considered by the National Committee on Investments (NCI).

Appendix C

**GUIDELINES FOR FCSFZ TAX INCENTIVE PACKAGE –
RELOCATION (SERVICES)**

1. Type of Incentives

Corporate tax rate of 5% for a period of up to 10 years and extension of additional 10 years.

2. Qualifying Activities

- 2.1 Research and development/design and development activities; or
- 2.2 Medical devices testing laboratory and clinical trials; or
- 2.3 Independent conformity assessment laboratories (e.g. testing laboratories, calibration laboratories, certification bodies, inspection bodies, good laboratory practise compliant testing, technical training laboratories, process improvement (enhance productivity), digital technology adaptation (including automation); or
- 2.4 Centre of Excellence (CoEs): Specialised hubs focusing on specific fields, bringing together experts, researchers, and resources to drive innovation and development in the following areas:
 - i. AI / Big Data / Cybersecurity / Fintech technology; or
 - ii. Specialised-research / advanced treatment centres; or
 - iii. Specialised training centre in relation to emerging technology (i.e. Industrial Revolution 4.0); or
- 2.5 Design, Development and Services of:
 - i. Integrated Circuit (IC) Design
 - ii. IC Packaging design
 - iii. Embedded system design
 - iv. Test and engineering design services for E&E clusters and its connecting supply chain ecosystem

3. Eligibility Criteria / Conditions

3.1 First 10 years:

- a. Adoption of the Industrial Revolution 4.0;
 - 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
- b. Employment of at least eighty per cent (80%) of full-time Malaysian employees on or before the third year of assessment starting from the date of the first invoice in relation to the qualifying activity until the end of the specified years of assessment.
- c. Incurring an approved adequate amount of annual operating expenditure to carry on the qualifying activity.
- d. A minimum of 50% of high-value positions (with a minimum basic salary of RM10,000) shall be filled by full-time Malaysian employees.
- e. At least 10% of the entire workforce to undergo structured training programs for upgrading of skills in related qualifying services during incentive period.
- f. Company must undertake the National Structured Internship Programme (MySIP) under the TalentCorp Malaysia for at least 3 Malaysian students yearly.

The company is advised to share and discuss with MIDA on their level of commitment and compliance to the above agenda. Specific conditions related to the agenda shall be imposed on the incentive approval.

3.2 Second 10 years:

- a. Employment of at least eighty per cent (80%) of full-time Malaysian employees on or before the third year of assessment starting from the date of the first invoice in relation to the qualifying activity until the end of the specified years of assessment.
- b. Minimum 30% increment of annual operating expenditure based on the annual operating expenditure imposed in the first 10 years.
- c. A minimum of 50% of high-value positions (with a minimum basic salary of RM10,000) shall be filled by full-time Malaysian employees;
- d. At least 10% of the entire workforce to undergo structured training programs for upgrading of skills in related qualifying services during incentive period.
- e. Company must undertake the National Structured Internship Programme (MySIP) under the TalentCorp Malaysia for at least 3 Malaysian students yearly.

The company is advised to share and discuss with MIDA on their level of commitment and compliance to the above agenda. Specific conditions related to the agenda shall be imposed on 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 An approved company shall submit the application for determination of the effective date within 36 months from the date of the approval letter.
- 4.3 The determination of the incentive effective date will be based on the year of assessment 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 6 months from the company's each years of assessment ended.

Note: The application in paragraphs 4.1 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 year of assessment.
- 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).