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Johor-Singapore Special Economic Zone (JS-SEZ)

On 8th January 2025, Malaysia Government announced tax package incentive for The Johor-Singapore Special Economic Zone (JS-SEZ). JS-SEZ offers a special corporate tax rate 5% for up to 15 years for new investment in qualifying activities such as aerospace manufacturing, medical devices, global services hubs and artificial intelligence and also special personal income tax rate 15% for 10 years for knowledge worker.

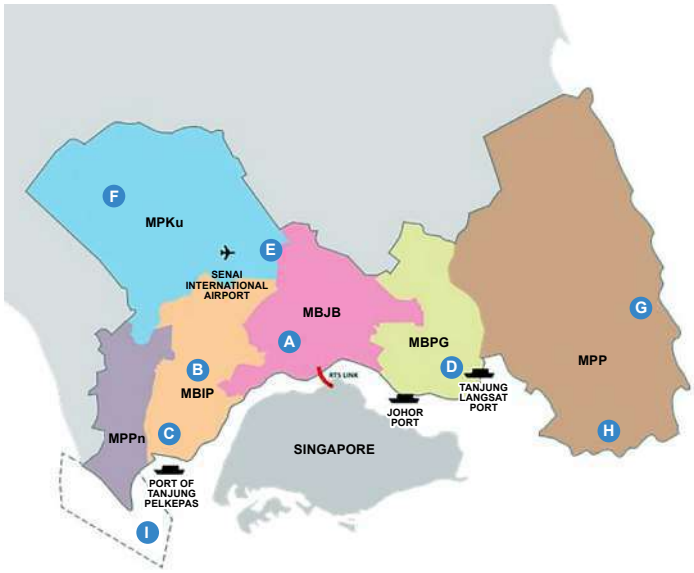
15th 03/2025

Introduction

Johor-Singapore Special Economic Zone (JS-SEZ) is the first special economic zone spanning Southeast Asia's borders located in the southern Malaysian state of Johor.

Effective from January 1, 2025, companies undertaking new investment in high-growth sectors within the JS-SEZ eligible to apply for special corporate tax rate of 5% for up to 15 years, 15% tax rate up to 10 years for knowledge workers employed in the JS-SEZ, stamp duty exemption etc.

Location



9 Flagship Areas

- Flagship A (Johor Bahru Waterfront)
- Flagship B (Iskandar Puteri)
- Flagship C (Tanjung Pelepas)
- Flagship D (Tanjung Langsat – Kong Kong)
- Flagship E (Senai – Skudai)
- Flagship F (Kulai – Sedenak)
- Flagship G (Desaru – Penawar)
- Flagship H (Pengerang Integrated Petroleum Complex)
- Flagship I (Forest City Special Financial Zone)

Source: www.irda.com.my

Why Invest in JS-SEZ

Competitive Cost Advantage

Strong Government Support

Designated Flagships Areas

Strategic Location & Strong Connectivity

Attractive Policies & Incentives

Competitive Tax Incentive

A. Special Tax Corporate Tax Rate:

Special tax rate of 5% for up to 15 years for companies undertaking new investment as below:

<table>
<tr><th>No.</th><th>Category</th><th>Type of Incentive</th></tr>
<tr><td>1.</td><td>Flagship F (Kulai - Sedenak)

Manufacturing Company:
a) Artificial Intelligence (AI), Quantum Computing Supply Chain;
b) Medical Devices; or
c) Pharmaceuticals.

Flagship E (Senai - Kulai)
Aerospace Manufacturing; and Maintenance Repair and Overhaul (MRO) Services.</td><td>
<table>
<tr><th colspan="2">Type of Company</th><th>Tax Incentive (Tax Rate)</th><th>Period</th></tr>
<tr><td rowspan="2">New Company</td><td>New investment in manufacturing sector with capital investment (excluding land) above RM1 billion.</td><td>5%</td><td>15 years</td></tr>
<tr><td>New investment in manufacturing sector with capital investment (excluding land) between RM500 million to RM1 billion.</td><td>5%</td><td>10 years</td></tr>
<tr><td>Existing Company</td><td>New investment in 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.</td><td>Investment Tax Allowance (“ITA”) of 100% on the qualifying capital investment (excluding land) incurred within 5 years, against 100% statutory income.</td><td>5 years</td></tr>
</table>
</td></tr>
<tr><td>2.</td><td>Flagship A (Johor Bahru Waterfront) and

Flagship B (Iskandar Puteri)
Global Service Hub.
Qualifying Services:
a) Regional P&L;
b) Strategic Business Planning;
c) Corporate Development; and
d) Regional or Global Treasury and Fund management conducting cash pooling activities via onshore intermediaries.</td><td>Special tax rate of 5% for a period of up to 15 years;

Eligibility Criteria / Conditions
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) shall be filled by full-time Malaysian employees as proposed.</td></tr>
</table>

3.	**Flagship G (Desaru-Penawar)** **Integrated Tourism Development**	100% Investment Tax Allowance (ITA) on eligible capital expenditure (excluding land cost) for a period of 5 years. This allowance can be deducted up to 70% of statutory income for the relevant assessment year. **Eligibility Criteria / Conditions** 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 capital expenditure (excluding land) of at least RM500 million; iv. Company undertaking integrated tourism project which consists of the following: a. Hotel with minimum number of rooms of 80 which consists of standard, superior, deluxe and suite; and b. 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).
4.	**Flagship C (Tanjung Pelepas)** **Smart Logistics Complex** Smart logistic operator who invests in development of smart logistics and carry out any of the eligible logistic activities: a) Regional Distribution Hub; b) Integrated Logistics Services; c) Dangerous Goods Storage; d) Cold Chain Facilities	100% Investment Tax Allowance (ITA) on eligible capital expenditure (excluding land cost) for a period of 5 years. This allowance is deducted up to 100% of the statutory income for the relevant assessment year. **Eligibility Criteria / Conditions** i. Investment in capital expenditure (excluding land) of at least RM500 million; ii. The built-up area of the smart warehouse complex must be at least 50,000m² 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) shall be filled by full-time Malaysian employees.
5.	**Flagship D (Tanjung Langsat – Kong-Kong)** **Manufacturing – Downstream Specialty Chemicals** Eligible product(s) / activity(ies): a) Base Chemicals; b) Organic intermediates C1 to C6 c) Specialty chemicals; d) Fertilizers; e) Polymers / Plastics; f) Oleo chemical / Biochemical.	**Special tax rate of 5% or 10%** for a period of up to **10 years,** for A company with capital investment (excluding land) of RM500 million and above in the manufacturing sector; OP **60% or 100% Investment Tax Allowance ("ITA")** on eligible capital expenditure (excluding land cost) for a period of **10 years.** **Eligibility Criteria / Conditions** i. A new company or an existing company undertaking diversification activities in relation to the eligible activities / products under this cluster; ii. The company is required to have a minimum paid-up capital of RM2.5 million at the point of submission of application to MIDA;

6.	**Additional Incentives**	i. 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 at 31st December 2024. The stamp duty exemption to be provided under Section 80(1) under the Stamp Act 1949; ii. 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. iii. The hallmark event referred to is an event of regional or international significance which is carried on in Flagship G and supported/ verified by MOTAC. For contribution made between 1 January 2025 to 31 December 2034. iv. ACA 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 between 1 Jan 202 – 31 December 2034 and operating in Flagship A-G. This incentive to be utilized only once throughout their business operation in JS-SEZ. To include expenses on: • General electrical installation • Lighting • Gas system • Water system; Kitchen fittings • 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 Initial Allowance: 20%, Annual Allowance: 40%

B. Special Tax Rate for Knowledge Workers:

A special tax rate of 15% for a period of 10 years is provided for eligible knowledge workers in all Flagships.

Eligibility Criteria / Conditions

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 MyCOL profession and JS-SEZ qualifying sectors

Source: MIDA guideline

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WHY TY TEOH INTERNATIONAL 为什么选择迪威国际？

20th Global Largest Accounting Firm IAB 2024	**753** Global Revenue (USD' Million) Year 2023	**320** Offices across 115 Countries & Regions Year 2024	**14000** Professionals Year 2024	**20th** Singapore Largest Accounting Firm	**9** Offices across Singapore, USA, Malaysia, Labuan

- ✓ Registered Auditor of Public Company Accounting Oversight Board (PCAOB), USA
- ✓ Registered Auditor with Accounting and Corporate Regulatory Authority (ACRA), Singapore;
- ✓ Approved Auditor of Labuan Financial Services Authority (Labuan FSA), Malaysia
- ✓ Approved Training Employers
- ✓ Independent Member Firm of SFAI

Team Leaders & Members Credentials

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