

A game-changer for family businesses

The time is now

KPMG Private Enterprise in Malaysia

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On 20 September 2024, the Finance Minister II, YB Senator Datuk Seri Amir Hamzah Azizan announced the Forest City Special Financial Zone Tax Incentive, which amongst others, includes the first of its kind Family Office (please refer to the following page for an overview of Family Office) tax incentives. The Single Family Office Scheme will be coordinated by the Securities Commission Malaysia (SC) and is aimed at being operational by the first quarter of 2025.

This initiative complements the earlier announcement of Forest City Pulau Satu as a duty-free island directly accessible by land transportation, further enhancing its appeal as a strategic financial hub.

Some of the **salient points** in the media release and the presentation slide deck are as follows: -

Single Family Office (SFO¹)

- 0% concessionary tax rate on income generated by eligible investments from the Single Family Office Vehicle (SFOV²) up to 20 years (initial period of 10 years and an additional period 10 years)
- Stamp duty exemption on the transfer of properties into Single Family Office Vehicle at initial establishment.

Key conditions

To qualify for initial period of 10 years: -

- The management company or SFO, which is a related company of SFOV, must be established and operating in Pulau 1, Forest City Special Financial Zone.
- The SFOV must be a new investment holding company incorporated in Malaysia and seek pre-registration with the SC on the eligibility of the tax incentives.
- The SFOV must hold minimum asset under management (AUM) of RM30 million and meet minimum local investment in eligible and promoted investments of at least 10% of AUM or RM10 million whichever is lower;
- The SFOV must incur an operating expenditure (OPEX) of a minimum of RM500,000 locally;
- The SFOV must employ a minimum of 2 full-time employees with each employee receiving a minimum monthly salary of RM10,000 and of whom at least one is an investment professional;

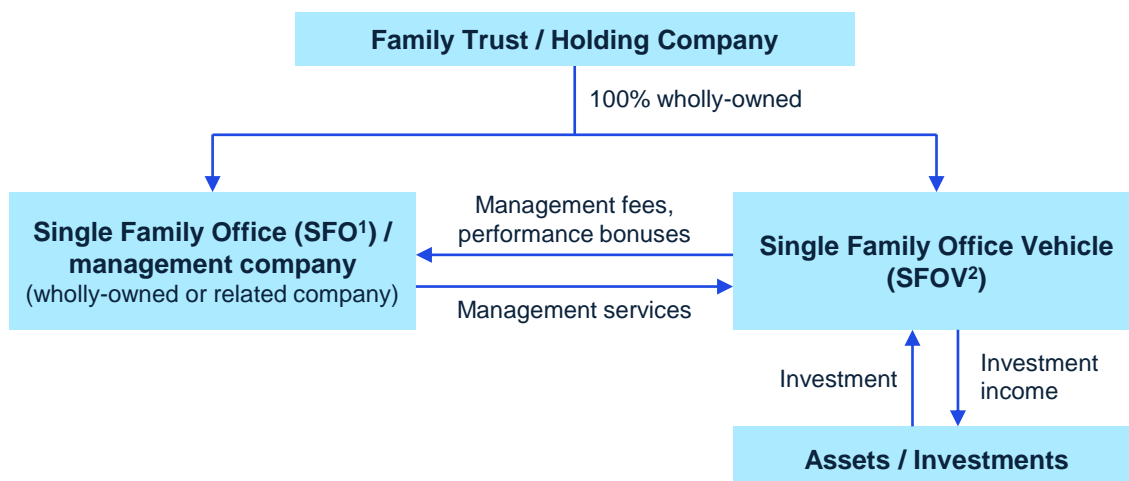
To qualify for an additional period of 10 years: - (higher substance and financial requirements)

- The SFOV must hold AUM of at least RM50 million and meet minimum local investment in eligible and promoted investments of at least 10% of AUM or RM10 million whichever is higher;
- The SFOV must incur an annual OPEX locally of a minimum of RM650,000 (30% higher than the initial period) annually; and
- The SFOV must employ a minimum of 4 full-time employees.

Note 1: A SFO / management company is an entity that provides management services exclusively to its related SFOV, handling tasks such as investment management, administrative services, and other related activities for the benefit of the family members.

Note 2: A SFOV is typically a corporate vehicle which is wholly owned or controlled, directly or indirectly, by one or more individuals from a single family and established solely for the purposes of holding the assets and investments of the family members.

Example of a SFO structure



What is a Family Office?

A Family Office is more than just a family-oriented wealth management and advisory firm set up by ultra-high net worth individuals (UHNWIs) and families to service its family members, it provides bespoke and comprehensive solutions meticulously crafted to safeguard and grow their legacy across generations.

Many families may find that existing business entities do not sufficiently address the family's private affairs and unique needs. Family Offices offer wider aspects of solutions from investment management, estate planning to personal affairs of family members, offering a centralised solution that aligns with the family's long-term goals and values.

There are a few types of Family Offices designed to meet different needs, amongst others, including SFO, Multi-Family Office (MFO) and Virtual Family Office (VFO).

Options in Malaysia and Labuan

Before the tax incentive announcement of the Forest City Special Financial Zone, Malaysia lacks of a specific legal framework for Family Offices. The SFO scheme for Family Office will be coordinated by the SC and is aimed at being operational by the first quarter of 2025.

Meanwhile, Labuan offers a sophisticated array of structures and options, including Labuan Trusts, Labuan-incorporated Foundations, Labuan Islamic Foundations, Labuan Private Trust Companies, and Labuan-licensed Fund Managers, making it an ideal jurisdiction for setting up a Family Office. With the new Forest City Special Financial Zone SFO incentives, an added option is now being created for families thinking of creating new family office structures in Malaysia.

Why set up a Family Office?

- Establishing a Family Office is a practical and effective way to manage the complex needs and unique priorities of UHNWIs and families.
- A Family Office offers privacy and confidentiality by having a dedicated team focused solely on the family's interests, there is a higher level of trust and control over financial decisions.
- A Family Office allows for the implementation of a cohesive strategy that integrates all aspects of wealth management, from investments, tax planning to succession. This holistic approach that ensures the family's wealth is not only protected but also positioned for long-term growth for future generations.

A Family Office provides a comprehensive range of services, managing every aspect of your family's financial and administrative needs: -



Asset and investment management

- Manage accumulated wealth
- This may be on a discretionary basis or supervising external managers



Philanthropy

- Furthering philanthropic objectives through direct initiatives or grant-making



Family administration

- Providing administration and support services to family members
- Example – education, travelling, healthcare, training, lifestyle needs



Private assets management

- Managing the administration of private assets such as residential properties, private collections, insurance policies
- Lifestyle and concierge support



Family governance

- Centralised and streamlined approach to manage family's wealth
- Formalise deliberation and decision-making process for family and investment matters



Personal advisers

- Bring specialised expertise, from investment management to legal and tax advisory dedicated solely for family's interests.
- Preparing NextGen

Do we need a Family Office?

For families with significant wealth, managing private, investment and business assets and planning for the family's future can quickly become complex and demanding: -

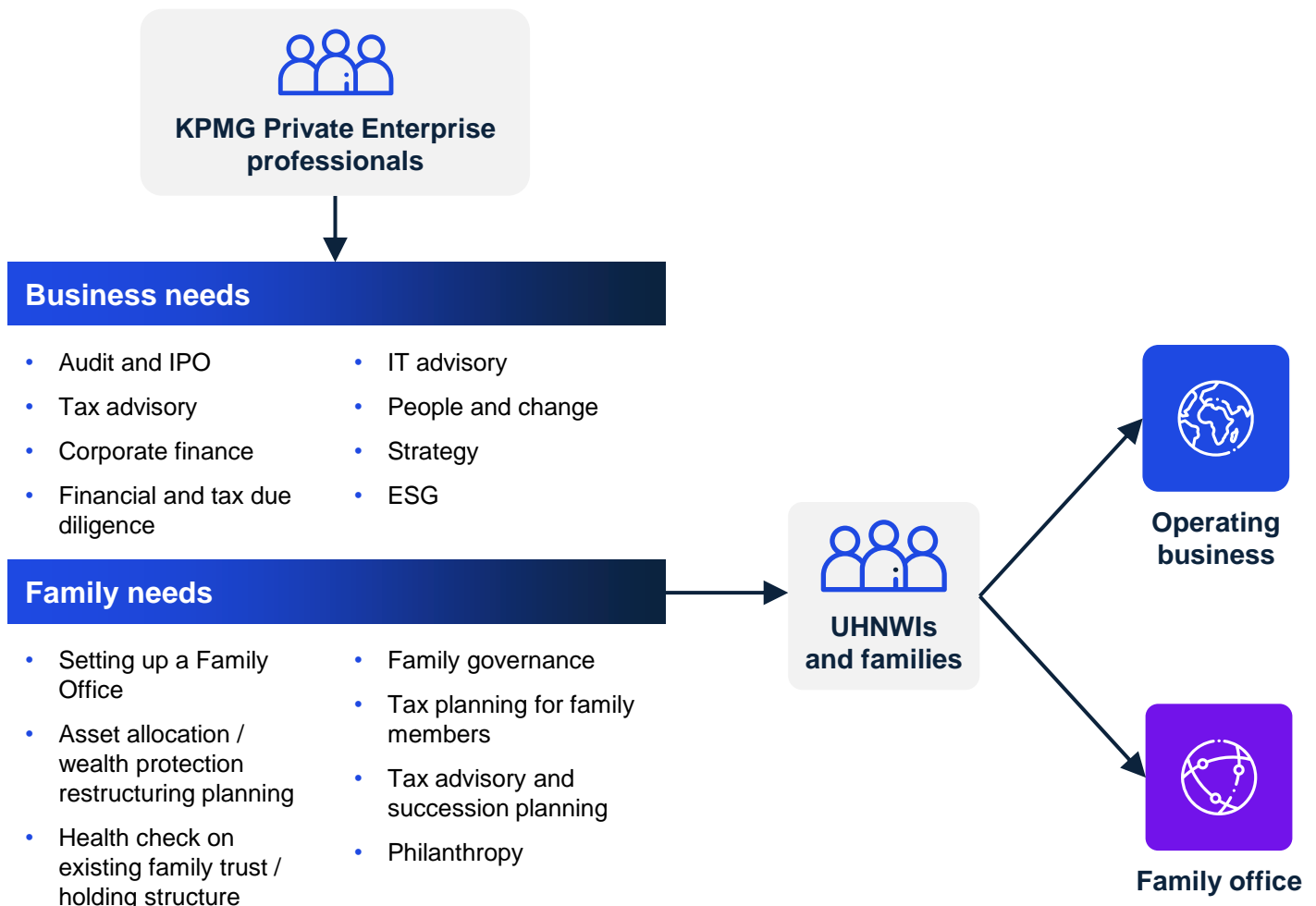
- Complexity of wealth and asset management
- Expanding families with diverse interests and financial needs
- Lack of control and privacy by engaging multiple advisors
- Challenges in succession planning and transition for family businesses
- Intricacies in planning for the younger generations
- Complexity in estate planning and execution
- Coordinate philanthropy and social projects
- Administrative burden associated with managing the wealth
- Preparing NextGen

As your wealth grows, so do the challenges of maintaining control, protecting your privacy, and ensuring that financial decisions align with the family's values and long-term goals. It is diverting your attention from broader life goals to day-to-day investment and family affairs. This is where a Family Office becomes invaluable and relevant.

A Family Office is more than just a financial tool – it offers strategic necessity for families to secure their legacy in a streamlined and coordinated approach. Establishing a Family Office might be the practical step to securing your family's legacy and ensuring that your wealth serves your family for generations to come.

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KPMG Private Enterprise will become the trusted advisor for UHNWIs and families. Our service team have the capability to identify cross-functional services that help you: -



Contact us

To explore the growth opportunities for your family business, connect with these specialists:



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