



Malaysia's Single Family Office

From Policy to Practice

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KPMG in Malaysia

KPMG. Make the Difference.

A large, abstract graphic on the right side of the cover. It features several thick, colorful lines (yellow, orange, red, pink, purple, blue, green) that intersect at white circular nodes. The lines are arranged in a way that suggests a network or a complex geometric structure, with some lines extending towards the top right corner.

Overview and Commentary



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Key Message

“The Forest City Single Family Office (SFO) regime is now live, fully operational and actionable.

With the regulatory framework now in place, the Forest City SFO regime is not just a policy — it is a partnership for growth and legacy. Families have the opportunity to secure long-term certainty, professionalize their wealth management, and contribute meaningfully to Malaysia's future.

Families can proceed with confidence, knowing that Malaysia offers more than incentives — it offers a shared vision of prosperity.”

From policy to practice

The Forest City Single Family Office (SFO) regime has decisively moved from policy concept to operational reality. In the span of just one week, the country has delivered a sequence of regulatory milestones that now provide ultra-high-net-worth (UHNW) families and their advisers with the legal certainty and practical guidance needed to act.

A decisive week: the milestones that matter

- On 3 October 2025, the Income Tax (Single Family Office Incentive Scheme) (Pulau 1 Of Forest City Special Financial Zone) Rules 2025, along with associated exemption and remission orders have been gazetted. These statutory instruments, deemed to have come into operation on 1 September 2024, establish the backbone of the SFO regime: a 20-year concessionary tax rate of 0% and a streamlined process for asset transfers with a one-off Stamp Duty and Capital Gains Tax exemption.
- Just days later, on 6 October 2025, the Securities Commission Malaysia (SC) held a media conference, confirming that 6 conditional approvals had already been granted, representing approximately RM400 million in indicative assets under management (AUM). More than 30 expressions of interest have been received, and the SC has set a target of RM2 billion in AUM by the end of 2026.
- The momentum continued on 9 October 2025, when the SC published comprehensive guidelines and a revised frequently asked questions (FAQ) sheet. These documents clarify the conditions for participation, the thresholds for AUM, requirements for local investment, and the operational standards for SFOs.

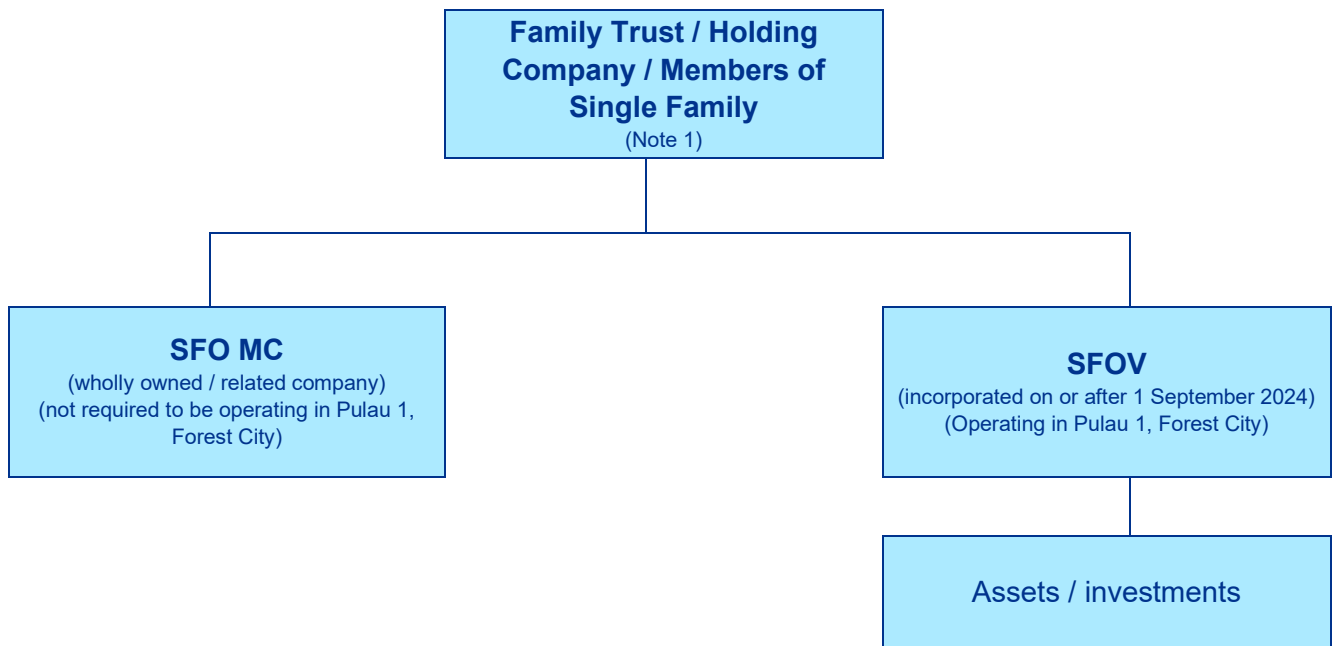
Together, these instruments and guidance notes turn ambition into a functioning regime, with legal backbone from gazetted rules and orders, and operating details from the SC.

The regime is now live

The SFO regime is built around a two-entity model: the Single Family Office Vehicle (SFOV) (the investment holding entity that enjoys the 0% concessionary income tax rate) and the SFO Management Company (SFO MC) (the in-house manager that runs the investment and governance).

Decision-making and control must be anchored onshore; outsourcing is permitted to licensed Malaysian managers [Capital Markets Services Licence (CMSL) holders], but the SFO MC remains accountable and must keep its investment committee and Board meetings in Malaysia.

Example of a SFO structure



Note 1: Various structuring options are available, including local, Labuan or foreign structures and investment holding companies.

The guidelines issued by SC also detail the annual certification process, which is essential to confirm the applicability of concessionary tax rate for the SFO. Budget 2026 reiterated the government's commitment to the SFO scheme, confirming its status as a strategic initiative.

Forest City SFO conditions and requirements

Conditions	Year 1 to 10	Year 11 to 20	Notes
AUM	≥ RM30m	≥ RM50m	Must be held in permitted assets
Local investment requirement	RM10m or 10% of AUM (whichever is lower)	RM10m or 10% of AUM (whichever is higher)	Investments in designated sectors count 1.5x toward local investment requirements

Forest City SFO conditions and requirements			
Conditions	Year 1 to 10	Year 11 to 20	Notes
Headcount (full-time equivalent, FTE)	≥ 2 (including 1 investment professional)	≥ 4	Salary floor ($\geq$ RM10k per FTE), tax resident in Malaysia, based at Pulau 1, Forest City
Local operating expenditure (OPEX)	$\geq$ RM500k per annum	$\geq$ RM650k per annum	Incurred onshore
Physical office	Physical office (≥ 450 square feet) at Pulau 1, Forest City		SFOV must operate in Pulau 1, Forest City
Decision-making	Onshore [by SFO-MC or CMSL manager]		Offshore parties may execute/custody but not portfolio manage or exercise discretion

Distinctive features of the Forest City SFO scheme and why they matter

What sets Malaysia's SFO regime apart is its dual focus: it is both a sophisticated wealth management platform and a nation-building capital channel. Families who establish an SFO in Forest City benefit from a 0% concessionary income tax rate for up to 20 years, one-off exemptions from capital gains tax and stamp duty.

Operational facilitation complements the incentives. SFOs can register for Foreign Exchange Policy flexibilities with Bank Negara Malaysia, allowing offshore borrowing and investment in foreign-currency assets sourced from abroad. Residency pathways for foreign UHNW families are integrated into the model through the Fast-Track Residence Pass–Talent (FT-RPT), which offers long-term, renewable status for principals, dependents, and key professionals, together with work and study rights.

A deliberate local investment requirement, enhanced by a 1.5x multiplier for promoted assets and sectors ensure that family capital is recycled into industries vital for Malaysia's transformation covering advanced manufacturing, sustainable finance, companies with projects within the Johor–Singapore Special Economic Zone (JS-SEZ) and New Industrial Master Plan 2030 (NIMP) sectors.

At the heart of the SFO regime is a compelling proposition that differentiates it from other countries such as reduced AUM and operating expenditure thresholds, lower cost of living and business operations, and significantly reduced entry friction through one-off capital gains tax and stamp duty reliefs that facilitate asset migration.

Economic impact and spillovers: how families and Malaysia both benefit

The influx of family capital aims to strengthen liquidity across public and private markets, supporting high-value job creation, and catalyzing innovation and SME growth. These spillovers extend beyond financial markets into the broader economy, and the regime's design ensures alignment between family objectives and national priorities: families achieve wealth preservation, governance, and succession planning, while Malaysia benefits from capital formation, technology adoption, and deeper financial intermediation that accelerate national competitiveness.

With the regulatory framework now fully operational, the regime offers both credibility and clarity.

Families that act early secure long-term tax certainty, professionalize their wealth management structures, and position themselves as partners in Malaysia's economic future.

Practical frictions — and how to manage them

While the scheme offers clarity and incentives, successful implementation requires careful planning to navigate operational complexities.

Potential frictions, such as enhanced due diligence, certification cadence, and asset transfer logistics, are addressed through detailed guidelines and proactive engagement with regulators and banks. Families are encouraged to prepare comprehensive documentation, establish robust governance structures, and build investment pipelines that leverage the scheme's incentives.

Potential frictions and mitigation strategies		
Areas	Why it matters	Suggested mitigation
Onboarding to Forest City SFO scheme Banking and enhanced client due diligence (eCDD)	- Onboarding to Forest City SFO scheme requires complete documentation and application pack - Enhanced CDD, particularly for foreign principals, can lengthen bank account opening timelines	- Prepare a documentation pack (corporate charts, family tree, source-of-wealth, hiring plan) - Draft service level agreements/ investment management agreement between SFOV and SFO MC - Family office charter and governance policies - Engage licensed banks and SC early
Certification cadence	- Missing annual SC certification forfeits the 0% concessionary tax rate for that year even though the 20-year clock continues - Furnishing annual audited financial statements and related documents to prove compliance within designated timeline	- Establish a compliance calendar (board/investment committee meetings; quarterly dashboards of AUM, local investment thresholds, OPEX, FTEs). - Confirm asset valuation policies - Appoint auditors early
Streamlined asset transfers into the SFOV	Plan asset transfers to occur within 12 months of certification to access the one-off CGT and stamp-duty exemptions	- Asset transfers should be sequenced to take full advantage of the one-off tax reliefs - Initiate conversations with banks, lenders and the SC early

Potential frictions and mitigation strategies		
Areas	Why it matters	Suggested mitigation
	- Substantial shareholding in listed equities could trigger mandatory offer obligations - Bank facilities, personal guarantees, credit lines should also be transferred with the underlying assets	- Review any conditions precedent, restrictions in the business and operating licences - Review bank covenants
Meeting AUM and 10% local investment requirements	- Bank deposits do not count for local investments - Passive property holding companies are ineligible as AUM	- Build local and promoted investment allocations early: Bursa-listed equities, ringgit bonds/sukuk, SC-registered private equity/venture capital, equity crowd funding, peer-to-peer financing, JS-SEZ/NIMP equities - Prioritise local promoted investments to utilize the 1.5× multiplier strategically
Delegation boundaries	Discretion must be onshore (SFO MC/CMSL manager); offshore managers may only execute/custody	Maintain onshore instruction trails (Investment committee minutes; mandate letters; trade authorisations)
Valuation of the assets and verify AUM	- Verifiable fair values for unlisted holdings - Documentation and record keeping	- Adopt consistent valuation methodologies - Disclose and justify any changes to the accounting and valuation policies - Schedule independent valuations aligned to the audit cycle

Policy wish list and refinements

Although the Forest City SFO regime is operational and competitive, there remain opportunities for refinement that would enhance its appeal and regional standing.

Expand the list of permitted assets

Policymakers could consider expanding the list of permitted assets to include insurance-linked portfolios, regulated digital assets, tokenized securities, provided that robust safeguards and onshore discretion are maintained. This adjustment would align the regime with evolving investment trends while preserving its governance integrity.

Enhance residency facilitation for foreign UHNW families

Residency remains a critical factor for foreign UHNW families. Greater flexibility under the FT-RPT would strengthen Malaysia's proposition. This could include expanding eligibility for family members and dependents, as well as a dedicated one-stop facilitation desk for expedited SFO-linked applications would further reduce friction.

Simplified listed company transfers

Another area for enhancement lies in the treatment of listed company transfers. Currently, migrating substantial stakes in listed equities into SFOVs can trigger general offer obligations under Malaysian takeover rules, creating cost and timing friction.

Introducing a streamlined and simplified exemption channel for intra-family transfers into the SC-certified SFOV structures supported by proportionate minority safeguards would reduce complexity and accelerate the onboarding process without compromising investor protection.

Talent development initiatives

Introduce incentives, such as a 1.5x multiplier or compliance waivers, for SFOs investing in local talent development, such as sponsoring professional certifications, internship programs or commercialization of research & development efforts. This would strengthen Malaysia's human capital base and reinforce the regime's nation-building narrative.

Closing



The Forest City SFO regime is more than a tax incentive — it is a strategic framework for wealth continuity and national progress.

For families, the opportunity lies in acting early to secure long-term certainty and to position themselves within a jurisdiction that values governance, substance, and impact. For Malaysia, the regime serves as a catalyst for capital formation, innovation, and deeper financial markets.

Success, however, depends on disciplined execution: early engagement with the SC and stakeholders, careful sequencing of asset transfers, and proactive investment planning

aligned with promoted sectors. Families that approach this with foresight will not only optimize the regime's benefits but also shape a legacy that extends beyond wealth preservation to nation-building. In Forest City, the promise is clear: a partnership for growth, resilience, and enduring relevance.

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