



Invest Malaysia Facilitation Centre

The Catalyst of Johor's Future Investments

—

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KPMG in Malaysia



Overview and commentary



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Key Message

“Johor has been a long-standing contributor to the Malaysian economy and the Malaysian Government recognizes the need to sustain its momentum to drive further investment growth through a broad range of initiatives.

However, great aspirations require a steady hand for guidance – and this is where the Invest Malaysia Facilitation Centre plays the pivotal role in realizing Johor's aspirations to be the premier investment destination.”

Johor as the preferred destination of the Malaysia investment landscape

With Johor's unique position of being centrally situated along an ever-growing trading route neighbouring Singapore as well as being supported by a robust ecosystem, the Malaysian Government has consistently earmarked the state of Johor as a key component in developing Malaysia's overall investment profile.

Johor has an easily accessible airport through the Senai International Airport as well as the 3 major international seaports (Port of Tanjung Pelepas, Johor Port and Tanjung Langsat Port). In addition, the cost of conducting business is 60% lower than in Singapore and 30% lower than in Kuala Lumpur.



Notwithstanding Johor's strategic positioning and competitive advantages from a costing perspective, there appears to be a need to further underpin Johor's attractiveness as the preferred investment destination in Malaysia.

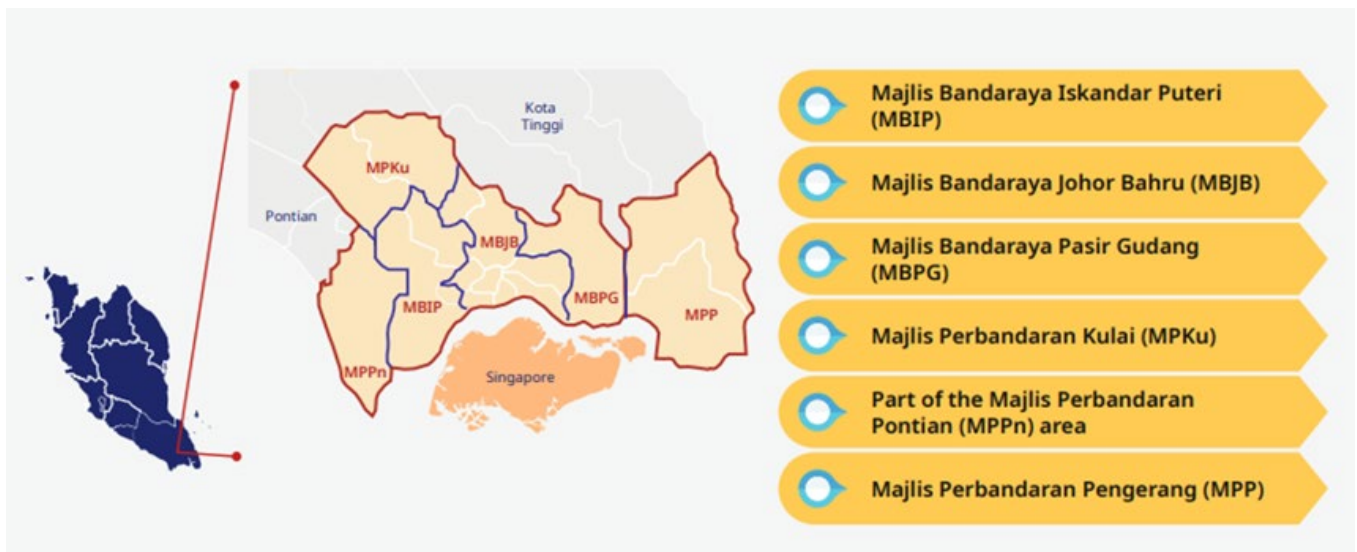
In the first half of 2024 (“H1 2024”), Johor recorded 396 committed investments totaling RM12.9 billion – comprising foreign direct investments (“FDI”) of RM7.9 billion and domestic direct investments (“DDI”) of RM4.9 billion. The total investments in Johor for H1 2024 forms 8.1% of the total committed investments in Malaysia. This is a marked difference from the first half of 2023 (“H1 2023”) whereby Johor recorded 422 committed investments totaling RM14.2 billion (i.e. 10.5% of the total committed investments in Malaysia) of which RM9.7 billion consisted of FDI and RM4.5 billion consisted of DDI.

In this respect, it is evident that the Malaysian Government would need to step up in sustaining investment interest in Johor and the Budget 2025 is key in paving the road towards achieving our enhanced investment aspirations.

Designated areas within Johor as the driving force for sustained investment growth

The Budget 2025 continues to emphasise Johor's importance in the Malaysian economy by spotlighting the Memorandum of Understanding which was signed in January 2024 to officiate the establishment of the Johor-Singapore Special Economic Zone ("JS-SEZ") as a key step in strengthening economic cooperation as well as facilitating a dynamic ecosystem between Malaysia and Singapore. It was also indicated that a special incentive package relating to the JS-SEZ will be announced towards the end of 2024.

The Johor State Government has finalised the locations of the JS-SEZ in Iskandar and Pengerang which involve 6 local authorities as shown in the diagram below:-



Source: Budget 2025, Economic Outlook, Chapter 2

It is anticipated that the JS-SEZ would bring mutual benefits by leveraging the existing strengths and similarities between Malaysia and Singapore:-

Cross-border business interaction	Flow of labour between countries	Business ecosystem and ease of doing business	Connectivity and trade	Economic development
Increased cross-border business interactions through improved mobility and integration	Increased mobility, talent exchange and collaboration driven by dynamic and integrated labour market	Enhanced ease of doing business supported by a seamless and conducive business environment	Leverage synergies to improve transportation infrastructure, streamline customs procedures and foster closer economic integration	Establishment of high-value added services and advanced manufacturing within Johor-Singapore Special Economic Zone to enhance economic complexity

Source: Budget 2025, Economic Outlook, Chapter 2

The announcement of the Special Financial Zone tax incentives in Forest City on 20 September 2024 further strengthen the initiative of the Malaysian Government to spotlight the state of Johor. The Budget 2025 follows with the announcement of Forest City as a duty-free island aimed at promoting tourism and stimulating the local economy.

Below are the salient points of the Forest City Special Financial Zone tax incentives:-

Forest City Special Financial Zone

Location: Forest City Pulau Satu

1 Key incentives: 5% tax rate up to 20 years (10 years + 10 years)

Promoted activities

- Fintech
- Insurtech
- Regulatory Fintech
- Islamic Fintech
- Foreign payment system operators
- Financial Global Business Services

2 Family Offices

- 0% tax rate up to 20 years
- Minimum asset under management ("AUM") of RM30 million
- Domestic investment of RM10 million or 10% AUM whichever lower
- Stamp duty exemption on transfer of properties at initial establishment

3 Other incentives

Qualifying institutions / activities

- Financial institutions
- Insurance / takaful companies
- Capital market institutions
- Family offices
- FinTech, Insurtech, Regulatory Fintech, Islamic fintech
- Foreign payment system operator
- Financial Global Business Services (GBS) for financial institutions, capital market and fintech companies
- ✓ Industrial building allowance of 10% per annum
- ✓ Special tax deduction of relocation expenses up to RM500,000
- ✓ 10 years' withholding tax ("WHT") exemption for services
- ✓ 50% stamp duty exemption on transfer of property and property loan
- ✓ Foreign exchange flexibilities
- ✓ Establishment of physical branches beyond existing quota for Locally Incorporated Foreign Banks (LIFBs)

4 Key incentives for individuals

- Returning expert
 - ✓ 15% tax rate for 5 years
- Knowledge workers
 - ✓ 15% flat tax rate
- 50% stamp duty exemption on applicable instruments of transfer relating to property and property loan
- RPGT rate for applicable disposals in the 5th year after the date of acquisition by a non-Malaysian citizen / non-permanent resident reduced to 0%

Location: Forest City Mainland

1 Smart logistics

- ITA of 100% for 5 years to set-off against 100% statutory income for qualifying logistics services / activities

2 Global Services Hub/ Relocation Incentives

- Tax rate of 5% up to 20 years (10 + 10 years)

It is clear through these initiatives that the Malaysian Government intends to leverage on targeted efforts on specific areas within Johor to further attract investments in Johor to drive the overall economic growth of Malaysia in 2025 and beyond.

The need for a singular regulatory authority to focus Johor's investment trajectory



Whilst the efforts by the Malaysian Government in driving the investment landscape of Johor is commendable, a practical concern for investors would be the complexity of navigating through the numerous bureaucratic requirements in the course of participating in these initiatives. A singular, one-stop regulatory authority would definitely ease the investors' concerns on these common roadblocks that hinder the ease of doing business in Johor.

The establishment of the Invest Malaysia Facilitation Centre in Johor ("IMFC-J") is a much-needed catalyst to ease the facilitation of investment-related matters. This one-stop regulatory authority is tasked to handle all

investment matters in Johor – which would include the new JS-SEZ, the Forest City Special Financial Zone as well as other initiatives in the future that centers on attracting further investments into Johor.

IMFC-J is tailor-made to be the investment focal point in Johor as its core objective is to expedite various approval processes and to offer a streamlined experience for investors who are interested in setting up their business in Johor. IMFC-J would serve to be the intermediary between the investors and the key Government bodies as well as the agencies – amongst others, the Malaysian Investment Development Authority ("MIDA"), the Iskandar Regional Development Authority ("IRDA"), Invest Johor, the Inland Revenue Board of Malaysia ("IRBM"), Royal Malaysian Customs Department ("RMCD"), Immigration Department of Malaysia, Department of Labour, Tenaga Nasional Berhad and Telekom Malaysia Berhad.

By adopting a holistic regulatory approach, IMFC-J sets the tone for Malaysia's whole-of-government concept which can effectively position Malaysia – through Johor – as the go-to investment destination.

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