

Forest City Special Financial Zone (FC-SFZ) Tax Incentive

Frequently Asked Questions

NO	QUESTION	ANSWER
1	What is FC-SFZ Tax Incentive?	<p>The FC-SFZ Tax Incentive is a tax incentive scheme designed to attract businesses in Fintech-related Activities, Financial Global Business Services (FGBS), and Foreign Payment System Operators (FPSO). This strategic initiative is part of a broader suite of incentives designed to position Forest City, Johor as a competitive international business hub by attracting businesses, financial institutions, high-net-worth individuals, and skilled talents.</p> <p>MDEC is the appointed government agency to process the application of this tax incentive.</p>
2	Who can apply for the FC-SFZ Tax Incentive?	<p>To be eligible, the applicant must be a company which:</p> <ul style="list-style-type: none"> (a) is incorporated under the Companies Act 2016 and resident in Malaysia; (b) has a minimum paid up capital of RM50,000.00; (c) is proposing to carry on the qualifying activity in Pulau 1, Forest City; (d) has not issued any sales invoice for the qualifying activity in Malaysia prior to the date of submission of the tax incentive application, or has sixty per cent direct or indirect Malaysian equity ownership and has not issued any sales invoice for the qualifying activity in Malaysia more than 12 months prior to the date of submission of the tax incentive application; and (e) is not granted any tax incentive for the same qualifying activity. <p>Please refer to the Guidelines on FC-SFZ Tax Incentive for the eligibility criteria that an applicant needs to fulfil in order to be eligible to apply for the tax incentive.</p>
3	What is the tax incentive offered under the scheme?	<p>The tax incentive offered is as follows:</p> <ul style="list-style-type: none"> • 5% special corporate tax rate for 10 consecutive years of assessment • Extendable for a second 10 consecutive years of assessment <p>subject to compliance of applicable conditions.</p>

NO	QUESTION	ANSWER
4	<p>What are the qualifying activity and promoted tech enablers that can qualify for this tax incentive?</p>	<p>Provision of services in any of the following areas:</p> <ul style="list-style-type: none"> • Fintech (including regulatory tech, insurtech, and Islamic fintech) • Financial Global Business Services (FGBS) • Foreign Payment System Operators (FPSO) <p>The activity must utilise any of the following promoted technology enablers:</p> <ol style="list-style-type: none"> (1) artificial intelligence (AI) or big data analytics (BDA); (2) internet of things (IoT); (3) cybersecurity; (4) cloud; (5) blockchain; (6) creative media technology including extended reality (XR) or mixed reality (MR); (7) robotics or automation; or (8) advanced network connectivity or telecommunication technology. <p>Royalty or other intellectual property income are excluded from this tax incentive. Please refer to the <i>Guidelines on FCSFZ Tax Incentive</i> for further description.</p>
5	<p>What are the activities that do not qualify for this tax incentive?</p>	<p>The following activities do not fall under the qualifying activity:</p> <ol style="list-style-type: none"> (a) trading; (b) manufacturing activities; (c) provision of telecommunication services; (d) global business services or knowledge process outsourcing which is: <ol style="list-style-type: none"> (i) non-technical; (ii) low value call centre; (iii) data entry; (iv) recruitment process outsourcing; or (e) provision of services in the supply chain such as buying and selling or provision of services directly or indirectly, to the industry of cigarettes, tobacco, alcohol and gambling.
6	<p>Does the company need to be an MD or MSC Malaysia Status company to be eligible for this tax incentive?</p>	<p>No.</p>

NO	QUESTION	ANSWER
7	Are there conditions that the company needs to comply in order to enjoy the tax incentive?	<p>Yes. The following are the key conditions for the incentive:</p> <ul style="list-style-type: none"> • Employ an adequate number of full-time employees (FTE) • Ensure the FTE comprises adequate number of knowledge workers with minimum monthly basic salary of RM10,000.00 • Incur an adequate amount of annual operating expenditure (OPEX) • Commence operation and carry on the qualifying activity in Pulau 1, Forest City • Meet conditions related to environmental, social and governance (ESG) • Obtain relevant approval / licence from the respective regulatory body for qualifying activity regulated under written law • Submit annual Self-Declaration Form (SDF) on compliance of conditions verified by an independent auditor <p>The company is only entitled to enjoy the tax incentive upon achievement of approved conditions as stated in the approval letter.</p>
8	How is the adequate number/amount of full-time employees, knowledge workers or annual operating expenditure referred to in the tax incentive conditions determined?	<p>The adequate number/amount will be based on the proposed commitments corresponding to the qualifying activity, stated by the company in its tax incentive application. Each application will be evaluated based on its value proposition and presented to the National Committee on Investment (NCI) for consideration and approval. The approved number/amount will be specified in the approval letter.</p>
9	Can a company add new qualifying activities during the incentive period?	<p>Yes. A company may apply to add qualifying activities within the approved incentive period. The new activity must not have generated any revenue in Malaysia before application.</p>
10	Can the incentive be extended beyond the first 10 years of assessment?	<p>Yes. Subject to compliance of all conditions in the first 10 years of assessment, the company may apply to extend the special tax rate for a second 10 years of assessment. The extension is subject to the approval of the approval committee. Among the conditions for extension include increasing the number of FTE, knowledge workers (min RM10,000/month), and OPEX by at least 30%.</p>
11	How does the company report on its compliance of the tax incentive conditions?	<p>The company is required to submit to MDEC annually a self-declaration form (SDF) on compliance of tax incentive conditions, within the timeline specified in the approval letter. The information submitted in the SDF must first be verified by an independent external auditor appointed by the</p>

NO	QUESTION	ANSWER
		company at its own costs. The compliance of tax incentive conditions is subject to audit by the Inland Revenue Board of Malaysia, if any.
12	What will happen if the company fails to comply with the tax incentive conditions?	The company must comply with all the conditions as specified in the approval letter in order to enjoy the special tax rate granted for the relevant year of assessment. Company which fails to comply with any of the conditions is subject to prevailing corporate tax rate for the relevant year of assessment.
13	How is the commencement date of the tax incentive period determined?	The company is required to submit a request for the determination of the commencement year of assessment to MDEC no later than 24 months from the date of approval in principle of the tax incentive.
14	Can the company surrender the tax incentive granted?	The company may, at any time, except where the company fails to comply with any of the conditions, apply to cease the tax incentive granted.
15	Is there additional requirement for companies with group annual consolidated revenue of EUR 750 million or more?	Yes. Such companies may be subject to a top-up tax if the effective tax rate of the company group in Malaysia is below 15% The top-up tax can be collected through the Domestic Top-up Tax mechanism under Part XI, Income Tax Act 1967.
16	Where and how can the company apply for FCSFZ Tax Incentive?	Applications must be submitted to MDEC and will be assessed by the National Committee on Investment (NCI). Submission is open from 1 September 2024 to 31 December 2034. For further inquiries or assistance on application, please contact our dedicated team at cllic@mdec.com.my .

Disclaimer:

The information contained in this FAQ is to provide details, explanations and/or clarifications on the subject matter specified in this FAQ. You are advised to refer to the specific legislations, where applicable. MDEC does not accept responsibility for any action or decision made in reliance of this FAQ or any liability incurred, or loss suffered as a consequence of relying on this FAQ. This FAQ is not intended to address all possible matters, including investment or tax, nor does it address all issues that may arise, and you are advised to conduct your own due diligence and/or seek professional advice in respect of these issues. MDEC reserves its right to amend or update this FAQ from time to time.