



BoardRoom

Smart Business Solutions

Asia Tax Insights

Game-Changer: Stronger Economic Ties for Malaysia & Singapore with Special Economic Zone

January 2025

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Malaysia and Singapore Strengthen Economic Connectivity with Johor-Singapore Special Economic Zone

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In a landmark move, Malaysia and Singapore have taken significant steps towards enhancing economic connectivity with the establishment of the Johor-Singapore Special Economic Zone (JS-SEZ). This initiative aims to leverage the strengths of both nations to foster cross-border trade, investment and the movement of people. In addition to strengthening bilateral ties, the JS-SEZ is set to become a key hub for data centres, supported by strong backing from the Malaysian government.

On 6 and 7 January 2025, the official signing of the JS-SEZ agreement took place, nearly a year after the initial memorandum of understanding (MoU) was signed, following a series of delays. This agreement marks the formal launch of what is expected to be a transformative economic zone.

Background: Paving the Way for the JS-SEZ

The journey towards the JS-SEZ began on 11 January 2024, when Malaysia's Economy Minister, Rafizi Ramli, and Singapore's Trade and Industry Minister, signed a Memorandum of Understanding (MoU) to outline key initiatives for establishing the first special economic zone spanning Southeast Asia's borders. The signing ceremony was witnessed by the leaders of both countries, Prime Ministers Anwar Ibrahim and Lee Hsien Loong, solidifying the political commitment to this ambitious project.

A notable development occurred on 24 October 2024, when Malaysia was officially recognised as a partner country of the BRICS, along with 12 other countries. This recognition positions Malaysia as a key player in the global economic scene, enhancing market access and trade opportunities for businesses in the Johor region. The new partnership is further expected to benefit from a proposed high-speed rail line linking Singapore and Kuala Lumpur, along with planned expansions to the North-South Highway in Johor, boosting connectivity even further.

Tax Incentives Package: Key Benefits for Businesses

The JS-SEZ's potential has been further amplified with the introduction of an attractive tax incentive package. On 8 January 2025, the Ministry of Finance and the Johor State Government jointly announced the following tax incentives to stimulate investment and growth within the SEZ:

JS-SEZ Tax Incentives	
Special tax rate of 5% up to 15 years	<p>Companies that undertake new investments in specific manufacturing and services sectors such as artificial intelligence (AI), quantum computing supply chains, medical devices, aerospace manufacturing, and global services hubs will benefit from a special tax rate of just 5% for up to 15 years.</p> <p>This competitive tax rate provides significant financial relief for companies investing in cutting-edge industries that are expected to drive the future economy.</p>
Customised incentive for flagship development	<p>Additional incentives are available for businesses that operate in certain designated flagship areas within the JS-SEZ. These areas are specifically chosen to encourage growth in industries that will significantly contribute to the success of the economic zone.</p>
Special tax rate for knowledge workers	<p>A special tax rate of 15% for up to 10 years will be applied to eligible knowledge workers employed within the JS-SEZ. This will help attract top-tier talent from around the world to work in the zone, particularly in high-skill sectors such as technology, engineering and finance.</p>
Lower entertainment duties	<p>As of 1 January 2025, lower entertainment duties are introduced, further enhancing the region's attractiveness for both businesses and residents.</p>

The Malaysian government has also set up the **Invest Malaysia Facilitation Centre Johor**, a dedicated body to assist in the facilitation of investment applications and the approval process for incentives.

These tax incentives present a unique opportunity for businesses to expand or establish operations in the JS-SEZ, benefiting from both Malaysia's and Singapore's supportive measures. The JS-SEZ is poised to become a game-changer, enhancing the region's competitiveness vis-à-vis other ASEAN nations such as Thailand, India and Indonesia.

The Next Steps for Businesses

For companies exploring opportunities in the JS-SEZ, strategic planning and timely action will be crucial. Businesses should assess their readiness to take advantage of the special tax arrangements, infrastructure developments, and connectivity improvements offered by the SEZ.

With its proximity to Singapore and a suite of incentives, the JS-SEZ has already captured the attention of Chinese investors and other multinational corporations. The favourable policies and business-friendly environment will likely attract companies seeking to establish or expand their regional presence.

This initiative is set to accelerate economic growth for both Malaysia and Singapore, create high-value employment opportunities, and foster innovation across multiple sectors. Businesses are encouraged to stay updated on further announcements from both governments and consider early engagement with the Invest Malaysia Facilitation Centre Johor to maximise their participation in this game-changing economic zone.

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