



Tax Alert
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Johor-Singapore Special Economic Zone

Foreword

Malaysia and Singapore are collaborating to establish a special economic zone in the southern Malaysian state of Johor - the Johor-Singapore Special Economic Zone ("JS-SEZ"). The JS-SEZ Agreement has been signed on 7 January 2025. The JS-SEZ Agreement targets to strengthen economic ties between two nations to compete for global investment together by: -

- improving cross-border goods connectivity between Singapore and Johor
- enabling freer movement of people; and
- strengthening the business ecosystem within the region.

The area spans about 3,588sq km, roughly four times the size of Singapore. The JS-SEZ area is defined precisely to include nine designated flagship areas: -

- Johor Bahru city centre
- Iskandar Puteri
- Tanjung Pelepas
- Pasir Gudang
- Senai
- Sedenak
- Forest City
- Pengerang Integrated Petroleum Complex
- Desaru

As part of the JS-SEZ, Malaysia and Singapore agree to leverage complementary value propositions of both sides and cooperate in the following areas and initiatives:

1. Economic cooperation

- i. Promote and facilitate investments from third countries and Singapore companies expanding into the JS-SEZ, which enhance economic complexity, promote and advance digital vibrancy and technology adoption, and achieve net-zero aspirations in the JS-SEZ. The investments are targeted at 11 economic sectors, i.e. manufacturing, logistics, food security, tourism, energy, the digital economy, the green economy, financial services, business services, education, and health;
- ii. The zone aims to attract 50 to 100 major projects in the first five to 10 years, creating 20,000 skilled jobs, with each investment ideally exceeding RM200mil.

2. Movement of people and goods

- i. Malaysia has required all foreign-registered vehicles entering the country by land from Singapore to use vehicle entry permits (“VEPs”) starting from 1 October 2024. VEPs can be obtained by installing a radio frequency identification tag or present the confirmation slip.
- ii. Malaysian authorities plan to implement QR code immigration clearance for all passport holders entering Johor by mid-2025. This development is anticipated to attract more businesses due to the increased ease of entry into Johor.
- iii. The Malaysia government has outlined the following long-term plans to mitigate potential traffic congestion:
 - Increase clearance capacity and implement automated lanes in phases;
 - Explore commercially viable alternative transportation modes; and
 - Strengthen the local transportation network in Malaysia.

3. Development of talent pool

The Johor government aims to attract skilled workers by offering salaries between RM4,000 and RM5,000 for those with a Malaysian Skills Certificate equivalent to a degree. This nearly doubles Malaysia's average starting salary, prompting companies to consider increasing their compensation budgets to attract and retain talent.

4. Ease of doing business:

- i. The Johor Budget has introduced 244 initiatives to boost businesses by enhancing public services and facilitating the transition from a Friday-Saturday weekend to a Saturday-Sunday weekend.

- ii. Malaysia will establish the Invest Malaysia Facilitation Centre - Johor to act as a one-stop centre in facilitating investments and businesses in the JS-SEZ.

5. Tax incentives

To entice multinational companies to set up offices here, several incentives are being offered as part of the JS-SEZ including the following: -

- i. Corporate tax rate: Companies in advanced industries like AI and aerospace can access a 5% corporate tax rate for up to 15 years.
- ii. Knowledge worker rate: Skilled professionals in the JS-SEZ will benefit from a 15% personal income tax rate for 10 years, making Johor an attractive destination.
- iii. Entertainment duty reductions: Reduced entertainment duties will promote investments in tourism and leisure.

For Singapore business looking at expanding into JS-SEZ, they can tap onto the Market Readiness Assistance (“MRA”) grant which aids companies in expanding into new international markets by offsetting expenses related to overseas market promotion, business development, and market establishment. The MRA has a limit of S\$100,000 per company per new market and has been extended until 31 March 2026.

If you would like to discuss any aspect of the proposed special economic zone, please get in touch with our key contact.

Dhruva Comments

The establishment of the Johor-Singapore Special Economic Zone (JS SEZ) marks a pivotal advancement in regional economic collaboration.

There would be a plethora of tax opportunities while at the same time tax risks and compliances that would come alongwith any proposed investments. At Dhruva, we remain committed to supporting our clients for any investment opportunities to structure the investments, mitigate any tax risks and support with the necessary tax compliances.



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