

## Prospects for Johor-Singapore Special Economic Zone (JS-SEZ)

Asia Newsletter

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### 1. Introduction

On 7 January 2025, Singapore and Malaysia exchanged the Agreement on the Johor-Singapore Special Economic Zone (JS-SEZ) (“JS-SEZ Agreement”) at the 11th Malaysia-Singapore Leaders’ Retreat. According to the factsheet<sup>1</sup> about the JS-SEZ Agreement published by the Ministry of Trade and Industry Singapore (“Factsheet”), the JS-SEZ Agreement aims to strengthen the ability of Johor and Singapore to compete jointly for global investments by (a) improving cross-border goods connectivity between Singapore and Johor, (b) enabling freer movement of people, and (c) strengthening the business ecosystem within the region.

This is an historic milestone, which will open an economic zone that spans 2 countries and has the potential to attract greater investments from overseas companies, including those in Japan. This article examines some key elements of the JS-SEZ.

### 2. Key Elements of the JS-SEZ Agreement

The Factsheet indicates that Malaysia and Singapore will cooperate in the following areas and initiatives to achieve the goals of the JS-SEZ:

#### (1) Economic Cooperation

- To promote investments in the JS-SEZ in 11 economic sectors: manufacturing, logistics, food security, tourism, energy, digital economy, green economy, financial services, business services, education, and health.
- To promote expansion of 50 projects within the first 5 years and a total of 100 projects within the first 10 years, with the intent of creating 20,000 skilled job opportunities in the JS-SEZ.
- To facilitate development of renewable energy projects to accelerate renewable energy trading between Malaysia and Singapore.
- To consider development of new areas for free zones and facilitate applications for licensed manufacturing warehouses in the JS-SEZ.

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<sup>1</sup> <https://www.mti.gov.sg/Newsroom/Press-Releases/2025/01/Agreements-and-MOUs-exchanged-between-Singapore-and-Malaysia-at-the-11th-Malaysia-Singapore>

## (2) Movement of People and Goods

- To encourage more vibrant movement of people and goods between Singapore and Malaysia by enhancing Malaysia's existing passes and by streamlining and improving the clearance capacity for human mobility and logistics.

## (3) Talent Development

- To attract talent aligned with industry needs to work in the JS-SEZ, including through the enhancement of industry-ready skills training and education programmes, and to pursue these initiatives in collaboration with the Johor Talent Development Council (JTDC) and other relevant institutions.

## (4) Ease of Doing Business

- Malaysia will establish the Invest Malaysia Facilitation Centre - Johor (IMFC-J) to act as a one-stop centre for facilitation of investments and businesses in the JS-SEZ.

## 3. Tax Incentive

Following the exchange of the JS-SEZ Agreement, the Malaysian Investment Development Authority (MIDA) unveiled a tax incentive package for qualifying projects/activities within the flagship areas of the JS-SEZ. An outline of these incentives, which are subject to various eligibility criteria, is below.<sup>2</sup>

	Qualifying Project/Activity	Tax Incentive
A.	Manufacturing businesses related to (i) AI and quantum computing supply chains, (ii) medical devices, (iii) pharmaceuticals, (iv) aerospace manufacturing and MRO services	<ul style="list-style-type: none"><li>➤ For new companies: Special corporate income tax rate of 5% for a period up to 10 years or 15 years</li><li>➤ For existing companies: Investment tax allowance ("ITA") of 100% on the qualifying capital investment (excluding land) incurred within 5 years, against 100% statutory income</li></ul>
B.	Global service hubs carrying out (i) regional profit & loss management, (ii) strategic business planning, (iii) corporate development, and (iv) regional or global treasury and fund management conducting cash pooling activities via onshore intermediaries	<ul style="list-style-type: none"><li>➤ Special corporate income tax rate of 5% for a period up to 15 years</li></ul>
C.	Integrated tourism projects	<ul style="list-style-type: none"><li>➤ ITA of 100% qualifying capital expenditure incurred within 5 years, which can be offset against 70% of the statutory income for each year of assessment</li></ul>
D.	Smart logistics operators that invest in the development of smart logistics and carry out	<ul style="list-style-type: none"><li>➤ ITA of 100% qualifying capital expenditure incurred within 5 years, which can be offset against 100% of</li></ul>

<sup>2</sup> For more details, please refer to the snapshot of the tax incentive package available for the JS-SEZ published on the MIDA website ([https://www.mida.gov.my/wp-content/uploads/2025/02/03.02.25\\_Snapshot-JSSEZ-for-Publication\\_MIDA\\_IRDA\\_.pdf](https://www.mida.gov.my/wp-content/uploads/2025/02/03.02.25_Snapshot-JSSEZ-for-Publication_MIDA_IRDA_.pdf)).

	any of the eligible logistics activities, namely (i) regional distribution hubs, (ii) integrated logistics services, (iii) dangerous goods storage, and (iv) cold chain facilities	the statutory income for each year of assessment
<b>E.</b>	Manufacturing businesses related to downstream specialty chemicals, namely (i) base chemicals – methanol, ethylene, propylene, benzene, aromatics, (ii) organics intermediates – C1 to C6, (iii) specialty chemicals, (iv) fertilisers, (v) polymers/plastics, or (vi) oleochemical/biochemical	<ul style="list-style-type: none"> <li>➤ Special corporate income tax rate: <ul style="list-style-type: none"> <li>(i) Tier 1: 5% for up to 10 years (5 years + 5 years)</li> <li>(ii) Tier 2: 10% for up to 10 years (5 years + 5 years)</li> </ul> </li> <li>OR</li> <li>➤ Income tax exemption equivalent to ITA: <ul style="list-style-type: none"> <li>(i) Tier 1: 100% on the qualifying capital investment (excluding land) for up to 10 years (5 years + 5 years), which can be offset against up to 100% of statutory income for each assessment year</li> <li>(ii) Tier 2: 60% on the qualifying capital investment (excluding land) for up to 10 years (5 years + 5 years), which can be offset against up to 100% of statutory income for each assessment year</li> </ul> </li> </ul>
<b>F.</b>	Purchase of a commercial property in the designated flagship areas that remained unsold as of 31 December 2024	➤ 40% stamp duty exemption on the transfer instrument/financing agreement
<b>G.</b>	Sponsorship of hallmark event	➤ Tax deduction not exceeding RM 1 million for each year of assessment in respect of cash contribution or contribution-in-kind made between 1 January 2025 and 31 December 2034 by a qualifying person who sponsors a hallmark event in the designated flagship area and is supported by the Ministry of Tourism, Arts and Culture
<b>H.</b>	Renovation	<ul style="list-style-type: none"> <li>➤ Accelerated capital allowance on renovation costs incurred on a building or part of a commercial building located in the designated flagship areas for the purpose of the qualifying company's business: <ul style="list-style-type: none"> <li>(i) Initial allowance of 20%</li> <li>(ii) Annual allowance of 40%</li> </ul> </li> </ul>
<b>I.</b>	Knowledge worker	➤ 15% flat tax rate on chargeable employment income for a period of 10 years

Applications for the incentives above are to be submitted to MIDA between 1 January 2025 and 31 December 2034.

#### 4. Recent Actions

The following actions have been reported since the joint announcement on JS-SEZ in January 2025.

- On 18 February 2025, the Invest Malaysia Facilitation Centre Johor (IMFC-J) officially opened in Forest City, Johor, offering investors a comprehensive suite of end-to-end facilitation services designed to

simplify and accelerate investment procedures in the JS-SEZ. As of 12 March 2025, it was reported that the centre has received at least 142 queries , and at least 24 investors have the potential to invest a total of 11 billion ringgits (approximately 2.48 billion U.S. dollars).

- Starting on 19 February 2025 United Overseas Bank launched a “green lane” initiative with Invest Johor, the Malaysian state’s investment agency, to fast-track investments in the JS-SEZ. Under this arrangement, UOB will conduct the pre-qualification assessment for its customers’ applications for Johor’s “super lane” approval, which was announced as part of the Johor Budget 2025 and is meant to streamline processes and enhance the ease of doing business in Johor.
- Gold Peak Technology, a battery manufacturer listed on the Hong Kong Exchanges and Clearing, will most probably be the first company to carry out investments through the JS-SEZ framework. It reportedly has decided to invest about 670 million ringgits (approximately 150 million U.S. dollars) to establish a manufacturing and R&D hub.
- The government of Malaysia is preparing the JS-SEZ Action Plan, which is expected to be completed in the third quarter of 2025.
- Forest City is enhancing the infrastructure in southern Johor to support the development of the Special Financial Zone (SFZ) and the Johor-Singapore Special Economic Zone (JS-SEZ), to create a key transportation hub in the region.

## 5. Comments

Based on the following observations, as residents of Singapore and Malaysia, we believe the JS-SEZ soon could become an attractive option for global companies that are considering investments in Southeast Asia. We hope Japanese companies will give serious attention and consideration to this opportunity in Singapore and Malaysia in the coming years:

- While Singapore appears to have established a reputation as a regional hub for global businesses, recent challenges are increasing due to soaring labour costs, stricter visa requirements for foreigners, and skyrocketing living costs. The JS-SEZ, located adjacent to Singapore, could offer a great new alternative for those who consider making investment into Singapore.
- Johor Bahru is located just about a 30-minute car ride from Singapore and more than 300,000 people reportedly cross the Johor-Singapore land border every day. The difficulties have always been traffic jams and immigration procedures in and out of the two countries due to limited cross-border points and lengthy administrative tasks, which typically take at least a few hours. Nonetheless, with anticipated improvements to enhance physical infrastructure and travel efficiency – such as the Johor-Singapore Rapid Transit System (RTS) Link, along with expected increases in border crossings and clearance capacity, and the implementation of automated immigration procedures – traveling between Singapore and Johor Bahru will become convenient, both physically and in terms of the time required. This will enable both sides to build a more connected and united economic zone.
- Malaysia has been offering a top-level, optimal business environment among ASEAN countries, just behind that of Singapore, due to its strategic location, stable legal system, strong business infrastructure, competitive talent pool, multilingual capabilities, cost-effective operations, favourable tax incentives, and other attractive traits.

- Malaysia has abundant natural resources, available land, and a stable energy supply to support this special economic zone with Singapore.

The JS-SEZ will allow the investors to leverage Singapore's global expertise in finance and logistics, as well as Johor's competitive advantages in land, labour, and energy. This unique synergy could offer a differentiated proposition, particularly for supply chains seeking alternatives in light of ongoing U.S.-China trade tensions. We anticipate the JS-SEZ will establish a larger integrated market, foster collaboration, and unlock new avenues for trade and investment.

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