



ESTABLISHMENT OF THE SINGLE FAMILY OFFICE ORDER AND RULES (PART 2)

December 2025

This article forms Part 2 of our article on the establishment of Malaysia's Single Family Office framework and should be read together with Part 1 [here](#), which examined the legislative backdrop, policy objectives and qualifying criteria under the Single Family Office Order and Rules. Building on that foundation, this follow-up article explores the practical operation of the regime, key compliance considerations and issues families and advisers should be mindful of when structuring and managing a Single Family Office within the Forest City Special Financial Zone.

Part II - Tax Incentives under the Forest City Special Financial Zone

Pulau 1 has been designated a **duty-free island** and recognised as a “**Designated Area**” under Malaysia’s **Sales and Services Tax (SST)** regime, similar to **Langkawi, Labuan, and Pangkor**.

A. Tax incentives for an approved company under P.U.(A) 350/2025

Effective **1 September 2024**¹, tax incentives for an approved company which carries on a qualifying activity under P.U.(A) 350/2025 shall be²:

1. for the first period of ten years of assessment, zero per cent; and
2. for the following period of ten years of assessment, zero per cent.

B. Tax exemption for gains and profits for transfer of shares by an eligible transferor to a single family fund company which is not listed on the stock exchange under P.U.(A) 350/2025 - (1 September 2024 – 31 December 2034)

1. **Exemption:** Paragraph 3 of P.U.(A) 351/2025 exempts a company, limited liability partnership, trust body or co-operative society which is wholly owned, directly or indirectly, by a member of a single family from the payment of income tax in respect of chargeable income from gains or profits

¹ Rule 5 of P.U.(A) 350/2025

² Rule 8 of P.U.(A) 350/2025

received from the disposal of shares of a company incorporated in Malaysia which is not listed on the stock exchange to a single family fund company³.

2. **Definition:** A "single family fund company" under **P.U.(A) 351/2025** means a company incorporated under the Companies Act 2016 and resident in Malaysia which⁴ -

- (a) is wholly owned, directly or indirectly, by a member of a single family;
- (b) operates in Pulau 1 of Forest City Special Financial Zone; and
- (c) is established solely for the purpose of holding the asset and investment activity for the interest of members of a single family.

3. **Conditions:** The exemption granted under **P.U.(A) 351/2025** is subject to the following conditions⁵:

- (a) the single family fund company shall obtain a certification letter from the SC;
- (b) the disposal of shares:
 - (i) shall be made to a single family fund company within the period of twelve months from the date the certification letter is issued by the SC; and
 - (ii) shall be made within the period from 1 September 2024 to 31 December 2034;
- (c) the ultimate beneficial owner of the company, limited liability partnership, trust body or co-operative society and the ultimate beneficial owner of the single family fund company shall consist of members of the same single family.

4. **Loss of Disposal of Shares:** Any loss from the disposal of shares referred to in paragraph 3 of **P.U.(A) 351/2025** by a company, limited liability partnership, trust body or co-operative society within the period from 1 September 2024 to 31 December 2034 shall be disregarded for the purposes of sections 65E(5) and 65E(6) of the Income Tax Act 1967

5. **Non-Application:** The P.U.(A) 351/2025 shall not apply to:

- (a) a disposal of shares of a company incorporated in Malaysia which is not listed on the stock exchange where gains or profits from the disposal of shares is chargeable to tax as a business income under paragraph 4(a) of the Income Tax Act 1967; or
- (b) a company, limited liability partnership, trust body or co-operative society which a tax exemption has been granted under paragraph 127(3)(b) or subsection 127(3A) of the Income Tax Act 1967 in respect of the same disposal of shares.

C. Tax exemption on income for non-resident under P.U.(A) 357/2025 (before 31 August 2034)

³ Rule 3 of P.U.(A) 351/2025

⁴ Rule 2 of P.U.(A) 351/2025

⁵ Rule 4 of P.U.(A) 351/2025

1. **Exemption:** Paragraph 2 of the **P.U.(A) 357/2025** exempts any non-resident person from the payment of income tax in respect of income derived from Malaysia in relation to⁶:
 - (a) any services referred to in subparagraph 4A(i) of the Income Tax Act 1967;
 - (b) any advice, assistance or services referred to in subparagraph 4A(ii) of the Income Tax Act 1967;
 - (c) any rental or other payments referred to in subparagraph 4A(iii) of the Income Tax Act 1967;
or
 - (d) any gains or profits under paragraph 4(f) of the Income Tax Act 1967.

2. **Definition:** The term income shall be received on or before 31 August 2034 from any of the following persons who operates in Pulau 1 of Forest City Special Financial Zone⁷:
 - (a) a person who is licensed under section 10 of the Financial Services Act 2013 or section 10 of the Islamic Financial Services Act 2013;
 - (b) a company which is a holder of a Capital Market Services Licence under the Capital Markets and Services Act 2007;
 - (c) a recognized market operator who is registered under section 34 of the Capital Markets and Services Act 2007 other than an individual;
 - (d) a registered person registered under section 76 of the Capital Markets and Services Act 2007 other than an individual;
 - (e) a person providing capital market services registered under section 76A of the Capital Markets and Services Act 2007 other than an individual;
 - (f) a single family fund company⁸ which is verified by the SC;
 - (g) a financial technology company, insurance technology company, regulatory financial technology company or Islamic financial technology company which has been awarded MSC Malaysia Status or Malaysia Digital Status and is verified by Malaysia Digital Economy Corporation Sdn. Bhd.;
 - (h) a payment system operator established or incorporated in foreign jurisdiction approved under section 11 of the Financial Services Act 2013 or section 11 of the Islamic Financial Services Act 2013 to operate a payment system in Pulau 1 of Forest City Special Financial Zone; or
 - (i) a centralized services entity providing financial global business services which has been awarded MSC Malaysia Status or Malaysia Digital Status and is verified by Malaysia Digital Economy Corporation Sdn. Bhd.

3. **Non-application:** The P.U.(A) 357/2025 shall not apply to sections 109B and 109F of the Income Tax Act 1967⁹.

⁶ Rule 2 of P.U.(A) 357/2025

⁷ Rule 2(2) of P.U.(A) 357/2025

⁸ Rule 2(3) of P.U.(A) 357/2025

⁹ Rule 3 of P.U.(A) 357/2025

D. 10% industrial building allowance on eligible capital expenditure incurred from the Year of Assessment 2024 to 31 December 2034 under P.U.(A) 359/2025

1. **Allowance:** Paragraph 4 of the P.U.(A) 359/2025 provides that¹⁰:

- (a) a qualifying person is qualified to claim for an industrial building allowance as provided for in paragraph 80 of Schedule 3 to the Income Tax Act 1967 if the qualified person incurs a capital expenditure on construction or purchase of an industrial building for the purposes of business activity as specified in the Schedule.
- (b) The amount for industrial building allowance referred is equivalent to one-tenth of the capital expenditure on the construction or purchase of an industrial building incurred for that year of assessment and for each of the nine following years of assessment.

2. **Definition:**

The definition of business activity is provided in the Schedule of the P.U.(A) 359/2025 as follows¹¹:

- (a) Banking business, insurance business or investment banking business;
- (b) Islamic banking business, takaful business, international Islamic banking business or international takaful business
- (c) Regulated activity as specified in Part 1 Schedule 2 to the Capital Markets and Services Act 2007 Activity of operating or maintaining a stock market or derivatives market by a recognized market operator who is registered under section 34 of the Capital Markets and Services Act 2007
- (d) Regulated activity as specified in the second column of Schedule 4 to the Capital Markets and Services Act 2007
- (e) Capital market services as may be specified under section 76A of the Capital Markets and Services Act 2007
- (f) Activity of holding of assets and investment activity undertaken by a single family fund company under the Income Tax (Single Family Office Incentive Scheme) (Pulau 1 of Forest City Special Financial Zone) Rules 2025 [P.U. (A) 350/2025]
- (g) Services in relation to financial technology company, insurance technology company, regulatory financial technology company or Islamic financial technology company
- (h) Operation of a payment system
- (i) Financial global business services

The definition of a qualifying person is as follows¹²:

- (a) a person who is licensed under section 10 of the Financial Services Act 2013 or section 10 of the Islamic Financial Services Act 2013;

¹⁰ Rule 4 of P.U.(A) 359/2025

¹¹ Schedule of P.U.(A) 359/2025

¹² Rule 3(1) of P.U.(A) 359/2025

- (b) a company which is a holder of a Capital Market Services Licence under the Capital Markets and Services Act 2007 ;
- (c) a recognized market operator who is registered under section 34 of the Capital Markets and Services Act 2007 other than an individual;
- (d) a registered person registered under section 76 of the Capital Markets and Services Act 2007 other than an individual;
- (e) a person providing capital market services registered under section 76A of the Capital Markets and Services Act 2007 other than an individual;
- (f) a single family fund company which is verified by the Securities Commission;
- (g) a financial technology company, insurance technology company, regulatory financial technology company or Islamic financial technology company which has been awarded MSC Malaysia Status or Malaysia Digital Status and is verified by Malaysia Digital Economy Corporation Sdn. Bhd.;
- (h) a payment system operator established or incorporated in foreign jurisdiction approved under section 11 of the Financial Services Act 2013 or section 11 of the Islamic Financial Services Act 2013 to operate a payment system in Pulau 1 of Forest City Special Financial Zone; or
- (i) a centralized services entity providing financial global business services which has been awarded MSC Malaysia Status or Malaysia Digital Status and is verified by Malaysia Digital Economy Corporation Sdn. Bhd.

The definition of an Industrial Building is as follows¹³:

A commercial building which is constructed or purchased by a qualifying person in Pulau 1 of Forest City Special Financial Zone shall be deemed as an industrial building for the purposes of Schedule 3 to the Income Tax Act 1967 if:

- (a) the qualifying person is the owner of the commercial building; and
- (b) the commercial building is used by that qualifying person for the purposes of a business activity as specified in the Schedule.

3. Conditions: The conditions of capital expenditure are subject to the following conditions¹⁴:

- (a) where only a part of the building is used as an industrial building, the capital expenditure incurred on the construction or purchase of the part which is not so used as the industrial building shall be determined in accordance with paragraph 66 of Schedule 3 to the Income Tax Act 1967;
- (b) the industrial building shall be used for the purposes of business activity specified in the Schedule¹⁵;

¹³ Rule 5 of P.U.(A) 359/2025

¹⁴ Rule 6 of P.U.(A) 359/2025

¹⁵ Schedule of the P.U.(A) 359/2025

- (c) where the industrial building is used for the purposes of business activity specified in the Schedule together with other activity, the industrial building allowance which may be allowed under these Rules shall be to the extent to which the industrial building is used for the purposes of the business activity specified in the Schedule¹⁶; and
- (d) the industrial building shall not be disposed of within the period of two years from the date the capital expenditure on construction or purchase of an industrial building was incurred in any of the following circumstances:
 - (i) the sale, transfer or assignment of the industrial building;
 - (ii) the demolition or destruction of the industrial building; or
 - (iii) the industrial building ceases to be used for the purposes of these Rules.

4. **Disposal of industrial building:** where the industrial building allowance under P.U.(A) 359/2025 has been granted to the qualifying person and the industrial building has been disposed of¹⁷:

- (e) within the period of two years from the date the capital expenditure on construction or purchase of an industrial building was incurred, a balancing charge equal to such industrial building allowance shall be charged to the qualifying person for the year of assessment in the basis period for which the building was disposed of; or
- (f) after the period of two years from the date the capital expenditure on construction or purchase of an industrial building was incurred and the disposal is made in accordance with paragraph 38 of Schedule 3 to the Income Tax Act 1967, paragraphs 39 and 40 of Schedule 3 to the Income Tax Act 1967 shall apply.

E. Deduction of up to RM500,000 for certified relocation expenses, subject to specified conditions under P.U.(A) 360/2025 (1 September 2024 to 31 December 2034)

1. **Deduction:** Paragraph 4 of the **P.U.(A) 360/2025** provides that a deduction shall be allowed for the cost for relocation of business as specified in the Schedule incurred by the qualifying person to relocate its business in Pulau 1 of Forest City Special Financial Zone¹⁸. The deduction shall not exceed RM500,000.00¹⁹
2. **Conditions:** The costs for relocation of business is subject to the following conditions²⁰:
 - (a) The relocation of business takes place within the period from 1 September 2024 to 31 December 2034;
 - (b) The cost for relocation of business shall be deemed to be incurred in the year of assessment in which the qualifying person commences to undertake the whole or part of its business in Pulau 1 Forest City Special Financial Zone; and

¹⁶ Schedule of the P.U.(A) 359/2025

¹⁷ Rule 7 of P.U.(A) 359/2025

¹⁸ Rule 4(1) of P.U.(A) 360/2025

¹⁹ Rule 4(3) of P.U.(A) 360/2025

²⁰ Rule 4(2) of P.U.(A) 360/2025

- (c) The cost for relocation of business is certified by an external auditor.

3. **Definition:** The costs for relocation of business are²¹:

- (a) Any cost incurred for planning, execution or supervision of the relocation of business
- (b) Packing or unpacking (materials or labour charges)
- (c) Transportation
- (d) Insurance premium for the purposes of relocation of business
- (e) Warehousing

Further information

Should you have any questions on the implications of this Act or how this development may affect you or your business, please get in touch with:

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²¹ Schedule of P.U.(A) 360/2025