

Keynote Address at Forest City Special Financial Zone Tax Incentive Announcement Ceremony

Bismillahirrahmanirrahim

Assalamualaiikum warrahmatullahi wabarakatuh dan salam sejahtera

Mengadap **Duli Yang Amat Mulia Tunku Mahkota Ismail, Pemangku Sultan Johor.**

Ampun Tunku,

Patik bagi pihak Kementerian Kewangan, dengan penuh hormat takzimnya merafak sembah, menjunjung setinggi-tinggi kasih atas perkenan **Duli Yang Amat Mulia Tunku**, bercemar duli berangkat ke **Majlis Pengumuman Insentif Forest City Special Financial Zone** pada pagi yang berbahagia ini.

Sesungguhnya keberangkatan **Duli Yang Amat Mulia Tunku** telah menambahkan serinya majlis ini. Ia sekaligus mencerminkan keprihatinan **Duli Yang Amat Mulia Tunku** terhadap perkembangan ekonomi khususnya di negeri Johor.

Ampun Tunku,

Seterusnya patik dengan segala hormat takzimnya memohon perkenan **Duli Yang Amat Mulia Tunku** untuk patik menyampaikan ucapan dan mengumumkan insentif ini kepada hadirin sekalian dalam Bahasa Inggeris.

- Yang Amat Berhormat Dato' Onn Hafiz bin Ghazi, Menteri Besar Johor

Ladies and gentlemen,

1. It is my privilege to be in the Jewel of the South today to participate in this milestone of Malaysia's economic narrative. The establishment of the Forest City Special Financial Zone, or FCSFZ, is not merely a new chapter in our financial development; it is a bold vision that positions Malaysia as a dynamic player on the global financial stage.
2. For over 60 years, Malaysia has continuously evolved, embracing global trends and maintaining a robust growth trajectory. The economy, marked by a long-term real GDP growth average of 4.3% from 2011 to 2023, has proven resilient even with external headwinds. This year, we are witnessing impressive growth, with GDP expanding by 5.9% in the second quarter of 2024.
3. The ringgit has outperformed regional currencies, recovering by 12.5% since February this year. The domestic equity market rallied strongly, hitting an all-time high in market capitalisation of over 2 trillion ringgit in June. Trade value expanded by 10.9% during the first eight months of this year. All these indicate that Malaysia is clearly on a strong upward trajectory. This growth is further underpinned by the services sector, which now contributes almost 60% to the GDP.

Ladies and Gentlemen,

4. As we launch the Forest City Special Financial Zone, we are taking a major step in realising the aspirations of the MADANI Economic Framework. This framework is designed to ensure Malaysia's continued progress to be a leading Asian economy.
5. Forest City with its combination of a duty-free island within a special financial zone, presents a unique proposition as a catalyst for economic development in the southern region of Malaysia, anchored on innovative financial services. Through robust participation by local and international stakeholders, it has the potential to drive growth from Johor into the rest of the ASEAN region. It also has the potential to mature into a globally recognized financial hub, the likes of Shenzhen in China and Dubai International Financial Centre in the UAE.
6. To pave the road towards these aspirations, the Government is pleased to announce a competitive package of incentives to make Forest City a magnet for international capital. This includes a concessionary corporate tax rate between zero and five percent, and a special individual income tax rate of 15 percent for knowledge workers, and Malaysians, who choose to work here. These incentives are expected to attract businesses, financial institutions, and high-net-worth individuals, further augmenting Forest City's position as a preferred investment destination.
7. To this end, I am pleased to announce that Forest City will be the first location in Malaysia to offer a 0% tax rate for Family Offices. The Single-Family Office Scheme, coordinated by the Securities Commission Malaysia, aims to attract regional and Malaysian families to manage their family wealth from Malaysia. Supported by good infrastructure, a competitive talent pool, robust common law practices and effective governance, opportunities abound for Family Offices. This scheme is aimed at being operational by the first quarter of 2025.
8. There are an estimated 8,030 single Family Offices globally today. This number is projected to grow by 75% to more than 10,720 by 2030. Total estimated assets under management of Family Offices are expected to rise to 5.4 trillion US Dollars by 2030, from 3.1 trillion US Dollars currently. The establishment of Family Offices therefore, will surely broaden the investor base to channel private capital into high-growth, high-value sectors.
9. This is highly complementary of the MOF's GEAR-uP initiative where the collective strength of Government Linked-Investment Companies is harnessed to catalyse economic growth through domestic investments. Hence, as we open our doors to welcome Family Offices, we are also inviting them into the good company of potential partners in the form of our GLICs and other institutional funds, and to partake in high-growth, high-value investments through venture capital and private equity opportunities.
10. Beyond Family Offices, Forest City is also envisioned to become a hub for financial global business services, financial technology or fintech, and foreign payment system operators, with the provision of a special 5% tax rate.
11. With the growth of shared services in Malaysia, Forest City presents untapped potential as an ideal business support location. Malaysia's shared services industry has chartered impressive growth – reflected by over 800 global business service centres registered under Malaysia Digital (MD). Global business service centres established in the financial zone will drive cost reductions and improve productivity for the financial sector through process standardisation and digital adoption.
12. Fintech also holds significant importance for Malaysia's future economic development. Forest City aims to create an environment conducive to the growth of fintech, focusing on areas such as regulatory technology (RegTech) and insurtech. By fostering collaboration, innovation, and investment, the zone supports the broader national objective of transforming Malaysia into a hub for cutting-edge financial services.
13. To further drive the digitalisation of Malaysia in line with the Malaysia Digital Economy Blueprint, efforts are ongoing to position Malaysia as a regional payment hub. The persistent double-digit growth in e-payment adoption in Malaysia, that stood at 11.5 billion transactions in 2023, suggests continued growth potential in digital payments.
14. Importantly, ASEAN as a region is not only a hotbed of payment innovation, but is also a revving engine of future growth in this sector, with its winning combination of leading emerging markets driven by a young and dynamic workforce, and a growing middle-

class. Within this context of ASEAN as a powerhouse of growth, Malaysia offers a compelling strategic location for global players to expand their operations.

15. In 2023, Malaysia's banking sector assets grew by 5.1% year-on-year to 3.5 trillion ringgit, demonstrating resilience and adaptability to global economic changes. The Special Financial Zone will further enhance this growth by fostering innovative banking solutions and facilitating seamless cross-border transactions. To this end, we are pleased to announce that banking institutions, insurance, capital market intermediaries and other eligible financial sector entities will also enjoy incentives that include special deductions on relocation costs, enhanced industrial building allowances and withholding tax exemptions.
16. Not least, with the support of Bank Negara Malaysia, locally incorporated foreign banks will enjoy regulatory flexibilities to open additional branches within the Special Financial Zone, and also benefit from foreign exchange flexibilities for offshore borrowing in foreign currency and investment in foreign currency assets. This is a testament to the Government's commitment to foster a vibrant financial ecosystem, that can cater to both domestic and international financial requirements.

Ladies and Gentlemen,

17. The journey towards realizing the full potential of Forest City will require more than just incentives to attract initial interest. We must not overlook the need to invest seriously in talent. To this end, it is imperative that deliberate steps are taken to address skills gaps and ensure that our workforce is equipped to meet the demands of a rapidly transforming financial sector.
18. A structured approach to institutionalise talent development within Johor, particularly geared towards supporting Forest City is important. The goal is to create high-skilled, high-value jobs for Malaysians and to attract top talent from around the world. This is critical to ensure sustainable growth of Forest City and the Malaysian economy as whole.

Ladies and Gentlemen,

19. In conclusion, today we have fortified the Forest City Special Financial Zone with a basket of attractive incentives designed to catalyse the birth of a new financial and economic hub in the region. We are confident that the incentives will bring substantial benefits to the Rakyat, generate high-value jobs, foster economic growth, and enhance Malaysia's standing on the global stage.
20. I look forward to cultivating more value for the Jewel of the South and building a stronger, more resilient, and more prosperous Malaysia, together with all of you.

Penutup

Ampun Tunku,

Sekianlah persembahan ucapan patik.

Patik bagi pihak Kementerian Kewangan sekali lagi merafak sembah menjunjung setinggi-tinggi kasih atas perkenan **Duli Yang Amat Mulia Tunku** bercemar duli berangkat ke majlis ini.

Patik sekalian berdoa ke hadrat Allah subhanahuwataala mudah-mudahan barang dilanjutkan apalah jua kiranya akan usia:

1. **Kebawah Duli Yang Maha Mulia Seri Paduka Baginda Yang Di-Pertuan Agong, Sultan Ibrahim dan Kebawah Duli Yang Maha Mulia Seri Paduka Baginda Raja Permaisuri Agong, Raja Zarith Sofiah.**
2. **Kepada Duli Yang Amat Mulia Tunku Mahkota Ismail, Pemangku Sultan Johor dan Yang Amat Mulia Che' Puan Mahkota Khaleeda Johor.**
3. **Kepada Duli Yang Amat Mulia Tunku Iskandar, Raja Muda Johor.**
4. **Paduka-Paduka Putera dan Paduka Puteri, cucunda-cucunda serta kerabat-kerabat Diraja** sekaliannya agar sentiasa berada dalam keadaan sihat walafiat, selamat sejahtera, aman sentosa dan makmur di bawah lindungan rahmat Allah subhanahuwataala.

Wabillahitaufiq Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh.