

Client Alert

April 2017

Malaysia Launches Digital Free Trade Zone

Introduction

During the Budget 2017 speech in October last year, the Malaysian Prime Minister Dato' Seri Najib Tun Razak had announced the intention to introduce "the first digital free zone in the world". Five months on, Malaysia formally launched the Digital Free Trade Zone ("**DFTZ**") initiative at the Global Transformation Forum ("**GTP**") on 22 March 2017. The DFTZ is part of Malaysia's National E-Commerce Strategic Roadmap, which aims to double e-commerce growth from 10.8% to 20.8% by 2020.

Outline of the DFTZ

The DFTZ is an initiative aimed at capitalising on the growth of the internet economy, and promoting the growth of e-Commerce in Malaysia, by making Malaysia the premier regional hub for the e-Commerce industry in the South East Asia region. It is envisaged that the DFTZ will comprise of three elements:

a) *eFulfilment Hub*

The first eFulfilment Hub will be located at KLIA Aeropolis, a physical site located near the Kuala Lumpur International Airport. The eFulfilment Hub will serve as a strategic facility for customs clearance, warehousing and logistics.

b) *Satellite Services Hub*

The Satellite Services hub will operate as a digital hub for global and local internet-related companies targeting the Southeast Asia market, facilitating end-to-end support, networking and knowledge-sharing for the e-Commerce industry. The first Satellite Services hub will be located at Kuala Lumpur Internet City ("**KLIC**"), in Bandar Malaysia. The Satellite Services hub will comprise facilities such as office and co-working spaces, offline-to-online showrooms, training centers and open space areas for community activities.

c) *eServices Platform*

The eServices platform will complement both the Satellite Services Hub and the eFulfilment Hub initiatives by providing a streamlined system to digitally connect users with government and business services, for the efficient management of cargo clearance and other processes relating to cross-border trade.

At current time, it is understood that the DFTZ will be brought into operation in phases. The initial phase, to be rolled out before the end of 2017, will be the establishment of the eFulfilment Hub. It is expected that the first facility (by Alibaba) will be launched at the end of 2019.

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