



## LABUAN COMPANIES

All Labuan companies are governed by the Labuan Companies Act 1990 (“LCA”) and companies incorporated in Labuan, may carry on either trading or non-trading activity in, from or through Labuan. The LCA requires the engagement of services of a Labuan IBFC registered trust company to act as its incorporation agent.

Kensington Trust Labuan Limited is a licensed trust company in Labuan and may act as your incorporation agent.

### Why Labuan International Business and Financial Centre (IBFC)

- › Strategically located in Malaysia, sharing common time zone with major Asian cities, complementing financial centres of Hong Kong, Singapore & Shanghai.
- › A leading business and financial centre in Asia Pacific with growing reputation and track record.
- › Vision to be Asia Pacific’s leading midshore international business and financial centre.
- › Striking an ideal balance between client confidentiality and compliance with international best standards.
- › Robust and well-balanced legal and regulatory framework.
- › A tax-efficient jurisdiction to facilitate businesses.
- › Access to Malaysia’s double taxation treaty network with more than 70 countries.
- › A complete range of solutions for business and investment structures for cross border transactions, business dealings and wealth management needs.

### Labuan exemption

- › **Dividends received from Labuan entities.**
- › **Distributions received from Labuan trusts and foundations** by the beneficiaries.
- › **Distributions of profits** by Labuan partnerships.
- › **Interest received** from a Labuan entity by another Labuan entity, resident or non-resident person (other than interest accruing to a business carried on by a non-resident person in Malaysia where that non-resident person is licensed to carry on business under the Financial Services Act 2013 and Islamic Financial Services Act 2013)

### Other attractions of Labuan IBFC

- › **NO** Withholding Tax.
- › **NO** Capital Gains Tax.
- › **NO** Inheritance Tax.
- › **NO** Indirect Tax.
- › **NO** VAT / goods and services tax (GST).
- › **NO** import duty / sales tax.
- › **NO** exchange control.
- › Tax system simple and clear.



### Labuan IBFC tax system

Labuan Business Activity Tax Act 1990 (“LBATA”) governs the imposition, assessment and collection of tax on a Labuan business activity carried on by a Labuan entity in, from or through Labuan.

Labuan entities that carry on a **non-Labuan business activity** are subject to the provisions of the Malaysian Income Tax Act, 1967 (“ITA”).

“Labuan business activity” means:

- > a Labuan trading or a Labuan non-trading activity carried on in, from or through Labuan
- > excluding any activity which is an offence under any written law

Pursuant to the Labuan Business Activity Tax (Requirements for Labuan Business Activity) Regulations 2021 that took effect on 1<sup>st</sup> January 2019:

- > Labuan trading activity for licensed business activities are:
  - > Labuan insurer, Labuan reinsurer, Labuan takaful operator or Labuan retakaful operator.
  - > Labuan underwriting manager or Labuan underwriting takaful manager.
  - > Labuan insurance manager or Labuan takaful manager.
  - > Labuan insurance broker or Labuan takaful broker.
  - > Labuan captive insurer or Labuan captive takaful.
  - > Labuan International Commodity Trading Company.
  - > Labuan bank, Labuan investment bank, Labuan Islamic bank or Labuan Islamic investment bank.
  - > Labuan trust company.
  - > Labuan leasing company or Labuan Islamic leasing company.
  - > Labuan credit token company or Labuan Islamic credit token company.
  - > Labuan development finance company or Labuan Islamic development finance company.
  - > Labuan building credit company or Labuan Islamic building credit company.
  - > Labuan factoring company or Labuan Islamic factoring company.
  - > Labuan money broker or Labuan Islamic money broker.
  - > Labuan fund manager.
  - > Labuan securities licensee or Labuan Islamic securities licensee.
  - > Labuan fund administrator.
  - > Labuan company management.
  - > Labuan International Financial Exchange.
  - > Self-regulatory organisation or Islamic self-regulation organisation.
- > Labuan trading activity for non-licensed business activities cover any one or more of the following business activities :
  - > Administrative services
  - > Accounting services
  - > Legal services
  - > Backroom processing services
  - > Payroll services
  - > Talent management services
  - > Agency services
  - > Insolvency related services
  - > Management services (other than Labuan company management mentioned above).

- > Labuan non-trading activity has been restricted to investment holding, namely :
  - > Pure Equity Holding Company.
  - > Non-Pure Equity Holding Company.

### Substance Requirement under LBATA (with effect from 1<sup>st</sup> January 2019)

- > Pursuant to section 2B(1) (b) of LBATA, the Labuan entities shall, for the purpose of the Labuan business activity, have :-
  - (i) an adequate number of full time employees in Labuan; and
  - (ii) an adequate amount of annual operating expenditure in Labuan, as prescribed by the Minister by regulations made under this Act.
- > Section 2B (1A) of LBATA provides that a Labuan entity carrying on a Labuan business activity which fails to comply with the substance requirement for a basis period for a year of assessment shall be charged to tax at the rate of twenty four per cent (24%) upon its chargeable profits for that year of assessment.

### Dealings with resident

All Labuan entities may conduct transactions with Residents of Malaysia in Ringgit Malaysia except for:

- > Issuing or offering to any Residents of Malaysia for subscription or purchase; or
- > Invite any resident to subscribe or purchase

any interest pursuant to the relevant provisions of the Interest Schemes Act 2016 where such issue or offer or invitation is made in Malaysia, other than Labuan, unless the provisions of the Interest Schemes Act 2016 are complied.

“Resident” here means:

- > in relation to a natural person, a citizen or permanent resident of Malaysia; or
- > in relation to any other person, a person who has established a place of business, and is operating in Malaysia.
- > and includes person who is declared to be a resident pursuant to paragraph 214(6)(a) of the Financial Services Act 2013 and paragraph 225(6)(a) of the Islamic Financial Services Act 2013.

The amount of deductions allowed in respect of payments made by Residents to Labuan entities are as follows:-

> Interest expense	75% deductible
> Lease rental	75% deductible
> General reinsurance premiums	100% deductible
> Other type of payments	3% deductible



## Key corporate features of Labuan Companies

Share Capital	
Permitted currencies	Any foreign currency except Ringgit Malaysia
Standard currency	US\$
Minimum issued capital	One (1) in any denomination in foreign currency
Authorised capital	N/A
Par / Nominal value	N/A
Directors	
Minimum	One (1)
Corporate directors	Allowed
Resident director requirements	Compulsory
Publicly accessible records	No
Shareholders	
Minimum	One (1)
Bearer shares	No
Corporate shareholders	Allowed
Local shareholders requirements	No
Publicly accessible records	No
Company Secretary	
Minimum	One (1)
Requirements	A resident secretary who must be a Trust Officer of a trust company OR a Labuan / Malaysian domestic company wholly-owned by the Labuan trust company
Registered Office	
Requirements	Principal office of a trust company in Labuan
Accounts	
Records	Kept in Labuan
Preparation of accounts	Yes
Audit requirements and filing	Required for Labuan companies which carry on Labuan Business Activities and licensed companies
Publicly accessible records	No

Annual Requirements	
Annual Return	Not later than thirty (30) days from the anniversary date of incorporation of the Labuan company
Annual Government Fee	On or before the anniversary date of incorporation of the Labuan company
Tax Filing	Annual tax return needs to be filed with the Malaysian Director General of Inland Revenue by 31 March of that year of assessment. Normally, an extension of time for filing is allowed by the Inland Revenue.
Taxation	
Subject to fulfilment of substance requirements under LBATA (Requirements for Labuan Business Activity) Regulations 2021:	
Trading activities (licensed and non-licensed business activities)	3% of net audited profits.
Non-trading activities	Nil.
Others	No withholding tax, no capital gains tax, no stamp duty on offshore instruments.
Substance Requirements	
Labuan Company undertaking Pure Equity Holding	To comply with management and control requirement and minimum annual operating expenditure of RM20,000 in Labuan
Labuan Company undertaking Non Pure Equity Holding	1 full time employee in Labuan and minimum annual operating expenditure of RM20,000 in Labuan
Trading activities (licensed and non-licensed business activities)	Depending on type of business activity or license, minimum requirement will be between 2 to 4 full time employees in Labuan and annual operating expenditure in Labuan between RM50,000 to RM3,000,000.
Non-trading activities	
Legal System	Common Law
Corporate Re-domiciliation	Yes
Double Taxation Treaty Access	Yes
Exchange Control	No



## KEY CONTACTS



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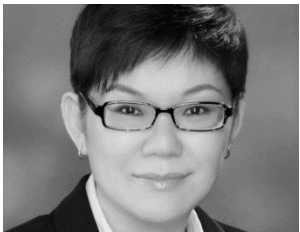
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JTC is a publicly listed, global professional services business with deep expertise in fund, corporate and private client services.

Every JTC person is an owner of the business and this fundamental part of our culture aligns us with the best interests of all of our stakeholders.

Our purpose is to maximise potential and our success is built on service excellence, long-term relationships and technology capabilities that drive efficiency and add value.

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