



# FOREIGN LABUAN COMPANIES

A foreign company shall not have a place of business in Labuan or carry on business in Labuan unless it is registered as a foreign Labuan company (“Labuan Branch”) under the Labuan Companies Act 1990 (“LCA”). This write-up does not apply to a foreign company registered under the Malaysian Companies Act 2016. The LCA requires the engagement of services of a Labuan IBFC registered trust company to act as its registered agent.

Kensington Trust Labuan Limited is a licensed trust company in Labuan and may assist you with the registration and administration of your Labuan Branch.

## Name of Labuan Branch

The Labuan Branch shall not be registered by a name that is undesirable or is a name, or includes a name, of a kind that the Labuan FSA is not willing to accept for registration.

It is recommended for the Labuan Branch to have the same name as its foreign company with additional words “Labuan Branch” behind its name. Eg. XYZ Limited, Labuan Branch.

## Registered office of Labuan Branch

It is mandatory for the Labuan Branch to have a registered office in Labuan, which office shall be the principal office of a Labuan trust company.

The registered office of Kensington Trust Labuan Limited can be the registered office of the Labuan Branch.

## Share capital

The Labuan Branch **does not** have its own share capital.

## Labuan FSA’s fee

A prescribed fee of USD 2,000 is payable to the Labuan Financial Services Authority (“Labuan FSA”) during registration of the Labuan Branch.

## Annual Obligations

- > **Annual Return:** Lodge annual return once in each calendar year not later than thirty (30) days prior to the anniversary of the date of its registration.
- > **Annual Government Fee:** Pay annual fee of such amount as may be prescribed under the LCA before the anniversary of the date of its registration

- > **Annual 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, or any extended time for filing allowed by the Inland Revenue of Board Malaysia.

## Certificate of registration

Upon lodgement of complete documentation and payment of Labuan FSA’s fees as well as clearance from the due-diligence process conducted by the Labuan FSA, a certificate of registration of a foreign Labuan company will be issued. The certificate shall be conclusive evidence that the requirements as to registration of the Labuan Branch have been complied with.

## 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 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:

- > Labuan trading activity has been restricted to license business activities and selected type of trading activities only. Please refer to the above Regulations 2021.
- > Labuan non-trading activity has been restricted to holding company, namely Pure Equity Holding and Non-Pure Equity Holding.



### Substance Requirement under LBATA

- > 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 fit and proper 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.

Generally, a Labuan Branch is set up for licensed banks, Labuan insurer or Labuan reinsurer activities. To benefit under LBATA, the extracted Substance Requirements are as follows:

Substance Requirements		
Labuan Business Activities	Minimum Fit and Proper Full-Time Employees	Annual Operating Expenses in Labuan (RM)
Labuan Banking Activities	3	200,000
Labuan insurer, Labuan reinsurer, Labuan takaful operator or Labuan retakaful operator	3	200,000

### 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



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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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