



LABUAN PROTECTED CELL COMPANIES (FOR CAPTIVE INSURANCE/TAKAFUL BUSINESS)

Protected Cell Companies (PCC) provide an alternative solution to standard corporate structures. As one of the innovative business structures on offer in Labuan IBFC, PCC may be structured to further enhance the insurance industry (captive insurance/takaful), particularly in optimising for maximum protection and benefit and also, flexibility in managing risk portfolios. They can also be used as an efficient tax planning tool, besides serving as an effective asset protection tool.

Structure and requirements of PCC

- > A Labuan PCC is a limited liability company with a legal entity that has the ability to form one or more cells for the purpose of segregating and protecting cell assets.
- > Neither the core nor the individual cells created are separate legal entities but nonetheless, each cell is legally separated from any other cell and each has sufficient attributes to carry on business independently under the “umbrella” of the Labuan PCC.
- > A Labuan PCC may comprise:
 - > a core for holding non-cell assets or general assets; and
 - > any number of cells with the intention of segregating and protecting the assets of each respective cell.
- > The name of a Labuan PCC shall include the expressions “Protected Cell Company” or “PCC” and in accordance to the Labuan Companies Act 1990.
- > Each cell of a Labuan PCC shall have its own distinct name or designation.
- > Labuan PCC shall:-
 - > Maintain its registered office in Labuan and minimum one (1) resident secretary.
 - > Appoint an approved auditor in Labuan.
 - > maintain separate records for each of its cell;
 - > keep the cell assets held for each cell separate from cell assets held for other cells and from general assets;
 - > arrange proper protection of cell assets, both as between cells and in respect of general assets by way of segregation, firewalls and clear identification

Uses of Labuan PCC

A Labuan PCC has the ability to hold assets or investments divided into a number of classes to cater to the different objectives of different individual investors, while at the same time preserving the independence of each cell.

For insurance related activities, a Labuan PCC shall only conduct:

- > Labuan captive insurance business, on such terms as provided under Part VII of the Labuan Financial Services and Securities Act 2010 (LFSSA); or
- > Labuan captive takaful business, on such terms as provided under Part VII of the Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA).

Application to set up Labuan PCC

- > An applicant may establish a Labuan PCC by incorporating a Labuan company or converting an existing Labuan company into a Labuan PCC.

Kensington Trust Labuan Limited is a licensed trust company in Labuan and may assist you with establishment and administration of your Labuan PCC.

- > A Labuan PCC must seek prior approval of Labuan FSA for establishment of its cell(s).

Capital requirements

- > Capital requirement unimpaired by losses of RM500,000 applies to the Labuan PCC as a whole.
- > Cells are required to remain solvent at all times as specified in the Guidelines on the Establishment of Labuan Protected Cell Companies issued by Labuan FSA.
- > The establishment of working funds for cells may be achieved through the issuance of cell shares by the Labuan PCC.



Corporate Governance and Compliance with Labuan laws

A Labuan PCC and its cell(s) shall observe all statutory requirements under any relevant laws, policies and/or guidelines issued by Labuan FSA or the jurisdictions in which it has operations, including corporate governance and market conduct as a minimum requirement and commensurate with the nature and complexity of its operations from time to time.

The board and senior management of a Labuan PCC shall:

- > be responsible to ensure compliance with the regulatory and corporate governance requirements at all times;
- > keep the funds for cell assets separate from the general assets; and
- > keep the cell assets and liabilities attributable to each cell separate from other cells.

Reporting requirements of Labuan PCC

- > Submit an audited consolidated financial statement of the Labuan PCC and its cell(s) within six (6) months after the close of each financial year;
- > Prepare separate set of financial statements for each cell and shall be made available for inspection or examination by Labuan FSA; and
- > Submit other statistics and information as may be required by Labuan FSA from time to time.

Labuan FSA fees

A Labuan PCC is required to pay the following annual fees with Labuan FSA upon approval and thereafter, on an annual basis on or before 15 January each year

- > On general assets of the Labuan PCC (Core) : USD9,500
- > On each individual cell: USD3,000

Taxation of Labuan PCC

- > 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.

Labuan PCC is taxed under LBATA as a taxable Labuan entity. This means that the taxable person in a PCC is NOT each cell established under the PCC but the PCC itself. This translates to a 3% or 24% tax on audited net profits of the whole PCC entity regardless of the number of cells or their profits in the cells within the said PCC.

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 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.
- > To benefit under LBATA, a Labuan PCC Captive will need to comply with the substance requirements of minimum number of three (3) full time employees in Labuan and minimum annual operating expenditure of RM100,000 in Labuan.

Dealings with resident

All Labuan entities are allowed to conduct transactions with Residents of Malaysia in Ringgit Malaysia subject to the filing of a notification to Labuan FSA within 10 days from the transaction effective date.

“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 s.43 of the Malaysian Exchange Control Act 1953.

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 CONTACTS



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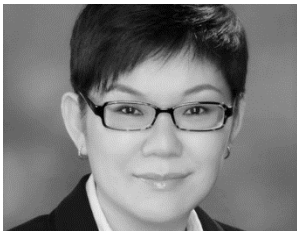
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JTC is a publicly listed, global professional services business with deep expertise in fund, corporate and private client services.

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.

We value shared ownership

- > We operate around the principle that if our people have a stake in the business, they will do a better job for our clients.

We value relationships

- > We aim to work with clients who share our belief in the importance of building strong relationships over time.

We invest in our people

- > Over 70% of our employees hold a relevant professional qualification or are working towards this through our dedicated JTC Academy.

We embrace technology

- > Our market-leading systems and operating platforms are robust, powerful and flexible.



REGULATION AND TERMS OF BUSINESS

JTC Kensington is the brand name of Kensington Trust Group, a part-owned associate of JTC Group. Kensington Trust Group entities that carry on regulated business are (respectively): regulated by the Labuan Financial Services Authority, the Companies Commission of Malaysia and the Monetary Authority of Singapore.

JTC Group entities that carry on regulated business are (respectively): regulated by the British Virgin Islands Financial Services Commission; the Cayman Islands Monetary Authority; the Guernsey Financial Services Commission; the Jersey Financial Services Commission; the Commission de Surveillance du Secteur Financier and the Ordre des Experts-Comptables (Luxembourg); the Financial Services Commission (Mauritius); De Nederlandsche Bank (Netherlands); the South African Financial Sector Conduct Authority as an authorised financial services provider; chartered and regulated to provide trust services by the South Dakota Division of Banking in South Dakota (USA); a member of l'Association Romande des Intermédiaires Financiers (Switzerland); licensed by the Isle of Man Financial Services Authority and authorised and regulated by the Financial Conduct Authority (UK).

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