



# LABUAN INSURANCE BROKER

A Labuan insurance and insurance related company in Labuan IBFC is governed by Part VII of Financial Services & Securities Act 2010. A Labuan insurance broker may establish a takaful broking window with no separate licence required.

**“Labuan insurance broker”** means a person who is licensed to –

- a) arrange Labuan insurance business on behalf of prospective or existing policy owners;
- b) arrange Labuan reinsurance business on behalf of any insurer seeking reinsurance; or
- c) analyse the financial circumstances of another person and provides a plan to meet that other person’s financial needs and objectives, whether or not a fee is charged in relation thereto.

## Approved and restricted business activities

### (1) APPROVED ACTIVITIES

- Direct insurance business
- Life insurance
- Reinsurance business

### (2) RESTRICTION

The Labuan insurance broking company is prohibited from dealing with residents (except for high net-worth individuals, reinsurance and others as defined by Labuan FSA from time to time) and broke for direct Malaysian risks.

“High net worth individuals” in the above context are defined as persons who spend an equivalent of not less than RM20,000 in any foreign currency on single premium policy or an equivalent of not less than RM15,000 per person in any foreign currency on annual premium policy.

A licensed Labuan insurance broker may handle the insurance or reinsurance of domestic insurance business, transacted in the Malaysian currency provided that such activity does not include any activity that is regulated or prohibited under other written law in Malaysia.

## Application for licence

Application for a licence to carry out Labuan insurance broking activities can be made to the Director General of Labuan FSA.

**Kensington Trust Labuan Limited is a licensed trust company in Labuan and may assist you with license application, establishment and administration of your Labuan Company or branch.**

## Licensing & Operational Requirements

- A minimum paid-up capital unimpaired by losses of RM300,000 or its equivalent in any foreign currency or a networking fund of at least RM300,000. The working capital is to be maintained in an account with a bank in Labuan.
- Must have a professional indemnity insurance coverage of not less than RM2.5 million or its equivalent in any foreign currency or such other higher amount as may be specified and shall remain indemnified under such policy throughout its operation in Labuan.
- The person in control or director or principal officer of the Labuan insurance broking company must be a fit and proper person. It must maintain at least two (2) directors.
- The Labuan insurance broking company must maintain a registered and management office in Labuan and have at least one resident secretary.
- A Labuan insurance broking company can appoint a licensed Labuan insurance manager to handle its administration functions and work with the insurance manager to meet its requirements of a management office in Labuan and work with the 2 fit and proper full-time employees in Labuan.
- May apply for Labuan marketing office (LMO) anywhere in Malaysia and outside of Labuan Island. The Labuan insurance broker is to ensure that the establishment of the LMO complies with the relevant regulatory requirements imposed by the Authorities. However, those with Co-located office are not allowed to apply for marketing office.
- A Labuan insurance broker can handle the reinsurance of domestic insurance business, including the reinsurance of domestic business transacted in Ringgit Malaysia.
- A Labuan insurance broker can choose the principal currency in which they will operate and maintain in the accounting records.
- Appoint approved auditor in Labuan



### Labuan IBFC taxation 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 that took effect on 1<sup>st</sup> January 2019:
  - > 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.
- > To benefit under LBATA, a Labuan insurance broker will need to have a minimum of two (2) fit and proper full-time employees in Labuan and minimum annual operating expenditure of RM100,000 in Labuan.

### 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   |

### Labuan insurance broker license fees

- > **Licence processing fee (one-off)**  
USD500
- > **Annual licence fee**  
USD8,000

The annual license fee is payable when the license is approved by Labuan FSA and remains valid until 31 December of the year of approval. All licensees are required to pay to Labuan FSA subsequently the annual license fees on or before 15 January of each calendar year.



## KEY CONTACTS



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JTC is a leading global professional services business with deep expertise in fund, corporate, private client and employer solutions 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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