



LABUAN COMPANY MANAGEMENT BUSINESS

Labuan company management business means the provision of treasury processing services and such other services, and to such persons, as may be permitted by Labuan FSA. The Labuan company management business is governed by the Labuan Financial Services and Securities Act 2010.

Company management services are crucial for businesses operating in multiple jurisdictions. Labuan company management business is to facilitate cross-border activities using a legal structure that is readily available in Labuan IBFC.

Application for Labuan company management license

Any person intending to undertake company management activities in Labuan may submit an application to 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.

Who is eligible to apply?

The applicant for a Labuan company management business license should meet the following minimum eligibility criteria:

- > A credible and viable business plan that sets out the approach to implement the proposed strategic business objectives or operations;
- > A set of proper internal policies and controls to commensurate with the business profiles or risks;
- > Board members and senior management that have the competency and experience to undertake the company management business;
- > No adverse report on the shareholder, directors or principal officer of the company;
- > Adequate financial resources to meet and maintain the minimum paid-up capital requirements; and
- > Such other documents or information as Labuan FSA may reasonably require.

Permissible activities of Labuan company management business:

- > Arranging credit facilities;
- > Providing corporate finance advisory services;
- > Providing guarantees, performance bonds, standby letters of credit and services relating to remittances;
- > Managing the funds of any of its approved offices or associated companies;
- > Performing economic or investment research and analysis;
- > Providing credit administration and control; or
- > Providing business planning and coordination.

Licensing and operational requirements

- > Maintain a minimum paid-up capital (unimpaired by losses) of RM100,000 or equivalent in any foreign currency. However, Labuan FSA may exercise its discretion to require additional capital.
- > Establish an adequate set of internal policies and control for its operations, compliance, corporate governance and risk management including policies and control on technology-related areas.
- > Comply with the required reporting requirements such as submission of audited financial statements within 6 months after the closure of each financial year and statistical and other information required by Labuan FSA.
- > Obtain prior approval from Labuan FSA on crucial matters such as any change to its business plan, change of at least 10% of its shareholding, appointment of its board of directors or principal officers, reduction of its paid-up capital (which should not be lower than the minimum paid up capital required), change of name or change of place of business/establishment of office outside of Labuan;
- > Notify Labuan FSA within 7 days on resignation of directors or principal officer, any change of information relating to place of business/office in Labuan or any change to its constituent documents.
- > Ensure that persons in control, directors and principal office meet the fit and proper requirements;
- > Ensure the employees are competent and possess sound knowledge of the services to be offered;
- > Maintain adequate and proper books of accounts and records in Labuan; and
- > Observe any applicable laws, rules and regulations applicable to Labuan company management business including guidelines issued by Labuan FSA from time to time.



Labuan company management license fees

- > **License processing fee (one-off)**
USD500
- > **Annual license fee**
USD1,500 (to be increased to USD2,000 in year 2027 and thereafter USD2,500 effective in year 2028 onwards)

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

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 1st 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 company management firm 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

Advantages and key benefits of Labuan Company Management business

- > ZERO withholding tax on payments of dividend and interest to non-residents.
- > No foreign exchange controls.
- > No inheritance tax.
- > Double Tax Agreements between Malaysia and over 70 countries.



KEY CONTACTS



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ABOUT JTC KENSINGTON

JTC Kensington is the brand name of Kensington Trust Group, a part-owned associate of JTC, offering trust, fiduciary and corporate services and fund administration.

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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