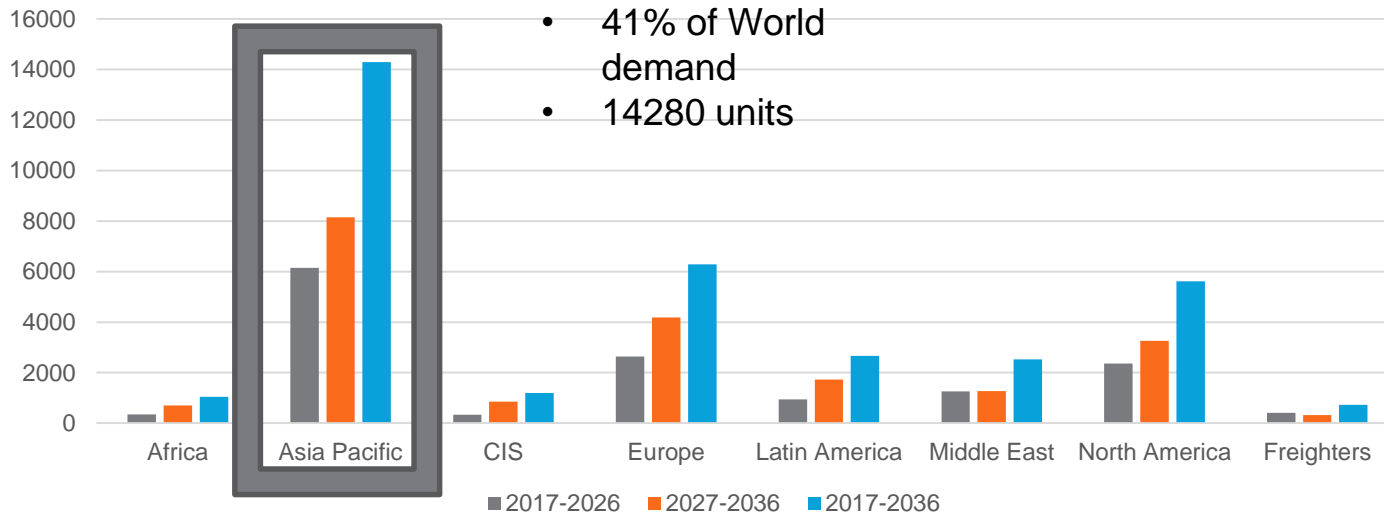


Labuan IBFC – Your Aviation Hub for Asia Pacific

Labuan IBFC Asset Leasing Symposium
22 March 2018

Almost 35000 Aircraft deliveries 2017-2036

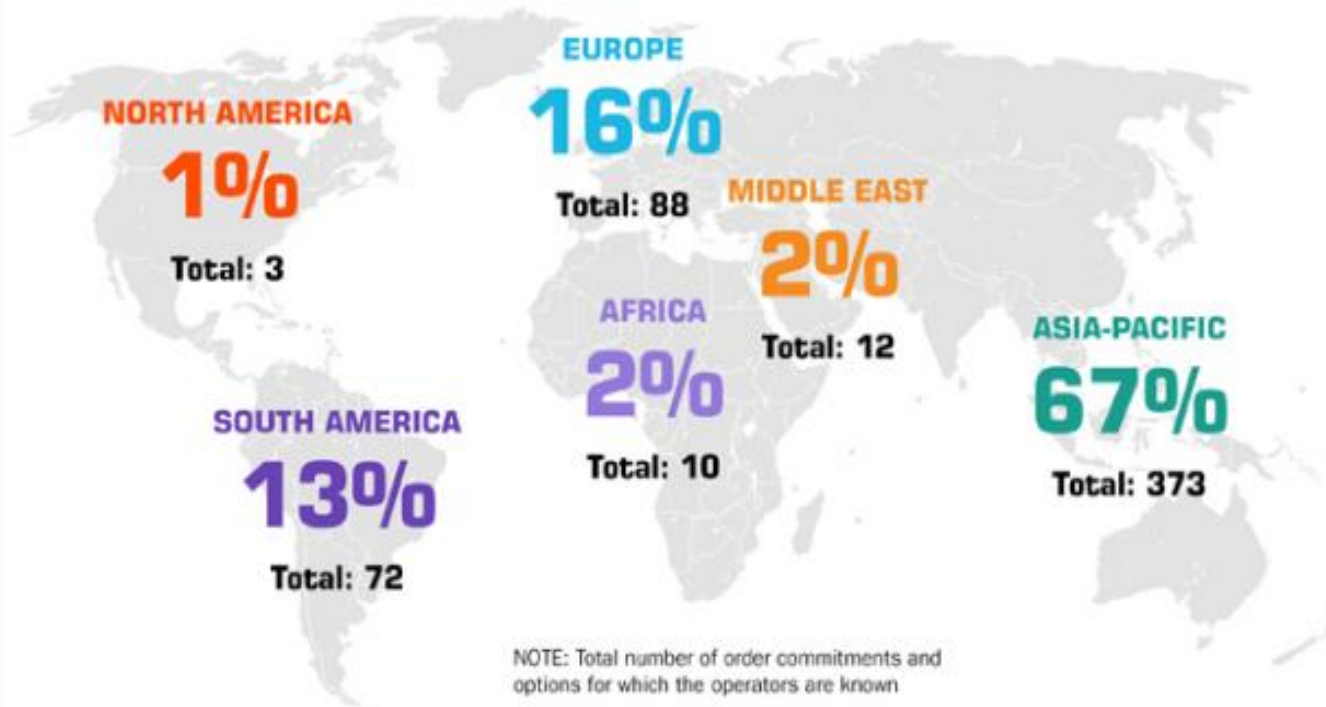


Source: Airbus GMF 2017

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Recent order market share based on operator region

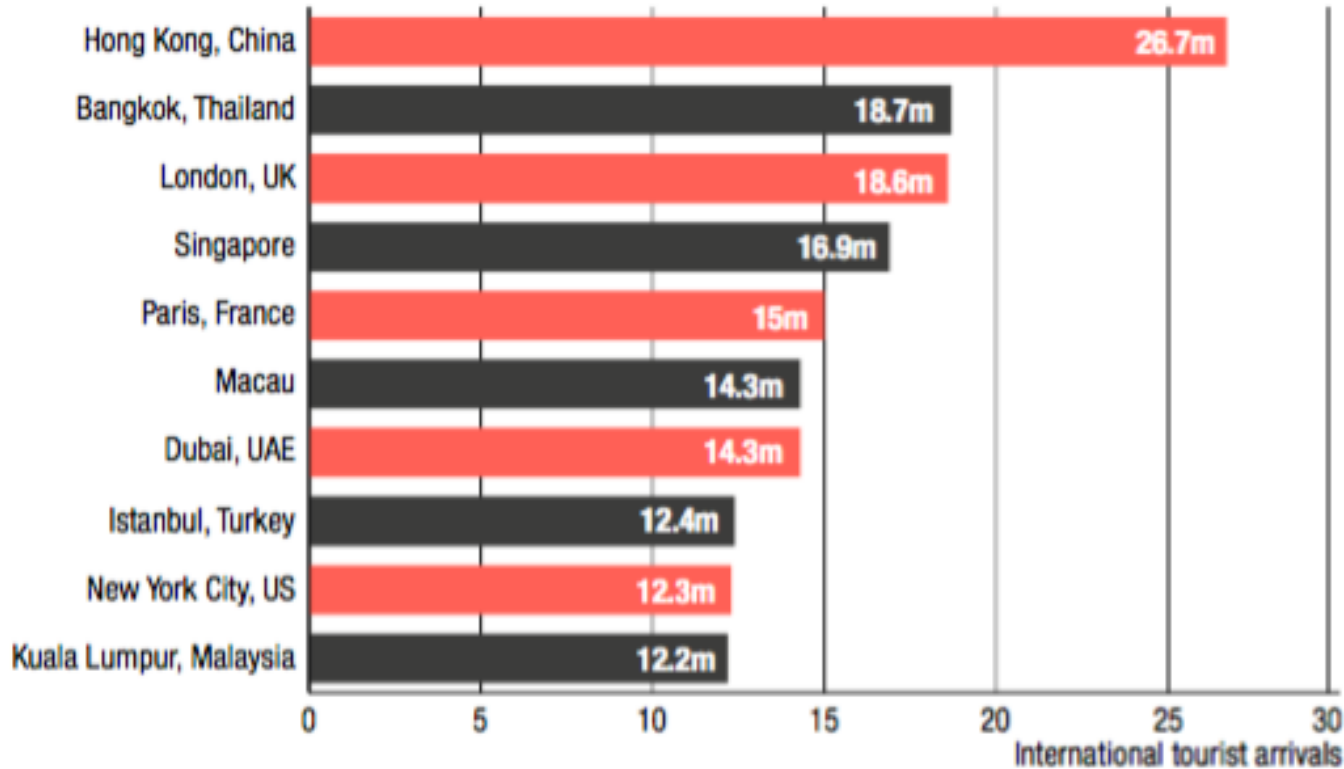
ORDER MARKET SHARE BY OPERATOR REGION



*Farnborough Air Show 2016

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Fastest growing markets are in Asia - Pacific

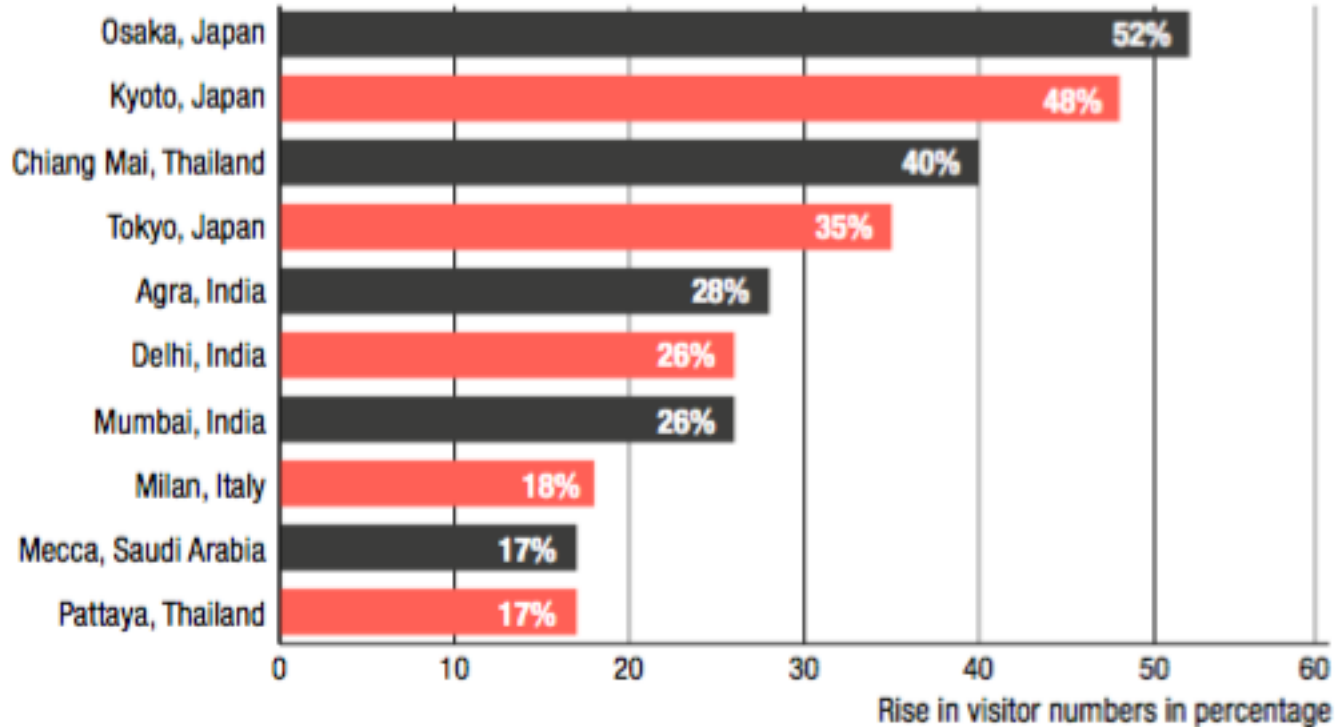


Top 10 most visited cities in 2015

Source: Euromonitor, Jan 2017, Airbus

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Fastest growing markets are in Asia - Pacific



Top 10 cities with largest visitor growth in 2015

Source: Euromonitor, Jan 2017, Airbus

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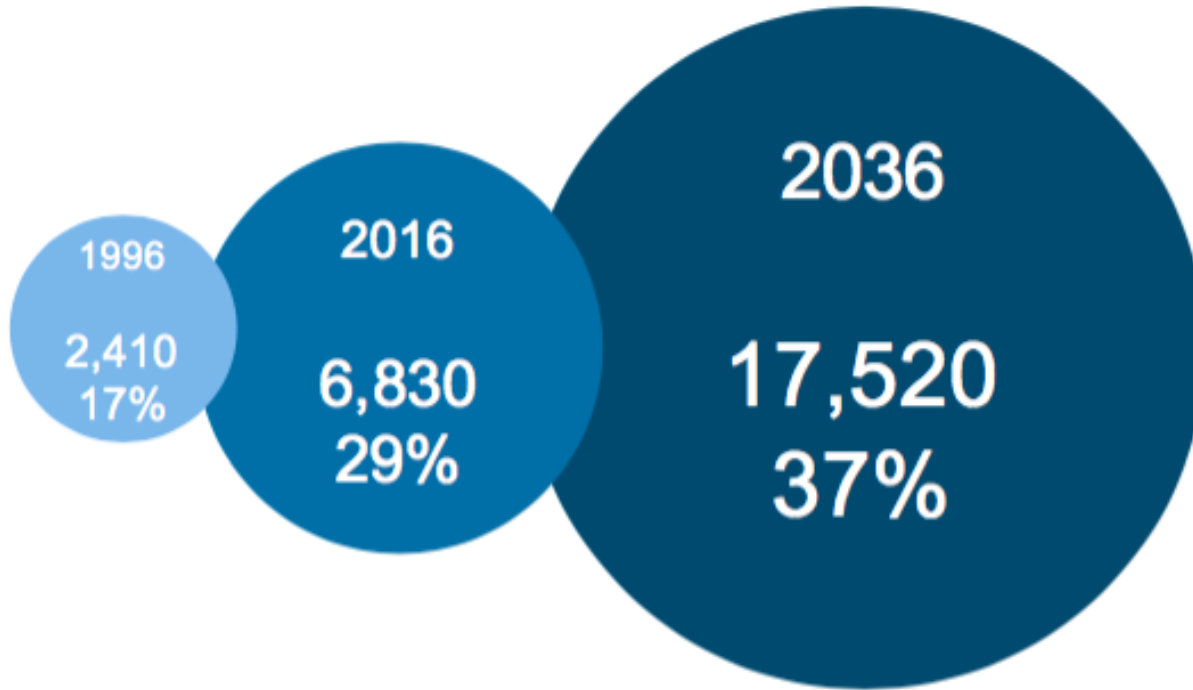
CHINA

- Pax growth >10% a year
- Transitioning towards more service-based economy
- Domestic market set to grow 400%
- New Open Skies Agreement with AUS
- 16% of world demand (new deliveries & market value)

INDIA

- Domestic market growth > 20% a year
- CHINA and INDIA – Total Middle class growth - 80 mil (2000) to 135 mil (2016)

ASIAN share of global jet fleet is expanding



Source: CMO 2017, Flight Global Ascend Online Data

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- **Market Liberalisation**
 - ASEAN Open Skies
 - Airport Infrastructure Developments (40% of world growth)
 - China
 - India
 - ASEAN
- **LCC Expansion – numbers and growth**
 - Long-haul
 - Low-Cost + +
 - Thailand, Indonesia, Philippines, Malaysia

- Growth in global air travel demand
 - ASIA growing faster than world average
- Strong consumer spending
- Demand for travel and tourism
- Air Traffic outperforms global GDP

Why operate in Labuan IBFC?

- Low Costs of Operations
- Cape Town compliant
- Geography – close to Asia/Pacific markets
- Time zone – close to Asia/Pacific markets
- Legal system based upon common law
- Many native mandarin speakers - understand the language and the culture
- Basel II compliant
- Tax Rate: minimal corporate tax, rebate on personal income tax
- Importance of tax treaties – over 80 markets
- Substance Enabling Jurisdiction vis a vis BEPs
- Islamic Hijarah Lease available

- **Cost Benefits**
 - Relatively low(er) operating cost profile
 - Real estate
 - Cost of living
 - Human factor
 - Low corporate tax rate, low income tax rate (for employees)
 - Ease of doing business
- **Strong Aviation Culture & History**
 - AirAsia Group
 - LionAir Group
 - MAS Group
- **Proximity and Culture**

Labuan IBFC today - Leasing scenario

- Almost 400 leasing companies in Labuan IBFC
- Aircraft make up approx 32% of leased assets by value
- Arguably – growth in aviation market is attributable to growth in leasing availability
 - AirAsia, Malaysia Airlines, MALINDO
 - Malaysia aspires to be an aviation hub within Asia Pacific
- Malaysian technical expertise has grown alongside
 - Engineers
 - Finance & structuring
- Malaysian Lessors
- Foreign Lessors perspective
 - remittance of funds
 - Low tax (also for expat employees)
 - Low costs of operations
 - Asset security
- Growing pool of out-out leasing

■ IRELAND

- Irish companies provide more than 50% of the world's leased aircraft
- 9/10 of world's top leasing companies
- >1000 industry specialists; >1500 within the ecosystem
- "Operating Lease Incentives", stamp duty exemption
- Irish Govt support – MSc in Aviation Finance
- *but high Personal Income Tax

■ SINGAPORE

- "Aircraft Leasing Scheme" – special tax discounts for leasing firms (5% or 10% for up to 5 years); 5-20 yrs depreciation
- 20/2/17 – ALS was extended up to 2022
- Personal Income Tax 20% (vs Ireland 41%)
- 2011 – SIN/IRL DTA – Irish lessors have full protection from S'pore WHT

■ HONG KONG

- HKG lessor is taxed on gross rentals (vs profits)
- International financial centre (access to funding sources)
- New legislation 2017 – 8.25% tax for qualifying Aircraft Lessors & qualifying Asset Managers
- Personal income tax 15%
- Stamp duty exemptions

How does Labuan IBFC compare?

Factors	Labuan IBFC	Ireland	Singapore	Hong Kong
Corporate Income Tax	3% on net profits OR RM20,000	<ul style="list-style-type: none"> Trading – 12.5% Non-trading – 25% S. 110 company – 25% 	17% - territorial and remittance basis	<ul style="list-style-type: none"> 16.5% - territorial source concept Foreign tax credits claimable
Stamp duty	Yes, but exemptions apply	1% - 12%	No stamp duty on lease for moveable properties	Yes, but exemptions apply
Goods and Services Tax (GST) / Value Added Tax (VAT)	<ul style="list-style-type: none"> Overseas transactions / within Labuan – no GST Transactions within Malaysia – 6% GST 	<ul style="list-style-type: none"> Generally 23% VAT Effective 0% VAT for aviation 	Generally 7% GST	N/A
Access to DTAs	80 DTAs	<ul style="list-style-type: none"> Yes Desirable DTA network (Quality vs Quantity) 	Yes	Yes

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How does Labuan IBFC compare?

Factors	Labuan IBFC	Ireland	Singapore	Hong Kong
Tax Benefits / Tax Incentives	Nothing specific to the Aviation Leasing Industry	<ul style="list-style-type: none"> s. 110 company (SPV) is entitled to a tax deduction for “profit participating interest” – resulting in a small taxable margin of EUR1000-EUR5000 Capital allowances can also defer tax liability 	<ul style="list-style-type: none"> Aircraft Leasing Scheme (extended until 2022) Tax rate of 8% on income from the leasing of aircraft / aircraft engines & qualifying ancillary activities WHT exemption on interest - loans obtained for the purchase of aircraft or aircraft engines GST concessions for listed Registered Business Trusts in aircraft leasing sector 	<ul style="list-style-type: none"> 8.25% tax for qualifying aircraft lessors and qualifying aircraft leasing managers the deemed taxable amount for income from the leasing of aircraft to a non-Hong Kong aircraft operator by a qualifying aircraft lessor will be equal to 20% of the tax base of the lessor concerned
Market-specific factors	<ul style="list-style-type: none"> Lowest Corporate Income Tax rate No WHT on payment of lease rentals from Labuan to foreign countries 	<ul style="list-style-type: none"> S.110 company has a preferable tax structure Accounting – high capital allowance rates, favourable tax depreciation rates (8 yrs) High Personal Income Tax (41%) 	<ul style="list-style-type: none"> Close relationship with Ireland (2011) DTA provides Irish Lessors with full protection from Singapore WHT Mature Financial Sector Personal Income Tax (20%) 	<ul style="list-style-type: none"> Gateway into the CHN market Lowest royalty WHT for aircraft lease rental income deriving from CHN (i.e. 5%) Seen as an International Financial Centre Personal Income Tax (15%)