

# ***BRIEFING SESSION WITH INDUSTRY***

## **Revisions to the GIFT Programme**

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**17 April 2018**

# Key Areas

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- I. Preamble
- II. Policy Changes
- III. Implementation Timeline
- IV. Response to FAQs
- V. Q & A session

# Background...addressing OECD's FHTP and remain competitive

## Revision Areas

- ① Addressing the Concerns of OECD's FHTP\*
- ② Non-Petroleum LITCs:
  - a) Transitioning of existing players; and
  - b) Freezing of new entrant
- ③ Revision of the Criteria to be Complied After the Grant of Licence

## Key Policies Reviewed

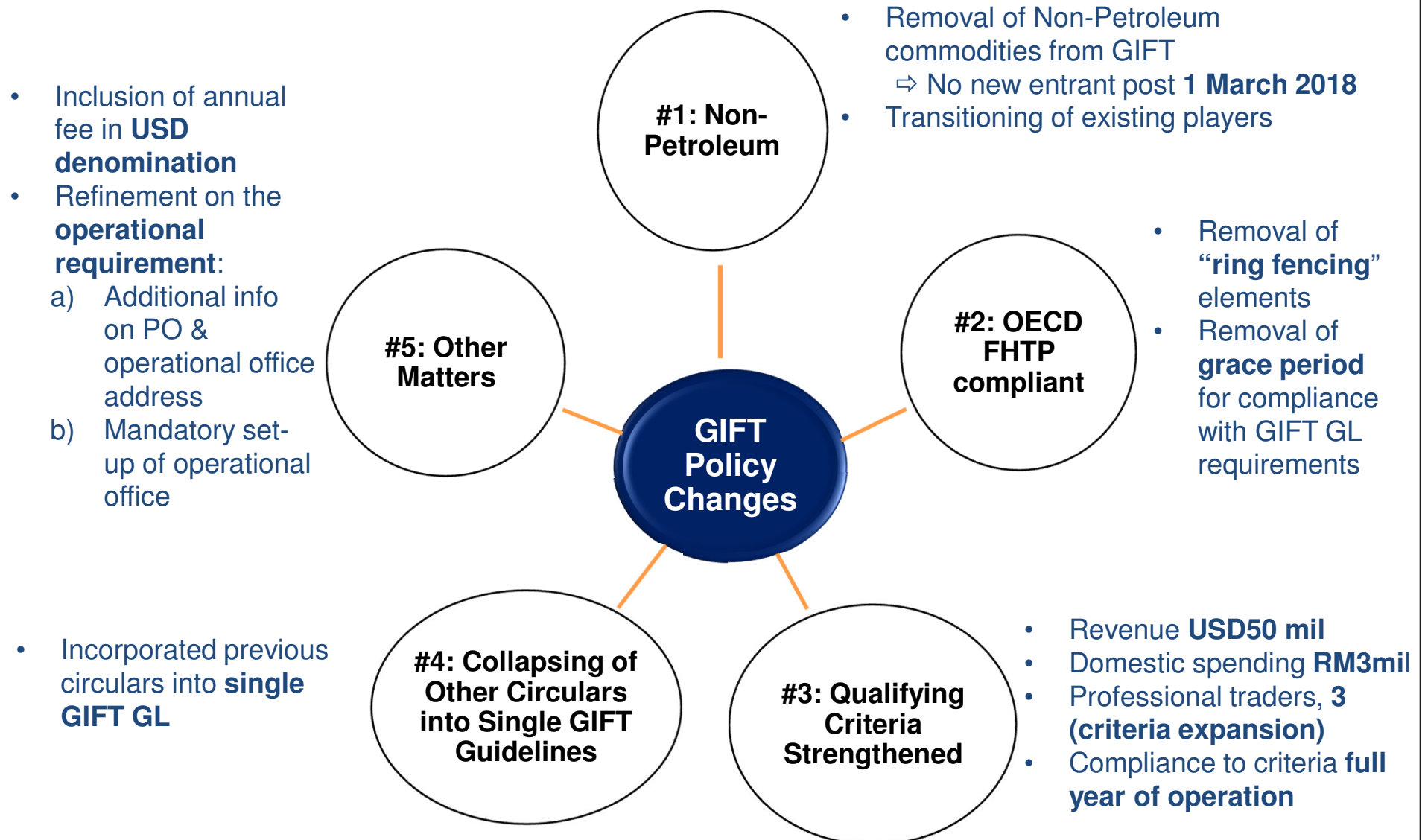
- Removal of restriction to deal with residents and in ringgit for Non-Petroleum LITCs
- Removal of exemption period for LITCs to comply to GIFT GL requirement
- Existing Non-Petroleum LITCs are allowed to be part of GIFT programme until the date stated in the individual letters sent by Labuan FSA to minimise market disruptions
- New entrants are not allowed to participate in the GIFT programme wef 1 March 2018
- Reduced the minimum turnover requirement to USD50 mil from USD100 mil
- Broaden the parameters for recognition of Professional Traders e.g. include areas such as risk management, procurement, sales & marketing

**Note:**

\* Organisation for Economic Co-Operation and Development's Forum on Harmful Tax Practices

\*\* 32 Non Oil and Gas LITCs out of 53 licensed LITCs as at end Dec 2017

# Key Policy Changes...*address global developments and remain competitive*



## Industry Timeline... *structured implementation of new requirements*

**Petroleum LITCs** operating status quo under revised GIFT GL



**8 Mar 2018**

- Issuance of revised GIFT GL
- Directive issued & effective immediately
- No issuance of Non-Petroleum Licence wef 1 Mar 2018 \*

**1 Oct 2018**

- Effective date of revised GIFT GL

\* *Individual Non-Petroleum LITCs have been communicated on transition arrangements*

# Response to FAQs (1)

No.	Queries	Responses
1.	<p><b>Effective 1 March 2018, Labuan company that wants to trade in Non-Petroleum Commodities are no longer required to be licensed under the GIFT programme. Is this understanding correct?</b></p>	<p><i>Post 1 March 2018, new Labuan companies that intend to trade in Non-Petroleum commodities are not required to be part of the GIFT programme</i></p>
2.	<p><b>Existing Non-Petroleum have until October 2018 to comply to the revised Guidelines. Is there any transition period after that ?</b></p>	<p><i>The transition period has already been given which started from the issuance date of 8 March 2018 and will end on 30 September 2018. Henceforth, the revised Guidelines takes effect beginning 1<sup>st</sup> October 2018</i></p>
3.	<p><b>For the transitioned Non-Petroleum LITCs, which Guidelines are they required to follow ? The old or the revised Guidelines</b></p>	<p><i>Non-Petroleum LITCs granted transition arrangements by LFSA to retain their licence are required to comply with the revised Guidelines' requirements</i></p>

## Response to FAQs (2)

No.	Queries	Responses
4.	<p><b>Are Non-Petroleum LITCs required to employ three officers performing senior management functions ?</b></p>	<p><i>The revised Guidelines have expanded the parameter in recognizing Professional Traders which include Principal Officer and officers performing senior management functions in specified areas such as risk management, procurement etc.</i></p>
5.	<p><b>Can Non-Petroleum LITCs surrender its licence prior to the specified transition date ?</b></p>	<p><i>The revised Guidelines take effect on 1<sup>st</sup> October 2018 and Non-Petroleum LITCs have been granted transition arrangement according to the specified dates. Notwithstanding, these companies have the option to opt out from the GIFT programme by surrendering their LITC licences prior to the specified dates</i></p>
6.	<p><b>If we are a Petroleum LITC, and we want to add into our portfolio Non-petroleum commodities. Is this allowable ?</b></p>	<p><i>The Non-Petroleum has been carved out from the GIFT programme in line with the issuance of the Revised Guidelines. Any trading of Non-petroleum shall be undertaken under a separate Labuan structure</i></p>

# Response to FAQs (3)

No.	Queries	Responses
7.	<p>If a LITC has just been licensed in November/December 2018, does it need to meet the annual quantitative requirements of Turnover, Domestic Spending and Professional Traders</p>	<p><i>The policy expectation on the compliance to the Guidelines' would be made on practical basis i.e. a Petroleum or Petroleum related LITC will be assessed against a full's year's operation as regards the annual quantitative requirements</i></p>
8.	<p>What will happen should LITCs are unable to meet the minimum threshold requirement of USD50 million for annual turnover ?</p>	<p><i>LITCs that are not able to achieve the minimum requirement of USD50 million for turnover would be treated as non-compliance to the Guidelines and be dealt with accordingly under the Labuan Financial Services and Securities Act 2010. LITCs are advised to engage with Labuan FSA early should they foresee that they are not able to meet any of the quantitative requirements</i></p>
9.	<p>Is the role of a Principal Officer (PO) can be considered as Professional Trader ?</p>	<p><i>The definition of Professional Traders has been expanded under the revised Guidelines in which Principal Officer and any officer performing senior managerial functions in specified areas are now recognized as Professional Traders</i></p>



## Response to FAQs (4)

No.	Queries	Responses
10.	<p><b>Effective 1st October 2018, do existing Non-Petroleum LITCs required to convert their operational offices in other places outside Labuan in Malaysia into Marketing office ?</b></p>	<p><i>Existing Non-Petroleum LITCs have been granted transition arrangement according to the specified dates from the GIFT programme and hence may maintain the operational office up to that date</i></p>
11.	<p><b>As per Para. 7.6 of the revised Guidelines, can the LITC undertake other business apart from the trading Petroleum and Petroleum-Related commodities ?</b></p>	<p><i>The LITC is only allowed to undertake the trading of Petroleum and Petroleum-Related commodities as deliberated under Para 5.1. Moving forward, Para. 7.6 would be amended to provide better clarity and understanding to readers</i></p>

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# Q & A Session

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# THANK YOU

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