

A GUIDE TO LABUAN COMPANIES

WHAT IS A LABUAN COMPANY?

A Labuan company is a company incorporated under the Labuan Companies Act 1990 (LCA 1990). Companies under this Act are allowed to carry out business in, from or through Labuan in order to enjoy its tax neutrality. A Labuan company may have these shares structures:

- company limited by shares
- company limited by guarantee
- an unlimited company

Types of company:

- Labuan Company
- Labuan Foreign Company
- Labuan Protected Cell Company

Residents and non-residents of Malaysia are allowed to establish Labuan companies. Under Section 7(5) of the Labuan Companies Act 1990 (LCA 1990), a Labuan company is allowed to deal with a resident subject to notification to Labuan Financial Services Authority (Labuan FSA).

WHY USE A LABUAN COMPANY?

Companies incorporated in Labuan IBFC may enjoy:

- Access to Malaysia's Double Tax Agreements with over 80 countries (Appendix 1)
- A competitive tax regime Labuan business activities as defined in the Labuan Business Activity Tax 1990 (LBATA 1990) which provides:
 - Taxation of 3% of net audited profits or a flat rate of MYR20,000 to be elected yearly, if the company is undertaking trading activities.
 - Companies carrying a non-trading activities is not charged tax, i.e. 0%.
 - Under Section 3A¹ of the LBATA 1990, a company can elect to be taxed under the Malaysia Income Tax Act 1967, i.e. subject to corporate tax rate of 20% (on the first MYR500,000) and thereafter 24%.

¹ Section 3A states that a Labuan entity carrying on a Labuan business activity may make an irrevocable election in the prescribed form so that any profit of the Labuan entity for any basis period for a year of assessment and subsequent basis periods to be charged to tax rate in accordance with the Malaysia Income Tax Act 1967, in respect of that Labuan business activity.

- A summary of the description of Labuan business activities and its tax treatment is shown in the following table:

DESCRIPTION OF LABUAN ACTIVITIES	TAX TREATMENT
<p>Labuan non-trading activity Holding of investments in securities, stock, shares, loans, deposits or any other properties held by a Labuan entity on its own behalf</p>	Not subject to tax
<p>Labuan trading activity Includes banking, insurance, trading, management, shipping operations, licensing or any other activity which is not a Labuan non-trading activity</p>	3% of net profits per audited accounts; or MYR20,000 upon yearly election
<p>Carrying out both Labuan trading and non-trading activities - Deemed to be Labuan trading activity</p>	Same tax treatment as Labuan trading activity (3% of net profits per audited accounts or MYR20,000 upon yearly election)
<p>Non-Labuan business activities</p>	Taxed under domestic or Malaysia Income Tax Act 1967 – 24%

- Ease of doing business:
 - Availability of banking and trade finance services locally
 - A highly developed legal structure
 - Established business ecosystem including technology, skilled workforce and resources
 - Access to English and Chinese speaking talent
 - Competitive operating costs
- No import duties, sales tax or capital gains tax
- No foreign exchange controls
- 50% tax exemptions on personal income tax for non-Malaysian residents holding managerial positions and above in a Labuan company
- 100% exemption on personal income tax for director's fees received by non-Malaysian directors
- Labuan companies (including companies licensed under the laws relating to financial services in Labuan IBFC) may set up a marketing office in Kuala Lumpur and/or Iskandar Malaysia
- A convenient location within the Asia Pacific region

WHAT ARE THE REQUIREMENTS TO SET UP A LABUAN COMPANY?

Share capital

- In any currencies except Ringgit Malaysia
- Minimum one share with no minimum share par value

Number of directors

- A Labuan company must have at least one director

Company secretary

- A Labuan company must have at least one resident secretary which shall be a Labuan Trust Company

Registered office

- Must have a registered office which shall be the principal office of a Labuan Trust company
For further details on Labuan trust companies please visit www.labuanibfc.com.

Accounting requirements

- The audit requirements and filing are only required for Labuan companies opting to pay tax at 3% p.a. on the audited net profits and also, licensed companies
- Under the LCA 1990, there are no publicly accessible records

WHAT ARE THE FEES FOR SETTING UP A LABUAN COMPANY?

The following are the fees payable to the Labuan Financial Services Authority:

(Note: The fees quoted exclude the cost of engaging a Labuan trust company which will essentially act as a company secretary to the Labuan company)

Reservation of Company Name	MYR 50	USD 15
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Incorporation of Labuan Company

a) Registration fee for Labuan companies with paid-up capital of:		
i. Less than MYR50,000	MYR 1,000	USD 300
ii. MYR50,000 but less than MYR1 million	MYR 2,000	USD 600
iii. Exceeding MYR1 million	MYR 5,000	USD 1,500
b) Registration fee for foreign Labuan company	MYR 6,000	USD 2,000

Annual Fees

i. Labuan companies	MYR 2,600	USD 1,500
ii. Foreign Labuan company	MYR 5,300	USD 2,500

CONTACT

For further information, please visit www.labuanibfc.com or email businessdevelopment@libfc.com.

Further reference can be made to the following legislation and guidelines available at www.labuanibfc.com.

Appendix 1

List of countries that have Double Tax Agreements with Malaysia

Albania	Egypt	Jordan	Namibia	Seychelles *	United Arab Emirates
Australia *	Fiji	Kazakhstan	Netherlands *	Singapore	United Kingdom *
Austria	Finland	Korea (Rep.) *	New Zealand	South Africa *	Uzbekistan
Bahrain	France	Kuwait	Norway	Spain *	Venezuela
Bangladesh	Germany *	Kyrgyzstan	Pakistan	Sri Lanka	Vietnam
Belgium	Hong Kong	Laos	Papua New Guinea	Sudan	Zimbabwe
Brunei	Hungary	Lebanon	Philippines	Sweden *	
Canada	India*	Luxembourg *	Poland	Syria	
Chile *	Indonesia *	Malta	Qatar	Switzerland	
China	Iran	Mauritius	Romania	Taiwan	
Croatia	Ireland	Mongolia	Russia	Thailand	
Czech Republic	Italy	Morocco	San Marino	Turkey	
Denmark	Japan *	Myanmar	Saudi Arabia	Turkmenistan	

* restricted benefits for Labuan companies



FOR MORE INFORMATION, LOG ON TO WWW.LABUANIBFC.COM

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