

CONNECTING **ASIA'S** ECONOMIES

THE PREFERRED BUSINESS AND
FINANCIAL CENTRE IN ASIA PACIFIC



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As Asia Pacific's preferred international business and financial centre, Labuan International Business and Financial Centre (Labuan IBFC) provides businesses and private clients an ideal balance of fiscal neutrality and transparency located in a midshore jurisdiction.

Well-supported by a robust, modern and internationally recognised legal framework, Labuan IBFC provides clear legal provisions and industry guidelines enforced by its regulator, Labuan Financial Services Authority (Labuan FSA).

The backbone of Labuan IBFC is its array of business and investment structures for cross-border transactions, business dealings, risk management and wealth management needs.

Anyone looking to benefit or participate in Asia's burgeoning markets would do well to consider Labuan IBFC as their connection to Asia's economies. After all, the jurisdiction has been playing this role for more than 25 years.

STRATEGICALLY LOCATED

Labuan IBFC, located in Malaysia, lies in the heart of the Asia, sharing a common time zone with major Asian cities, while complementing the financial centres of Hong Kong, Singapore and Shanghai.

As such, Labuan IBFC provides an ideal business environment for companies looking to tap into one of the fastest growing

regions in the world. It also offers an ideal base for all your wealth management needs.

A ROBUST AND WELL-REGULATED BUSINESS ENVIRONMENT

As one of three Federal Territories in Malaysia, Labuan receives strong administrative, financial and political support from the Federal Government of Malaysia, which appreciates the jurisdiction as an essential part of its financial services industry.

Therefore, Labuan FSA promotes a robust yet pragmatic regulatory regime which adheres to international standards set by global regulatory bodies. It is a member of seven multilateral organisations, all focused on the development and regulation of financial centres globally.

Labuan IBFC is also on the Organisation for Economic Cooperation and Development (OECD) 'white list', meeting the international standards on exchange of tax information. Labuan IBFC has also recently passed scrutiny from the International Monetary Fund in 2013.

Being part of Malaysia, Labuan IBFC is committed to reporting requirements under the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards for Automatic Exchange of Information (CRS-AEOI) and Base Erosion and Profit Sharing (BEPS).

STRIKING A BALANCE

CONFIDENTIALITY

- Separate and independent legal framework to Malaysia's "onshore" environment
- No disclosure of beneficiaries or register of beneficiaries
- Registration of trusts funds are not mandatory
- No "fishing expeditions" entertained, Labuan FSA only deals with correspondent competent authorities
- Audits only mandatory for licensed entities
- Arbitration allowed
- Choice of legal system honoured

VS

COMPLIANCE WITH INTERNATIONAL STANDARDS

- Adheres to the OECD's Automatic Exchange of Information Protocol and BEPS action points
- An extensive Double Taxation Agreement network, more than 80 Agreements
- A Common Law jurisdiction
- Member of multilateral international agencies
- Anti-Money Laundering provisions entrenched
- Know Your Client Rules in place
- Substance-enabling jurisdiction
- Labuan companies accepted for listing on National Stock Exchange of Australia, Hong Kong Stock Exchange, Singapore Exchange and NASDAQ Dubai

A WIDE ARRAY OF SOLUTIONS AND STRUCTURES

Labuan IBFC's comprehensive legal framework provides for a wide range of legal entities such as companies limited by shares or by guarantee, private and charitable foundations, special purpose trusts, protected cell companies, captives, limited liability partnerships and private trust companies.

As a leading Islamic financial centre, Labuan IBFC provides that each Labuan legal entity boasts a Shariah-compliant version.

Provisions for Islamic entities are encapsulated in the Labuan Islamic Financial Services and Securities Act 2010, the world's first omnibus legislation governing all Shariah-compliant business of an international business and financial centre.

The complete list of statutes governing Labuan IBFC:

- Labuan Companies Act 1990
 - Labuan Business Activity Tax Act 1990
 - Labuan Financial Services Authority Act 1996
 - Labuan Trusts Act 1996
 - Labuan Limited Partnerships and Limited Liability Partnerships Act 2010
 - Labuan Financial Services and Securities Act 2010
 - Labuan Islamic Financial Services and Securities Act 2010
 - Labuan Foundations Act 2010
- Additionally, all transactions and dealings in Labuan IBFC are subject to Malaysia's
- Anti-Money Laundering and Anti-Terrorism Financing Act 2001
 - Personal Data Protection Act 2010

LABUAN ENTITIES

| | | | | | |
|---|------------------------------|---|---|--|---------------|
| Labuan Companies (i.e. used for...) | Asset Holding | Trading | Banking Insurance, Reinsurance Leasing, Commodities Trading, Self Insurance (Captives) & other Licensed Operators | Protected Cell Company for Fund or Risk Management | |
| Labuan Specialised Entities | Company Limited by Guarantee | Limited Partnership | Limited Liability Partnership | Private Trust Company | |
| Asset Protection & Wealth Management Vehicles | Trusts | Foundation (Charitable and Private Clients) | Special Trust | Charitable Trust | Purpose Trust |
| Fund Management Vehicles | Private Fund | | Public Fund | | |

AN EFFICIENT AND FLEXIBLE TAX SYSTEM

Labuan IBFC's single tax framework coupled with the definition of Labuan business activity provides an ideal ecosystem for global companies to house their international dealings and transactions.

A Labuan business activity is constituted by a trading or non-trading activity carried out within, from or through Labuan in foreign currency (non-Malaysian Ringgit) by a Labuan entity with a non-resident or with another Labuan entity.

All non-trading activity undertaken by a Labuan entity does not attract any tax. Labuan non-trading activities mean activities relating to the holding of investments in securities, stocks, shares, loans, deposits or any other properties by a Labuan entity on its own behalf.

Offering an efficient fiscal regime encapsulated in a clear tax framework, Labuan IBFC provides that all Labuan companies or entities that carry out a Labuan trading activity are subject to the following tax rates:

3.0% on its audited net profits OR a flat rate of MYR20,000 per annum

Labuan entities may select tax profile on an annual basis, providing unparalleled flexibility. In addition, a Labuan entity can also make an irrevocable election to be taxed under the Malaysian Income Tax Act 1967, which carries a headline tax rate of 24% that does not attract foreign sourced income.

It is worth noting that Labuan companies have access to Malaysia's extensive double taxation network spanning more than 80 countries.

In addition, Labuan IBFC registered companies/entities are also not subject to:

- withholding tax on interest, dividend, royalty, technical fees or any payment from Labuan IBFC
- capital gains tax
- stamp duty or import duty
- inheritance tax or indirect tax

There is also a 100% tax exemption for expatriate directors of a Labuan entity on their director's fees earned until year of assessment 2020.

A SUBSTANCE-ENABLING JURISDICTION

Substance is a common tax concept used in assessing cross-border tax situations, which calls into question the level of operational activity and decision-making process which is conducted in a particular jurisdiction.

In general, a company needs to demonstrate that it has a presence substance via its functional structure such as a physical office, staff administering the day-to-day operations of the company and the necessary operating tools or equipment, in order to evidence substance in that jurisdiction.

While there are no specific requirements towards the establishment of economic substance for companies and entities in Labuan IBFC, curating cost efficient economic substance is encouraged in Labuan IBFC. It is also worth noting that it is possible to redomicile companies from other jurisdictions to Labuan IBFC.

Why is economic substance important? In light of the worldwide adoption of OECD's BEPS framework, companies will need to demonstrate that they have economic substance in the domiciles they have chosen to set-up in. This is important to prevent any serious tax disputes arising with the tax authority and to avoid a higher tax burden on the business.



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

LABUAN IBFC INCORPORATED SDN BHD (817593D)

SUITE 3A-2, LEVEL 2 BLOCK 3A
PLAZA SENTRAL, JALAN STESEN SENTRAL
KL SENTRAL, 50470 KUALA LUMPUR
MALAYSIA

TEL +6 03 2773 8977
FAX +6 03 2780 2077
EMAIL info@libfc.com

Labuan IBFC Incorporated Sdn Bhd, the official promotion and marketing agency for Labuan International Business and Financial Centre, Malaysia

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