



Asia's Premier International Financial Hub

A GUIDE TO LABUAN COMPANIES

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What is a Labuan company?

A Labuan company is a company incorporated or registered under the Labuan Companies (Amendment) Act 2022 (LCA 2022)). Residents and non-residents of Malaysia are allowed to establish Labuan companies. Companies incorporated under this Act and which meet certain conditions, including substance requirements would be taxed at preferential rates.

A Labuan company may have these shares structures:

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

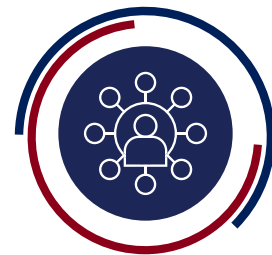
Types of company:



**Labuan
Company**



**Labuan Foreign
Company**



**Labuan Protected
Cell Company**

Why use a Labuan Company?

A Labuan company may enjoy:

- Access to more than 70 Double Taxation Agreements (DTAs) that Malaysia has signed¹ (Appendix 1)
- A competitive tax regime, Labuan business activities as defined in the Labuan Business Activity Tax 1990 (LBATA 1990) provides:
 - **Taxation of 3% of net audited profits, if the company is undertaking Labuan trading activity and meets certain conditions including substance requirements**
 - **Companies carrying out only Labuan non-trading activity is not charged tax i.e. 0%**
 - **A Labuan company may make an irrevocable election to be subjected to tax pursuant to Malaysian Income Tax Act (MITA 1967) where the prevailing income tax rate is generally 24%**
 - **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
Labuan non-trading activity Holding of investments in securities, stock, shares, loans, deposits or any other properties situated in Labuan by a Labuan company	Not subject to tax
Labuan trading activity Includes banking, insurance, trading, management, shipping operations, licensing or any other activity which is not a Labuan non-trading activity	3% of net profits per audited accounts
Carrying out both Labuan trading and non-trading activities - Deemed to be Labuan trading activity	Same tax treatment as Labuan trading activity (3% of net profits per audited accounts)
Non-Labuan business activities or where an irrevocable election is made to be taxed under the MITA 1967	Taxed pursuant to the MITA 1967 at the prevailing income tax rate of 24%

- A convenient location within the Asia Pacific region
- 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**
- There are no indirect taxes in Labuan, including sales and services tax, import duties and excise duties
- No foreign exchange controls
- Labuan companies (including companies licensed under the laws relating to financial services in Labuan IBFC) may set up a marketing office anywhere in Malaysia

¹ Labuan companies have been excluded from the benefits of some of Malaysia's tax treaties. Where the Labuan company makes an election to be taxed under the MITA 1967 instead of the LBATA, generally full treaty access may be restored.

What are the Requirements to Set Up a Labuan Company?

01

Share capital

- In any currency
- Minimum one share with no minimum share par value

02

Number of directors

- A Labuan company must have at least one director must be a resident director

03

Company secretary

- A Labuan company must have at least one secretary which is a Labuan Trust Company

04

Registered office

- Must have a registered office which is the principal office of a Labuan Trust Company

05

Accounting requirements

- Labuan companies are required to submit audited accounts as part of tax filing requirements

06

Labuan companies economic substance requirements

Labuan companies must have:

- A prescribed number of minimum employees in Labuan; and
- A prescribed number of annual operating expenditure in Labuan, based on the specific activity carried on by the relevant Labuan companies

What are the Fees for Setting Up a Labuan Company?

The following 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 **USD 15**

Incorporation of a Labuan company

a) Registration fee for a Labuan company with paid-up capital of:

- i. Less than MYR 50,000 **USD 300**
- ii. MYR 50,000 but less than MYR 1 million **USD 600**
- iii. Exceeding MYR 1 million **USD 1,500**

b) Registration fee for a foreign Labuan company **USD 2,000**

Annual Fees

- i. Labuan company **USD 800**
- ii. Foreign Labuan company **USD 1,500**

Appendix 1

List of countries that have DTAs with Malaysia

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

* Labuan companies may not qualify for treaty protection.

Summary of Labuan IBFC Strategic Roadmap 2022-2026



Strategic Thrusts



Spurring Market Innovations & Vibrancy

- Transforming into a Digital Financial Hub
- Intensifying Labuan's insurance market growth
- Promoting international Islamic finance
- Revitalising niche and prospective segments



Promoting Market Facilitation & Visibility

- Upscaling Labuan IBFC's ecosystem and infrastructure
- Enhancing Labuan IBFC's visibility and branding



Strengthening Labuan IBFC's Complementary Roles to Malaysia

- Complementary capacity to Malaysia's economy



Effecting Relevant & Proportionate Regulations

- Continued prudential regulatory and legal upscaling in accordance with international standards
- Developing risk-sensitive, fit-for-purpose regulations to cater for emerging concerns
- Securing good ratings for incoming international assessments on Labuan IBFC
- Fiscal planning to meet Organisation for Economic Co-operation and Development's (OECD) new requirements and BEPS 2.0



Effecting Pre-Emptive Supervision & Enforcement

- Intensifying and modernising supervisory approach and cross-border engagements

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