Available Labuan business structures

Labuan IBFC
International Business and Financial Centre, Malaysia

Asia's Premier International Financial Hub

A Labuan Companies

A Labuan Company (LC):

- Is incorporated or registered under Labuan Companies (Amendment) Act 2022
- May be a company limited by shares or by guarantee or an unlimited company
- Able to participate in business activities
- Would need to be licensed if it intends to undertake businesses as defined under the Labuan Financial Services and Securities (Amendment) Act 2022 or the Labuan Islamic Financial Services and Securities (Amendment) Act 2022
- Can own controlling stakes in a Malaysian domestic company
- Residents and non-residents of Malaysia are permitted to establish LC
- 100% foreign ownership allowed

Characteristics:

- It must have at least one of whom shall be a resident director and one resident secretary
- There is no minimum capital and no authorised share capital requirements
- The shares issued shall have no par or nominal value
- It is a requirement to have a registered office in Labuan which is the office of the resident secretary
- Incorporation within 24 hours
- No bearer shares are allowed
- Accepted for listing at key international exchanges include:
  a. National Stock Exchange of Australia
  b. Hong Kong Stock Exchange
  c. Singapore Exchange
  d. NASDAQ Dubai

B Labuan Protected Cell Companies

Labuan Protected Cell Companies (PCC):

- May be incorporated as a LC or converted from an existing LC. It is a limited liability company with a legal entity that has the ability to form "cells"
- Has the ability to hold assets or investments divided into a number of classes to cater to the different objectives of different individual investors, while at the same time preserving the independence of each cell

The cells of a Labuan PCC:

- May act as a core for holding non-cell assets or general assets
- May comprise of any number of cells with the intention of segregating and protecting the assets of each respective cell
- Each respective cell is ring-fenced, thus protected from the debts and liabilities of the other cells
- Neither the core nor the individual cells created are separate legal entities. However, each cell is legally separated from any other cell and each has sufficient attributes to conduct business independently under the "umbrella" of the Labuan PCC

A Labuan PCC shall only conduct:

- Labuan captive insurance or captive takaful business
- Business as a mutual fund or Islamic mutual fund

Why set up a PCC?

- Flexibility in managing risk portfolios and funds
- An efficient tax planning tool
- An effective asset protection tool

C Partnerships

Types of Partnerships:

1 Labuan Limited Partnership (LP)

- A Labuan LP is a business entity comprising two or more partners
- The minimum number of partners for a Labuan LP is two, i.e., one general partner and one limited partner; the maximum number of partners allowed is fifty
- Partners may be a corporation except for firms which are set up for professional practice, in which case it must consist of natural persons only and supplemented with professional indemnity insurance coverage issued by an insurer approved by Labuan Financial Services Authority
- The Labuan LP is a taxable entity under the Labuan Business Activity Tax Act 1990 and can avail itself to the tax exemptions similar to other Labuan Entities, subject to satisfying the conditions

2 Labuan Limited Liability Partnership (LLP)

- A Labuan LLP is a business entity comprising two or more partners who operate or manage a business together
- The Labuan LLP is an alternative corporate business form that gives the benefits of limited liability of a company and the flexibility of a partnership
- It is capable of entering into contracts and holding property in its own name. The minimum number of partners for a Labuan LLP is two
- A Labuan LLP permits a partner to be shielded from liability for partnership obligations created by the misconduct of another partner or person
- It protects members from personal liability, except to the extent of their investment in the Labuan LLP
- The Labuan LLP is a taxable entity under the Labuan Business Activity Tax Act 1990 and can avail itself to the tax exemptions similar to other Labuan Entities, subject to satisfying the conditions

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D Labuan Foundations

A Labuan Foundation:

- Is a corporate body with a separate legal entity, established to manage its own property for any lawful purpose which may be charitable or non-charitable

Non-charitable Foundation (conventional or Islamic)

- Endowment of properties can only be done by the founder and his assignee

Charitable* Foundation (conventional or Islamic)

Private

- Not permitted to receive donations from third parties or the public

Public

- Able to solicit public donations

**Charitable purpose means and includes any of the following description of purposes:*

- *The prevention and relief of poverty*
- *The advancement of religion, profession or education*
- *The advancement of health including the prevention and relief of sickness, disease or of human suffering*
- *Social and community advancement including the care, support and protection of the aged, people with a disability, children and young people*
- *The advancement of culture, arts and heritage*
- *The advancement of amateur sport, which promotes health by involving physical or mental exertion*
- *The promotion of human rights, conflict resolution and reconciliation*
- *The advancement of environmental protection and improvement*
- *The advancement of animal welfare*
- *The advancement of facilities for recreation or other leisure-time occupation in the interest of social welfare*

Labuan International Waqf Foundation

- To hold waqf properties with the objective of managing the waqf properties for identified beneficiaries and purposes based on the Shariah principles of waqf (known as endowment in Islam)

Why set up a Foundation in Labuan IBFC?

- Legacy building
- Protection from creditors' claims
- Protected from foreign claims and cannot be forcefully liquidated to satisfy other obligations such as claims arising from divorce, lawsuit or creditors
- Protection against forced heirship
- Not subject to compulsory perpetuity period
- Founder can reserve powers and rights

All four business structures may enjoy a tax rate of 3% of net audited profits for trading activities and 0% for non-trading activities.

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