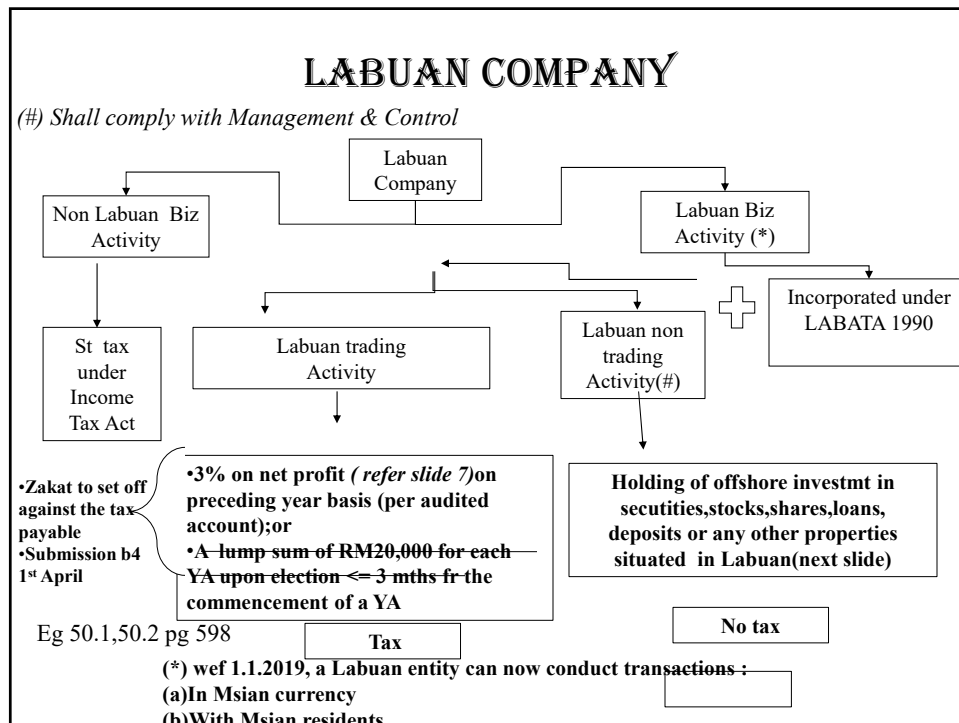


Labuan International Financial Centre

1



2

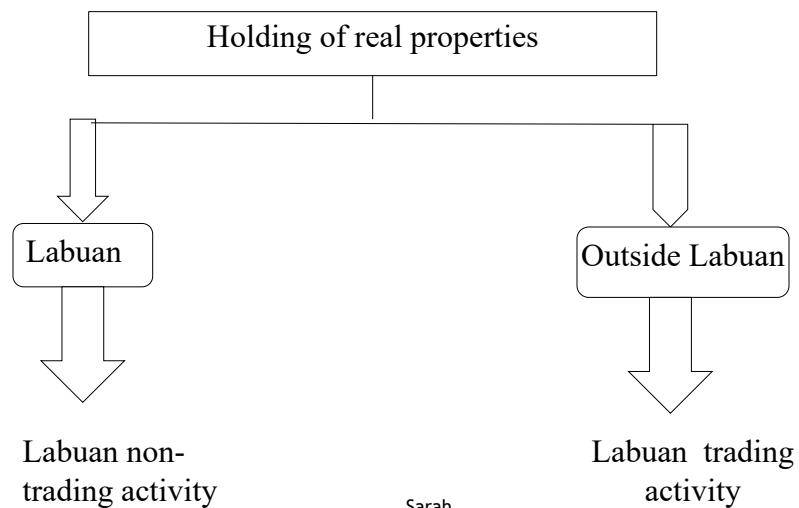
Management & Control (for Labuan non-trading activity)

- \geq one BOD meeting to be held in Labuan in a year;
- Has its registered office in Labuan;
- Appoints a Labuan trust company as resident secretary in Labuan; and
- Keeps its accounting and business records including minutes of meeting in Labuan

Sarah

3

Real Estate Investment activities



Sarah

4

Labuan trading and non trading activity

exclude the following income wef 1.1.2019:

- (a) royalty
- (b) Other income derived from an intellectual property right is receivable as consideration for the commercial exploitation of that right

Sarah

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Income from intellectual property right

(#) Net profits of Labuan trading activity and Labuan non trading activity shall exclude the following wef 1.1.2019:

- (a) Patent
- (b) Utility innovation and discovery; Pg 600, Diagram
- (c) Copyright Eg 50.3, pg 601
- (d) Trade mark & service mark
- (e) Industrial design
- (f) Layout design of integrated circuit
- (g) Secret processes or formulae and know how
- (h) Geographical indication and the grant of protection of a plant variety; and
- (i) Other like rights whether or not registered or registrable

Sarah

Subject to income tax rate @24%

6

LABUAN COMPANIES

- WEF YA 2009 can make irrevocable election that any profit be assessed under income tax (Chargeable offshore company), submit Form to the IRB by 31.3 of the following year

Objective: to enjoy DTA incentives

Sarah

7

Labuan Business Activity

Required to fulfill substantive activities requirements:

- (a) Have adequate number of full time employees in Labuan(#); and
- (b) Have incurred adequate amount of annual operating expenditure in Labuan

Failing which, will be subject to 24% x net profits as per the audited accounts (Eg 50.4 pg604)

(#) pure equity holding(*) is exempted from complying but have a minimum of AOE in Labuan of RM20,000

- (*) (a) acquired a variety of investment assets and derived investment income, such as interest, rental & royalties; or
- (b) holding investments in shares and derived dividends, capital gains and realization of investment

Sarah

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Deductions Not Allowed for Payment Made to Labuan Company by Resident

WEF 1.1.2021, pursuant to the Income Tax (Deductions Not Allowed for Payment Made to Labuan Company by Resident) Rules 2018, the Minister of Finance has prescribed the following limitations on tax deductions:

No.	Type of Payment	Amount Not Allowed for Deduction
1.	Interest payment / lease rental	25% of the amount of payment
2.	Other payments	97% of the amount of payment

W.e.f. 1.1.2021, the above restriction extended for payments made to ALL Labuan entities regardless whether they comply with the substance requirement or not

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APPLICATION OF ITA1967

- An activity other than a Labuan biz activity carried on/ by a Labuan entity
- A Labuan business activity carried on/by a Labuan entity which makes an irrecoverable election to be assessed under ITA1967

Sarah

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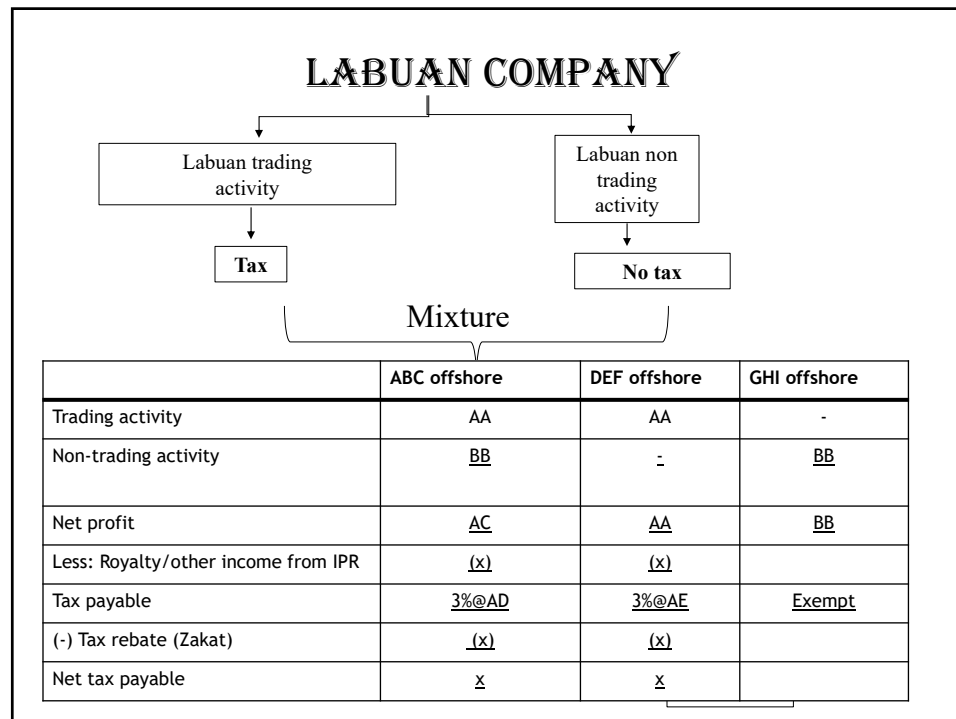
ZAKAT

- Set off against the income tax under LOBATA provided it is evidenced by a receipt issued by Labuan Islamic religious authority
- Any excess cannot be refunded/allowed to c/f

Pg 601, tax computation

Sarah

11



12

Tax Administration

- **Notice of Assessment**
 - upon receipt of the return of profits from a Labuan entity
- **Tax due and payable**
 - within 30 days upon service of the Notice of Assessment
- **Late payment penalty**
 - 10% penalty if not paid within 30days from the date of Notice of Assessment

Sarah

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TAX IMPLICATION

	Received from an Labuan company	Received by an Labuan company
Dividend income		•Exempted •Resident M'sian co receiving dividends from Labuan offshore co can credit such exempt dividends received to an exempt income account -> 2 tiers exempt div can be paid out
Capital gains		<u>offshore trading activity</u> Gains reflected as part of the profits -> subject to 3% <u>Offshore non trading activity</u> -> no tax

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TAX IMPLICATION

	Received from an Labuan company	Received by an Labuan company
Royalties/interest(*) / S4A(i)(ii) / S4(f) received by a non-R/offshore co	Exempted from WHT	
Section 4A(iii) received by a non-R from an offshore co approved to carry out leasing business	Exempted from WHT	
Distribution received fr offshore trust by the B	Exempted from tax	

(*) exemption will not be given if interest accrues to a non –R person in M’sia carrying on banking, insurance or finances business

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TAX IMPLICATION

	Received from an Labuan company	Received by an Labuan company
Capital gains arising from the sale of shares in an offshore company by the shareholders	Exempted	

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TAX INCENTIVES TO USERS OF LABUAN COMPANY

	Tax exempt	Applicable
Non citizen director	100% on Director fees	YAs 2011 to 2025

Appendix 50.4, pg 618