

LABUAN INTERNATIONAL COMMODITIES

Fact Sheet

Labuan Financial Business > Financial Service

Introduction

The Global Incentives for Trading (GIFT) program was launched in collaboration with the Malaysia Petroleum Resources Corporation, aims at positioning Malaysia as a regional trading and storage hub for oil and gas. Under the programme, a set of incentives were offered through the establishment of the Labuan International Commodity Trading Company (LITC) including incentives for traders and trading houses to use Malaysia as their international trading base. The LITC was structured by taking cognizance from the views and demands of the market.

The Labuan international commodity trading business is the trading of Petroleum and petroleum-related products. Minerals and any other commodities as may be approved by Labuan FSA in any currency other than the Ringgit, under the GIFT programme. Trading under the GIFT programme is defined as the buying, selling and/ or brokering of the specified commodities.

What are the requirements to operate?

All LITC shall always ensure that the Company has complied and met with the requirement as listed below,

- ✓ Must have sufficient capital/ working funds to commensurate or in accordance with its operations and activities.
- ✓ Must maintain a registered office in Labuan, and LITC is allowed to establish its operational office(s) anywhere in Malaysia but is required to provide the details (i.e. address and number of staff)
- ✓ Complete and submit annual update submission form, latest by 15th of January of each year.
- ✓ A copy of its audited financial statements within three (3) months after the close of each financial year.
- ✓ Annual license fee amounting of USD13,000 is payable to Labuan FSA not later than 15th January of each year.

How is the taxation?

A Labuan Company involved in LITC business is deemed a Labuan Trading Company under Section 2 of the Labuan Business Activity Tax Act, hence the company has to pay a 3% of audited net profit as its tax with fulfilled its substance requirements.

Fails to comply with the substance requirement for a basis period for a year of assessment shall be charged to tax at the rate of twenty-four per cent (24%) upon its chargeable profits for that year of assessment.



QUALIFYING CRITERIA

All LITC must comply with the following conditions after the granting of its license and commencement of its business,

- ✓ Minimum annual turnover of USD 50 million
- ✓ Minimum annual business spending of RM 3 million payable to Malaysian residents, and
- ✓ To employ at least three (3) professional traders with a minimum salary of RM 15,000 per month each and being a resident of Malaysia in a calendar year of assessment under the Income Tax Act 1967.



PROFESSIONAL TRADERS

These professional traders shall be involved in any one of the following areas:

- ✓ Trading
- ✓ Risk Management
- ✓ Procurement
- ✓ Sales & Marketing

ANNUAL FEE

All licensees are required to pay to Labuan FSA annual license fees on/ or before 15th January of each year.

Annual Fee - USD 13,000

Substance Requirement

- ❑ To benefit under LBATA, a Labuan International Commodity Trading company will need to comply with the following requirements on the following manner,
 - ✓ Two full time employees in Labuan and an annual operating expenditure of RM 3,000,000 per entity in Malaysia (including minimum of RM 100,000 in Labuan)
 - ✓ Note that if all the 3 professional traders are not based in Labuan but at the operational office, these additional 2 full time employees based in Labuan can be at any level.
 - ✓ If there are more than 5 LITCs in a group, the full-time employees will have to be increased to 3 for every additional 5 LITC companies.



ADVANTAGES

- ❑ Corporate tax rate of 3% audited chargeable profits.
- ❑ Stamp duty exemptions on all instruments for Labuan business activities.
- ❑ Tax exemption on dividends received by or from the LITC.
- ❑ Operational cost in Malaysia is substantially lower than other commodity hubs across the world.
- ❑ World class storage facilities in Malaysia.

Other Key Considerations

Access to Credit

It is worth noting that as an international business and financial centre, Labuan IBFC is home to a thriving banking industry, comprising close to 60 banks. These banks are readily available to provide competitive financing packages.

Risk Mitigation

As a comprehensive business and financial centre, Labuan IBFC offers traders an extensive range of insurance and risk management solutions. Labuan IBFC is one of the fastest growing risk centres in Asia with a wide range of risk mitigating structures, including captives and protected cell companies.

World Class Storage Facilities

As part of GIFT, traders will have access to world-class storage facilities such as Tanjung Pengerang in Johar. This deep water port (up to 26 meters) offers large super tankers easy access to the storage facilities while being close to international shipping routes and Singapore's international petroleum hub.

Lower Operational Cost

The cost of operations in Malaysia is substantially lower than in other commodities trading hubs across the world, such as London and Geneva. Neighbouring Singapore is the only other commodities trading hub in Asia Pacific, but the cost of doing business as well as living on the island state has become less competitive over the years.

HOW TO APPLY?

BBS Trust Int'l Limited can assist you for the application of LITC to Labuan FSA.

Contact us now for a non-obligational consultation!

Email: info@bbstrust.com Or Call: +603-4815 6718