

SECURITIES LICENSEE

Fact Sheet

Labuan Financial Business > Financial Service

Introduction

Labuan securities licensee refers to a person who provides investment advice or administrative services in respect of securities for the purpose of investment and dealing in securities. For a Labuan Islamic securities licensee, its operation shall comply with Shariah principles. The Labuan fund manager is differentiated with Labuan securities licensee, through the provision of management services, which is its principal activity. In addition, Labuan securities licensee is not allowed to hold clients' monies or assets.

Who is eligible to apply?

- An individual who holds a relevant degree or professional qualification to carry on activities of a securities licensee,
- A licensed/ approved individual who undertakes such permitted activities from other jurisdiction, or
- A person who does not fulfil the above may also be considered, provided that the Labuan securities licensee are run and managed by suitably qualified and experienced individuals.

What are the requirements to operate?

- Maintain a paid-up capital unimpaired by losses of at least RM 150,000 equivalent in any foreign currency throughout its operations. In addition, based on the securities licensee's risk management assessment, additional capital may need to be injected to commensurate its risk profile as well as the nature and complexity of its business.
- Maintain a professional indemnity insurance policy with coverage of not less than RM 1 million or its equivalent foreign currency throughout its operations.
- Maintain registered and management office in Labuan. May apply for Labuan marketing office (LMO) anywhere in Malaysia and outside of Labuan Island. To ensure that the establishment of the LMO complies with the relevant requirements of the Malaysian authorities.
- Appoint approved auditor in Labuan.
- Submission of audited financial statements and other statistics/ information to Labuan FSA.



PERMITTED ACTIVITIES

- ✓ Administrative Services
- ✓ Investment Advices
- ✓ Dealing in securities
- ✓ Others permitted by Labuan FSA



ADVANTAGES

- ✓ No withholding tax on payments of dividend and interest to non-residents.
- ✓ No import duty/ sales tax.
- ✓ No foreign exchange controls.
- ✓ No capital gain tax/ inheritance tax.
- ✓ Double Tax Agreements between Malaysia and over 70 countries.
- ✓ 100% exemption for director's fees received by non-citizen directors of Labuan companies.

How is the taxation?

- ✓ A Labuan Company involved in securities 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.

What is the economic substance requirement (ESR)?

- ❑ Pursuant to Section 2B(1)(b) of LBATA, the Labuan entities shall, for the purpose of the Labuan business activity have,
 - ✓ An adequate number of full-time employees in Labuan and
 - ✓ An adequate amount of annual operating expenditure in Labuan, as prescribed by the Minister by regulations made under this Act.
- ❑ Section 2B (1A) of LBATA provides that a Labuan entity carrying on a Labuan business activity which 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.
- ❑ To benefit under LBATA, a Labuan securities licensee company will need to comply with the substance requirements of minimum number of two (2) full time employees in Labuan and an annual operating expenditure in Labuan of RM 100,000.



LICENSE FEE

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

- ✓ Annual fee - USD 1,500



ECONOMIC SUBSTANCE REQUIREMENT (ESR)

- ✓ To have an operational office in Labuan.
- ✓ To employ minimum two (2) full-time employees in Labuan, one must be in managerial position.
- ✓ To incurred annual operating expenses of at least RM100,000 in Labuan (equivalent in any foreign currency).

HOW TO APPLY?

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

Contact us now for a non-obligational consultation!

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