

LABUAN COMPANY

Fact Sheet

Labuan Financial Business > Company

Introduction

A Labuan company is a company incorporated or registered under the Labuan Companies Act 1990 (LCA 1990). Residents and non-residents of Malaysia are allowed to establish Labuan companies. Companies incorporated under this Act while meeting certain conditions, including the substance requirements will be taxed at preferential rates.

Characteristic of a Labuan Company Limited by Shares

Shares Capital	
Permitted Currency	In any foreign currency
Minimum share issue	One share in any denomination in foreign currency
Directors	
Minimum number	One
Residency requirements	Yes, any natural person who has attained the age of eighteen, who is otherwise of full legal capacity.
Meetings/frequency	Per Articles of Association
Shareholders	
Minimum number	One (either individual or corporate entity)
Public share registry	There are no public records of Labuan companies
Meetings/frequency	Yes, at least once annually
Accounts	
Annual return	File annually, not later than 30 days from the anniversary of the date of the incorporation of the Labuan company.
Audit requirements	Please refer to substance requirements section for Labuan Company.
Other	
Registered office	Yes, must be in Labuan, which shall be the principal office of a Labuan trust company
Domicile	Domicile is permitted

Annual Filing

Corporate tax

Labuan Entity under Labuan Business Tax Act shall submit its tax return within 3 months in each year of assessment, with an exception, the approval from Inland Revenue Board, Labuan, then such submission could be submitted later than the prescribed date.

Employer tax

All Labuan companies (including dormant company) shall submit its employer tax before every 31st of March.



NAMING

You may incorporate your new Labuan Company's name with its ending as following:

- ✓ the word "Corporation" or the word "Incorporated" or the abbreviation "Corp." or "Inc."
- ✓ the word "Limited" or the abbreviation "Ltd."
- ✓ the words "Public Limited Company" or the abbreviation "P.L.C."
- ✓ the words "Societe Anonyme" or "Sociedad Anonima" or the abbreviation "S.A."
- ✓ the words "Aktiengesellschaft" or the abbreviation "A.G."
- ✓ the words "Naamloze Vennootschap" or the abbreviation "N.V."
- ✓ the words "Perseroan Terbatas" or the abbreviation "P.T."



ADVANTAGES OF LABUAN

- ✓ NO withholding tax on payments of dividend or interest made to non-Resident.
- ✓ NO stamp duty on all instruments executed by Labuan entity in connection with Labuan business activity.
- ✓ NO foreign exchange controls.
- ✓ NO capital gain tax / inheritance tax.
- ✓ NO goods and services tax (GST) / sales and service tax (SST) / value added tax (VAT).
- ✓ Fully tax exemption for director's fee received by a foreigner.
- ✓ Enjoy DTA (Double Tax Avoidance) tax treaties with more than 70 countries.

[NOTE: A few countries have excluded Labuan]

Tax Regime in Labuan

Labuan jurisdiction is known as mid-shore where Labuan entity has two different tax systems, which are Income Tax Act 1967 and Labuan Business Activity Tax Act 1990 depending on the nature of business.

Labuan Business Activity Tax Act 1990

Labuan Trading Company

Labuan trading company are taxed under Labuan Business Activity Tax Act 1990 which is 3% of its audited net profit with fulfilled substance requirements.

Labuan Non-Trading Company

Labuan Non-Trading Company is also an investment holding company. A Labuan investment holding company is divided to two category which is pure and non-pure equity holding.

Labuan Non-Trading Companies are not subjected to tax (0% tax) with the submission of yearly management account and fulfilled substance requirement.



Document required for company incorporation

Individual (shareholder/director)

- ✓ Passport (foreigner) / NRIC (Malaysian)
- ✓ Proof of address (such as the most recent utility bill, which does not exceed 3 months)

For corporate's shareholder/director

- ✓ Company registration certificate
- ✓ Memorandum and Articles of Association
- ✓ Latest annual return

Did you comply ESR for investment holding?



0% tax



24% tax

Substance Requirement for Labuan Company

	Type	Tax	Audit Required	Substance Requirements	Remarks
	Dormant company	0%	No	No	Dormant company means no bank account (or no transaction) and no business operation.
	Trading Company	3%	Yes	<ul style="list-style-type: none"> • Minimum annual spending in Labuan: RM50,000. • Minimum of two full-time staffs in Labuan. 	Applicable to Labuan licensed entity and non-licensed business that carries out administrative, accounting, legal services, backroom processing, payroll services, talent management, agency services, insolvency related services and management services.
Non- Trading Company	Non-Pure equity holding company	0%	Optional	<ul style="list-style-type: none"> • Minimum annual spending in Labuan: RM20,000. • Minimum of one full-time staff in Labuan. 	Companies that hold a variety of assets and earn different types of income (e.g., rent, royalties, bond, sukuk, debt instrument, properties, securities).
	Pure equity holding company	0%	Optional	<ul style="list-style-type: none"> • Minimum annual spending: RM20,000. • Board meeting in Labuan at least once a year. 	Companies that hold equity participations and earn only dividends and capital gains.

Note: Failing to fulfil substance requirements, it is required to submit an audited account and pay 24% tax on audited profit. (For investment holding company)

HOW TO APPLY?

BBS Trust Int'l Limited can assist you for the Labuan Company incorporation.

Contact us now for a non-obligational consultation!

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