

LABUAN LEASING BUSINESS

Fact Sheet

Labuan Financial Business > Leasing

Introduction

Labuan leasing business mainly consists of firms which supply plant and machineries, ships, aircrafts or other large and specialised equipment to support the oil and gas as well as aviation industries.

In details, "Leasing business" is defined as the business of letting or sub-letting property on hire for the purpose of the use of such property by the hirer regardless whether the letting is with or without an option to purchase the property, including charters of ships (bare-boat basis). The assets leased under Labuan leasing business are expected to be big ticket items of high value or specialised assets.

Who is eligible to apply?

- ✓ A Labuan company incorporated under the Labuan Companies Act 1990 carrying out leasing business.

What are the requirements to operate?

- ✓ Have sufficient and positive capital or working funds which commensurates with the Labuan leasing business at all times.
- ✓ Directors and officers must be fit and proper person.
- ✓ Establish an adequate set of internal policies and controls for its operations, compliances, corporate governance and risk management.
- ✓ Ensure that all its leased assets are adequately insured.
- ✓ Maintain adequate and proper records and books of accounts in Labuan.
- ✓ Maintain bank account(s) under its name preferably in Labuan IBFC and/or Malaysia.
- ✓ The lease agreement shall be stamped and endorsed by the Collector of Stamp Duties, at the Stamp Duty Office of Inland Revenue Board of Malaysia, Labuan branch
- ✓ To fulfilled substance requirement (see substance requirement).

Reporting Requirements

- ✓ Appoint an approved external auditor to undertake an audit.
- ✓ Submit its audited financial statements to Labuan FSA within six (6) months after the close of each financial year.
- ✓ Provide statistics and information as may be required by Labuan FSA.

DEFINITION

It is the business of letting or sub-letting property on hire for the purpose of the use of such property by the hirer, regardless whether the letting is with or without an option to purchase the property. "Property" may include plant, machinery, aircrafts, ships (on bare-boat basis) or other chattel, moveable or immovable.



ANNUAL FEES

Annual licence fee is payable latest by 15 January of each year. Type of fees:

- ✓ Annual license fee of USD20,000
- ✓ Each subsequent approved lease transaction of USD6,000

How is the taxation?

Effect from 1st January 2019, Economic Substance Requirement (ESR) shall apply to all Labuan incorporated entities to have an adequate number of full-time employees in Labuan and to incur an adequate amount of annual operating expenditure in Labuan.

The tax rate is 3% of audited net profit provided that the Labuan incorporated entity complied with ESR throughout its basis period (accounting period). Failing which, the Labuan incorporated entity shall be charged a tax rate of 24% for that year of assessment.

What is the economic substance requirement (ESR)?

Labuan leasing company (including Labuan Islamic leasing company) has to establish substantial activity requirements in Labuan. Substance requirements shall include but not limited to the following factors: -

- ✓ **Physical presence:** Maintain operational office in Labuan
 - ✓ **Key leasing activities:** Core income generating activities are to be carried out from the Labuan office
 - ✓ **Annual business spending and employment:** Incur annual minimum operating expenditure in Labuan of RM100,000
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- Labuan leasing company which has not more than 10 related Labuan leasing companies: Minimum two (2) full-time employees for each group of companies;
 - Labuan leasing company which has 11 to 20 related Labuan leasing companies: Minimum three (3) full-time employees for each group of companies;
 - Labuan leasing company which has 21 to 30 related Labuan leasing companies: Minimum four (4) full-time employees for each group of companies;
 - Labuan leasing company which has more than 30 related Labuan leasing companies: One (1) additional employee for each group of companies for each increase of 10 related Labuan leasing companies.

HOW TO APPLY?

BBS Trust Int'l Limited can assist you for the application of Labuan Leasing Business.

Contact us now for a non-obligational consultation!

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