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HOW MALAYSIANS CAN BENEFIT FROM LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE (IBFC)

1. Introduction

- 1.1. In October 1990, the Malaysian Government declared the island of Labuan as an International Business and Financial Centre ("IBFC"). Strategically located in South East Asia coupled with rapid developments in the past decade, Labuan today has positioned itself as the ideal IBFC to serve the ever growing requirements of commercial and financial markets in the Asia-Pacific region.
- 1.2. Labuan was designated as a Federal Territory on the 16 April 1984 and is administered directly by the Ministry of Federal Territories and Urban Wellbeing of the Malaysian Government.
- 1.3. The objectives of the Federal Government in developing Labuan into an IBFC were:
 - (a) to complement the Malaysian onshore domestic financial system in Kuala Lumpur;
 - (b) to enhance Malaysia as an investment centre; and
 - (c) to promote the economic development of Labuan and its vicinity.
- 1.4. Today, Labuan has undergone rapid infrastructure and economic development. Various facilities have also been constructed to complement Labuan's status as an IBFC. These include:
 - (a) a new airport with the capacity to cater for regional flights within the South East Asia region;
 - (b) a teleport which was specially built to meet the needs of the IBFC;
 - (c) the establishment of a number of institutions of higher learning for the training of skilled work force. University Malaysia Sabah today has a business faculty in Labuan and a matriculation college catering for about 3,000 students had also been built;
 - (d) an integrated shipping port which is under construction;
 - (e) the ongoing beautification of the Island;
 - (f) an International Sea Sports Complex that is the host to various international marine events including the annual Labuan Sea Challenge; and
 - (g) a world class golf and country club.
- 1.5. With all the facilities currently being developed, it is anticipated that Labuan will not only stand out as a reputable IBFC but also as a unique tourist destination offering a wide range of attractive leisure activities.

2. Current Malaysian participation in Labuan IBFC

- 2.1. Since the declaration of Labuan as an IBFC, Malaysian involvement has been mainly in the provision of the following Labuan business services:
 - (a) Labuan Banking business and Labuan Islamic banking business



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- (b) Labuan Insurance and Insurance Related business
- (c) Labuan Takaful and Takaful Related business
- (d) Labuan Trust Companies
- (e) Fund Management
- (f) Labuan Leasing activities

2.2. Involvement of Malaysians in the provision of the above services to date has been relatively low. This could be perhaps just a lack of awareness by Malaysians on the opportunities, which exist in Labuan.

3. Tax Regime

3.1. Taxation of Labuan Entities in Labuan IBFC is governed by the Labuan Business Activity Tax Act 1990 ("LABATA").

3.2. Labuan Entities ("LE") consists of the followings:

- (a) a Labuan company ("LC");
- (b) a Labuan foundation established and registered under the Labuan Foundations Act 2010 ("LAFA");
- (c) a Labuan Islamic foundation established and registered under the Labuan Islamic Financial Services and Securities Act 2010 ("LIFSSA");
- (d) a Labuan Islamic partnership as defined in the LIFSSA;
- (e) a Labuan limited partnership established and registered under the Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 ("LLPLLPA");
- (f) a Labuan limited liability partnership established and registered under the LLPLLPA;
- (g) a Labuan Islamic trust as defined in the LIFSSA;
- (h) a Labuan trust as defined in the Labuan Trusts Act 1996 ("LATA");
- (i) a Malaysian Islamic bank licensee as defined in the LIFSSA;
- (j) a Malaysian bank licensee as defined in the Labuan Financial Services and Securities Act 2010 ("LAFSSA");
- (k) any Labuan financial institutions as defined in the Labuan Financial Services Authority Act 1996 [Any person providing Labuan financial services using entities which are incorporated, registered or established under the Labuan Companies Act 1990 ("LCA"), LABATA, LATA, LAFA, LIFSSA, LLPLLPA and LAFSSA];
- (l) any person declared by the Minister to be a Labuan entity.

3.3. Under LABATA, LE carrying on a Labuan trading activity has the option of paying tax at the rate of 3% of its audited net profits or a fixed rate of RM20,000 a year.

3.4. LE carrying on Labuan non-trading activity like investment holding, for the basis period for a year of assessment is not subject to tax for that year of assessment.

3.5. A LE carrying on both trading and non-trading activities will be treated as a Labuan trading company and hence taxed at 3% of net audited profits or a fixed rate of RM20,000 a year.



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- 3.6. “Labuan business activity” means a Labuan trading or a Labuan non-trading activity carried on in, from or through Labuan in a currency other than Malaysian currency, by a LE with non-resident or with another Labuan entity:

Provided that:

- (a) in relation to a Labuan entity carrying on any Labuan banking, Labuan insurance, Labuan Islamic banking, Labuan Takaful and Takaful related business, such activity may be carried on with residents, and where permitted, may be carried on in the Malaysian currency;
 - (b) in relation to the holding of investments by a LE in a domestic company, such holding may be with residents and in the Malaysian currency;
 - (c) subject to paragraph (f), in relation to the holding of debt obligations by a LE in a domestic company, such holding may be in the Malaysian currency;
 - (d) in relation to the shipping operations, the operations may be carried out in Labuan or outside Malaysia;
 - (e) subject to paragraph (f), in relation to the carrying on of such activity with the residents for the defraying of administrative and statutory expenses and payments for professional services, such activity may be carried on in the Malaysian currency; and
 - (f) in relation to the carrying on of any other transactions, such transactions may be carried on with the residents or in the Malaysian currency as approved by the Minister.
- 3.7. LE benefit from the various Double Tax Agreements and Investment Guarantee Agreements which the Malaysian government has concluded. Some countries however, do not recognize Labuan as a part of Malaysia for taxation purpose due to its IBFC status. To mitigate this non-recognition, as from 1 January 2008 a flexible tax regime has been introduced whereby LE are given the option of electing to be taxed under the local tax regime [Income Tax Act 1967- (“ITA”)] or the existing preferential tax regime (LABATA).
- 3.8. LE electing to pay tax under the ITA (such election shall be irrevocable) are taxed at the prevailing local tax rate (at 25% with effect from year of assessment 2010) and governed by all the provisions of the ITA.
- 3.9. This ITA election will enable the LE to have more certainty to the benefits of the double tax agreements which Malaysia has signed with over 70 treaty partners. The double tax agreements would render the withholding tax on the dividends and interest paid much reduced. There are also exemption in place whereby all **dividends and interest income** of LC received will be tax exempt (Para 28, Schedule 6 of the ITA). Similarly **dividends received** by the shareholders of the LC will be tax exempt.
- 3.10. Although the election to pay tax under ITA will subject the LE to 25% tax with effect from year of assessment 2009, the proper application of the relevant exemption provisions creates a situation whereby the **dividend and interest income** of the LC and the **dividend received** from a LC are not subject to any tax in Malaysia.



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- 3.11. LCs are exempted from paying stamp duty on all Labuan business transactions made by LC (including M&A and transfer of shares in LC).

4. Income Tax Exemptions

- 4.1. Income Tax (Exemption) (No. 22) Order 2007

The minister exempts from Malaysian Income tax on:-

- (a) dividends received by a LC;
- (b) dividends received from a LC which are paid, credited or distributed out of income derived from a Labuan business activity or, income exempt from tax; and
- (c) interest received from a LC by a resident person (other than a person licensed to carry on a business under the banking and Financial Institutions Act 1989, Islamic banking act 1983, Insurance Act 1996 or Takaful Act 1984).

- 4.2. Income Tax (Exemption) (No. 6) Order 2011

65% of statutory income from a source consisting of the provision of qualifying professional service (legal, accounting, financial or secretarial) rendered in Labuan by any person to a LE is exempt from Malaysian Income Tax. This Order is effective from year of assessment 2011 until the year of assessment 2020.

- 4.3. Income Tax (Exemption) (No.9) Order 2011

50% of gross Housing and Labuan Territory allowances received by an individual Malaysian citizen from exercising an employment in LE are exempt from Malaysian Income Tax. This Order is effective from year of assessment 2011 until year of assessment 2020.

5. Benefits to Malaysians

5.1. Labuan Trust Companies

- (a) Fit and Proper Malaysians can establish Labuan trust companies (LTC) under the LAFSSA. LTCs facilitate the establishment of Labuan companies, Labuan trusts, Labuan limited partnerships and Labuan limited liability partnerships, Labuan foundations and Labuan mutual funds.
- (b) LTCs also provide management, accounting, secretarial, resident directors and registered office to Labuan companies should these services be required.
- (c) Malaysians with the following qualifications are eligible to apply as a trust officer of the LTC:
 - (i) advocates and solicitors or persons who possess a degree in Law;
 - (ii) members of the Malaysian Institute of Accountants or any association of accountant approved by the Authority;
 - (iii) associates or fellows of any association of bankers, insurers or company secretaries or similar body recognized by the Authority;



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- (iv) persons who have served for an uninterrupted period of not less than ten years in any public service or a statutory body or in both, or a person who holds a position of trust, equivalent to the person aforesaid; or
- (v) persons recognized by the Authority as a person comparable to any of the persons above mentioned.
- (d) No person shall carry on or transact or hold himself out as carrying on or transacting any trust company business unless:
 - (i) the person is incorporated or registered under the LCA and such person is licensed to do so under LAFSSA; or
 - (ii) the person is licensed as a Labuan managed trust company.
- (e) A licensed trust company would be liable to tax under LABATA, having the option to elect to pay tax at 3% of audited net profit or RM20,000 per year.
- (f) Shareholders of LTC receive dividend income tax free by virtue of Paragraph 3(b) of the Income Tax (Exemption) (No. 22) Order 2007.
- (g) Currently still a small industry, setting up LTC would warrant serious consideration for Malaysians who are qualified to do so.

5.2 Labuan Company (LC)

- (a) Since 1997 Malaysians (both individuals and corporations) are allowed to own shares in LC incorporated under the LCA.
- (b) Such Malaysian owned LC may carry on business with a resident provided the LC notify the Authority of any transactions between the LC and the resident within ten working days of such transactions.
- (c) Income of such LCs are taxed at 3% of audited net profit or RM20,000 per annum or exempt from any tax if carrying on investment holding (Non trading) activities.
- (d) Income Tax (Exemption) (No. 22) Order 2007 exempts a person from tax dividends received from a LC, which derives income from Labuan business activity.
- (e) Income Tax (Exemption) (No. 22) Order 2007 further exempts the dividends of shareholders of a domestic company, which are paid out of the dividends received from a LC.
- (f) Although Schedule 6, paragraph 28 of the Income Tax Act 1967 exempt a resident company from payment of income tax in respect of income derived from sources outside Malaysia and received in Malaysia, it however, does not apply to company carrying on the business of banking and insurance. Thus such domestic banking and insurance companies, would be better off setting up a LC to do its outward investment or trading activity, the exemption of income tax on dividends received would be two-tier as indicated above.
- (g) Malaysian corporations can benefit from setting up a LC as the dividend payment from LC is a legitimate way of remitting foreign source income to Malaysia tax-free without having to show proof to the Inland Revenue Board that the income derived is indeed income from abroad which sometimes found to be difficult. For those companies that carry on international trading which does not involve Malaysian entity, using an LC would be a better way to go.



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- (h) There are other advantages in setting up a LC over a domestic company to carry on international business:
 - (i) less statutory compliance both on corporate and tax laws;
 - (ii) much easier to obtain work permits as they are issued out of Labuan specifically for officers of Labuan entities;
 - (iii) no foreign exchange control in Labuan; and
 - (iv) no audit requirement if election to pay tax at RM20,000 or being an investment holding company.
- (i) From the year of assessment 2004 onwards, the LC is entitled to a rebate of tax paid on any payment of *zakat* in the basis period for that year of assessment.

5.3. Labuan Banking

- (a) Under the LAFSSA, “Labuan banking business” means:
 - (i) the business of receiving deposits on current account, deposit account, savings account or any other account as may be specified by the Authority;
 - (ii) Labuan investment banking business;
 - (iii) Labuan financial business;
 - (iv) Labuan Islamic banking business;
 - (v) such other business as the Authority, with the approval of the Minister, may specify,in any currency (including ringgit where permitted by the Exchange Control Act 1953 or such other relevant law in force).
- (b) “Labuan financial business” means:
 - (i) building credit business;
 - (ii) credit token business;
 - (iii) development finance business;
 - (iv) leasing business;
 - (v) factoring business;
 - (vi) money-broking business;
 - (vii) Labuan Islamic financial business; or
 - (viii) such other business as the Authority, with the approval of the Minister, may specify,in any currency (including ringgit where permitted by the Exchange Control Act 1953 or such other relevant law in force);
- (c) Under LIFSSA, “Labuan Islamic banking business” means the carrying on of “Labuan banking business” in compliance with *Shariah* principles.
- (d) The applicant for a Labuan banking licence or Labuan Islamic banking licence must meet the following minimum criteria:-
 - (i) must be a bank or financial institution;
 - (ii) possess sound track record;
 - (iii) accorded a good credit rating by acceptable rating agencies;
 - (iv) supervised by a competent regulatory authority; and



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- (v) conform to generally accepted standards of international banking practices or BIS, as the case may be.
- (e) Malaysian Financial Institutions can set up branches or wholly owned subsidiaries in Labuan to have access to international borrowers and the opportunities to tap the global market. Opportunities also arise in new financial products and the acquisition of expertise, which would not be possible in the domestic banking industry.
- (f) These branches or Labuan subsidiary banks pay tax under the LABATA at the rate of 3% of audited net profits or RM20,000 whichever they may elect annually.
- (g) Dividends received by the domestic shareholders are exempt from Malaysian Income Tax and the exemption is two tier, i.e. shareholders of the domestic financial institution also enjoys exemption on the dividend received. [Para 3(b) of Income Tax (Exemption)(No.22) Order 2007].
- (h) Interests received from foreign currency deposits placed by Malaysians in Labuan financial institutions are exempt from tax. [Para 3(f) of Income Tax (Exemption)(No. 22) Order 2007].
- (i) Malaysians can tap the Labuan financial institutions for credit facilities in foreign currencies, subject to guidelines specified under Exchange Control of Malaysia Guidelines No.10 (ECM 10). Loan interests paid to Labuan financial institutions are exempt from any withholding tax.

5.4. Labuan Insurance and Labuan Takaful Business

- (a) Under LAFSSA, "Labuan insurance business" means insurance business which is not domestic insurance business and which is transacted in foreign currency, and includes takaful and retakaful business, Labuan captive insurance business and such other Labuan insurance business as may be approved by the Authority.
- (b) Under LIFSSA "Labuan takaful business" means takaful business which is not domestic takaful business and which is transacted in foreign currency, and includes Labuan captive takaful business, Labuan retakaful business and such other takaful business as may be approved by the Authority.
- (c) "takaful" means a scheme in compliance with *Shariah* principles based on brotherhood, solidarity and mutual assistance which provides for mutual financial aid and assistance to the participants in case of need whereby the participants mutually agree to contribute for that purpose.
- (d) Although not allowed to do domestic insurance business, exceptions are made for captive insurance and life insurers to insure Malaysian Multi National Corporations and high net worth Malaysians, in an effort to stimulate the development of the Labuan insurance and Labuan Takaful sector in Labuan.
- (e) Malaysian insurance companies can establish themselves in Labuan provided they meet the following criteria:
 - (i) well established insurer of reputable standing;
 - (ii) having a good track record; and
 - (iii) possessing the expertise and resource of appropriate staff.



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- (f) Approvals have been given by the Government for large Malaysian business groups with assets abroad to set up captive insurance operations in Labuan, to capture income which might otherwise be channeled to foreign insurers.
- (g) Labuan Captive Insurance business is an insurance business whereby the insured is a related company or an associated corporation of the Labuan captive insurer.
- (h) With a captive insurance unit, the owner benefits by:
 - (i) paying a fair premium for cover against its own risk exposure;
 - (ii) stable premium costs;
 - (iii) cost savings for the holding company;
 - (iv) direct access to reinsurance markets;
 - (v) improved cash flow for the holding company through better premium payment plans; and
 - (vi) faster claim payment.
- (i) Income is also generated by investing the premium pool. At the same time, the captive insurers will:
 - (i) have better risk management, which means smaller and less frequent claims;
 - (ii) be subject to fewer restrictions, besides providing cover that is not available in the general insurance market; and
 - (iii) be subject to income tax of 3% of audited net profits or RM20,000.
- (j) Labuan life insurers are allowed to sell life insurance policies including investment-linked insurance products denominated in foreign currency to high net-worth Malaysian residents.
- (k) A Malaysian high net-worth individual is defined as:
 - (i) for a single premium, a Malaysian resident who spends not less than the equivalent of RM20,000 in any foreign currency on a life insurance policy in Labuan;
 - (ii) for an annual premium, a Malaysia resident who spends not less than the equivalent of RM15,000 in any foreign currency on a life insurance policy in Labuan; or
 - (iii) in accordance with guidelines issued by the Authority from time to time.

5.5 Money Broking

- (a) Labuan “money-broking business” means the business of arranging transactions between buyers and sellers in the money or foreign exchange markets as an intermediary in consideration of brokerage fees paid or to be paid, but does not include the buying or selling of ringgit or foreign currencies as a principal in such markets.
- (b) Labuan money broking business is a Labuan financial business licensed by the Authority under the LAFSSA.
- (c) Applicant should meet the following minimum criteria:
 - (i) A licensed domestic money broker;
 - (ii) A LC incorporated under the LCA (with money broking expertise); or



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- (iii) Any licensed institutions under the Banking and Financial Institutions Act 1989 (“BAFIA”) with prior approval from Bank Negara Malaysia (Central Bank of Malaysia);
- (iv) Has a good track record of financial performance, at least in the three years preceding the application; and
- (v) Committed to setting up a functional operation in Labuan.
- (d) The applicant company must have a paid up capital of RM300,000 (unimpaired by losses) or its equivalent in any foreign currency. The company must inform the Authority of any changes in its shareholding structure and/or any erosion of paid up capital.
- (e) An annual fee of RM5,000 is payable to the Authority on or before every 15th day of January.
- (f) Conditions for obtaining a money broking licence in Labuan are as follows:
 - (i) must have a good track record;
 - (ii) must be committed to setting up a functional operation in Labuan;
 - (iii) have physical presence;
 - (iv) can only transact in foreign currencies;
 - (v) prohibited from dealing with Malaysians; and
 - (vi) must appoint an auditor for the LC.
- (g) There are, therefore, opportunities for a licensed domestic money broker and a domestic financial institution licensed under BAFIA to engage money broking business in Labuan and enjoys the preferential tax rate under LABATA.

5.6 Labuan Factoring

- (a) Labuan “factoring business” means the business of acquiring debts due to any person.
- (b) Labuan factoring business is a Labuan financial business licensed by the Authority under the LAFSSA.
- (c) Applicant should meet the following minimum criteria:
 - (i) a LC incorporated or registered under the LCA;
 - (ii) factoring companies registered under the BAFIA;
 - (iii) Special Purpose Vehicle (SPV) set up to facilitate inter-company factoring transactions; and
 - (iv) no adverse report from any reliable sources.
- (d) Conditions for obtaining a money broking licence in Labuan are as follows:
 - (i) must conduct its business with due diligence and sound principles and comply with the local laws and regulations where it services its clients;
 - (ii) must maintain a registered office in Labuan and all dealings must be done through the registered office in, from or through Labuan;
 - (iii) must maintain capital sufficient to manage the company’s daily operations
 - (iv) have physical presence;
 - (v) can only transact in foreign currencies;
 - (vi) prohibited from dealing with Malaysians; and



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- (vii) must appoint an auditor for the LC.
- (e) LC with the necessary expertise and Special Purpose Vehicles (SPV) established to facilitate inter-company factoring transactions are encouraged to set up operations in Labuan.

5.7 Labuan Leasing

- (a) Labuan “leasing business” means 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, and for the purpose of this definition, “property” includes any plant, machinery, equipment or other chattel attached or to be attached to the earth and “charters of ships” means bareboat charters only and does not include the transportation of passengers or cargo by sea or the charter of ships on a voyage or time charter
- (b) Labuan leasing business is a Labuan financial business licensed by the Authority under the LAFSSA.
- (c) Conditions for obtaining a Labuan leasing licence in Labuan are as follows:
 - (i) must conduct its business with due diligence and sound principles and comply with the local laws and regulations where it services its clients;
 - (ii) must maintain a registered office in Labuan and all dealings must be done through the registered office in, from or through Labuan;
 - (iii) must maintain capital sufficient to manage the company’s daily operations
 - (iv) have physical presence;
 - (v) can only transact in foreign currencies;
 - (vi) prohibited from dealing with Malaysians; and
 - (vii) must appoint an auditor for the LC.
- (d) Under the Labuan leasing guidelines, international leasing companies are allowed to conduct leasing business in Labuan with non-residents. Dealings with residents are limited to big-ticket items such as aircraft and ships subject to the approval from Bank Negara Malaysia and the Authority.
- (e) Domestic leasing companies governed by BAFIA and large international leasing companies are encouraged to undertake leasing business in Labuan.
- (f) Other entities that can do leasing business in Labuan are LC and SPV set up for inter-company leasing transactions.
- (g) Typical Labuan leasing transaction:
 - (i) If a Malaysian Company, for example Air XYZ, wants to lease a plane to meet the increase in demand, it could lease an aircraft from a foreign company by going through Labuan.
 - (ii) The Lessor would set up a LC to own the aircraft and lease the aircraft to Air XYZ.
 - (iii) Air XYZ’s leasing repayments to the LC would not be subject to any withholding tax as both are tax resident companies.
 - (iv) The LC only pays tax under LOBATA at 3% of audited net profits or RM20,000 per year.



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- (v) An arrangement like this would require the approval from the Authority and BNM.
- (h) There are now more than 150 Labuan leasing companies operating in Labuan. With the booming oil and gas industry in Labuan and Malaysia, there would be plenty of opportunities to conduct leasing of oil and gas related equipments in, from or through Labuan.
- (i) By conducting Labuan leasing business in Labuan with Malaysian residents, there is no withholding tax on the leasing charges paid by the domestic lessee and further the Labuan lessor is only taxed at 3% of the audited net profits or a maximum tax of RM20,000 if one is to elect this option. The tax savings will add up to a tremendous amount when the leasing charges are high.

5.8 Fund Management

- (a) Labuan Fund Management Company or manager is defined as a person who for valuable consideration provides management services alone, or with investment advice or administrative services in respect of securities for the purposes of investment, including dealing in securities, or such other activity as may be prescribed by the Authority.
- (b) A Malaysian licensed fund management companies, companies licensed in a recognised country of jurisdiction, or a LC set-up by individual fund managers who are licensed by the relevant home supervisory authority may apply to do Fund management activities in Labuan subject to the applicant meeting the guidelines set out by the Authority.
- (c) With a one-time approval from the Authority, Labuan fund management companies can invest in shares of Malaysian companies as long as the investment does not yield a controlling stake in the company. Subsequent sales and purchases of the investments do not require further approval.
- (d) The paid-up capital of the applicant shall be at least an amount equivalent to RM300,000 in any other currency. The annual licence fee payable to the Authority is as follows:
 - (i) for companies which operate from outside Labuan, the fee is RM10,000; and
 - (ii) for companies which operate from within Labuan, the fee is RM5,000.
- (e) Conditions for obtaining a fund manager licence in Labuan are as follows:
 - (i) must have a good track record;
 - (ii) must maintain a registered office in Labuan and all dealings must be done through the registered office in, from or through Labuan;
 - (iii) the applicant company must be active in its operations;
 - (iv) can only transact in foreign currencies and not deal in ringgit except solely for the purpose of defraying administrative and statutory expenses;
 - (v) prohibited from dealing with Malaysians; and
 - (vi) must appoint an auditor for the LC.
- (f) Malaysian licensed fund managers are encouraged to set up shop in Labuan to tap the business opportunities for the Asia Pacific regions. The Labuan set



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up will definitely minimize the tax exposure of the fund thus maximizing the returns on the investments for the investors.

5.9 Structured Finance

- (a) Malaysian companies (MC) are allowed to set up LC as SPV to issue debt instruments to raise foreign currency funds for their funding requirements (eg. By issuing notes, debentures, warrant or other debt or securities instruments).
- (b) The MC receives the fund raised by the SPV as inter-company loan and any interest paid by the MC to the SPV is not subject to withholding tax under Section 109 of the ITA if both the MC and SPV are tax resident in Malaysia.
- (c) Interest income received from the debts instruments issued by the LC is not subject to tax under LABATA while the MC can claim interest deduction under ITA.
- (d) LC is not subject to any exchange control. However, the MC must obtain prior approval from BNM and the Authority to set up the SPV to do the foreign borrowings.
- (e) Debt instruments of LC may be listed on LFX for marketability.

5.10 Labuan International Financial Exchange (LFX)

- (a) One of the exciting development in Labuan IBFC is the Labuan International Financial Exchange (LFX) which was officially launched in November 2000.
- (b) Being a subsidiary of the Bursa Malaysia, LFX has the necessary backing and expertise to become a successful international exchange.
- (c) It is also unique in that it is a 24-hour exchange, with trading being done in foreign currencies and through the Internet.
- (d) With the principle of flexibility in mind, the authorities have designed LFX to be an exchange that will provide the listing and trading facilities for a wide range of financial and non financial products, including and not limited to equities, debt instruments, mutual funds, debentures, bonds, derivatives and intellectual properties.
- (e) Companies with MSC status are allowed to list shares on LFX.
- (f) MC can set up a LC as SPV to issue debt instruments such as notes, debenture or bonds that can be listed on LFX. LFX listing requirements are not as strict as that of the onshore exchange.
- (g) The listing of debt instruments of a LC would be a cheaper way of raising capital from foreign source without having to meet the stringent listing requirements of KLSE or other onshore stock exchanges.

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