



© Z/Yen Group  
2020

# Financial Centres Of The World 2020

## Focus On Labuan IBFC



14 October 2020



Financial Centre Futures





© Z/Yen Group  
2020

# Focus On Labuan IBFC



**Farah Jaafar-Crossby**  
Chief Executive Officer  
Labuan IBFC Incorporated  
Sdn Bhd



**Mike Wardle**  
Head Of Indices  
Z/Yen Group





© Z/Yen Group  
2020

# Agenda



09:00 – 09:05

Welcoming Remarks

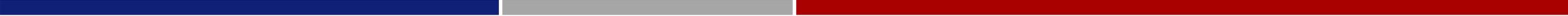
09:05 – 09:30

Overview of Labuan IBFC as an International  
Financial Centre

09:30 – 09:45

Audience Q&A





**Focus on Labuan IBFC:**  
***“Asia's Substance Enabling Midshore Jurisdiction”***

Farah Jaafar-Crossby  
Chief Executive Officer  
Labuan IBFC Inc.

**14 October 2020**



# Where is Labuan?



- Part of Malaysia, Borneo
- A Federal Territory under the Federal Government
- Off the coast of Sabah, East Malaysia, in the center of Asia
- Easy access from Kuala Lumpur and Kota Kinabalu
- About 100,000 population
- Home to Asia's deepest natural port
- A key oil and gas servicing depot for west Borneo

## 30 Years of Intermediating Asia ... Your corporate “home” away from home



- An international business and financial centre set up by Malaysia in 1990 to intermediate trade, finance, risk and assets in Asia.
- A tax-efficient substance enabling **MID-SHORE** jurisdiction to facilitate businesses, trading, investments through financial services and a wide array of legal structures.
- Well-balanced legal and regulatory framework, proportionality in regulatory stance.
- Robust governing legislations passed by the Malaysian Parliament, administered by Labuan Financial Services Authority, a statutory body under the Ministry of Finance, Malaysia.
- All provisions perpetual in nature, not time bound
- Adheres to Malaysia’s AMLCFT requirements and international standards and best practices set by multilateral global institutions.
- Tax, currency and legally agnostic

# Internationally Recognized... Comprehensive Suite of Legislation



# A Complete Ecosystem of Structures & Solutions



## COMPANIES

- ▶ Trading
- ▶ Investment holding



## BANKING

- ▶ Commercial banking
- ▶ Investment banking



## INSURANCE

- ▶ Direct insurance
- ▶ Reinsurance
- ▶ Insurance broking
- ▶ Captive insurance
- ▶ Underwriting and insurance manager



## LEASING

- ▶ Big-ticket items including aircrafts, ships and support-vessels
- ▶ Specialised plants, machineries and equipment



## TRUST COMPANIES

- ▶ Corporate secretarial services
- ▶ Company administration
- ▶ Trustee services
- ▶ Custody services
- ▶ Accounting, tax and advisory services



## WEALTH MANAGEMENT

- ▶ Trust
- ▶ Foundation
- ▶ Family office



## CAPITAL MARKET

- ▶ Private and public funds
- ▶ Fund management
- ▶ Securities licensee business
- ▶ Fund administration
- ▶ Exchange



## DIGITAL MARKET

- ▶ Money broking
- ▶ Credit token
- ▶ Payment system



## COMMODITY TRADING

- ▶ Petroleum and petroleum-related products and LNG
- ▶ Agriculture
- ▶ Base minerals
- ▶ Chemicals
- ▶ Refined raw materials

# Tax Structure and Other Benefits

- Trading income taxed at 3% of net audited profit
- Non-trading income attracts no tax
- Clear and prescribed Substance Requirements based on license category
- Option to elect a higher domestic tax rate @ 24%



- No withholding tax on dividends, interest, royalties, service fees and lease payments to non-residents
- No stamp duty
- Access to Malaysia's 70+ double taxation agreements
- Provides access to reside in Malaysia, if required

Provisions enshrined in the **Labuan Business Activity Tax Act 1990**

## Why Midshore? It's a Balance...

- Labuan is part of Malaysia, one of Asia's fastest growing nations. Labuan IBFC is thus part of all the protocols the country adheres to, such as anti-money laundering and anti-terrorism financing regulatory requirements.
- Labuan IBFC offers a combination of the ease of doing business and adherence to robust international standards in regulatory and supervisory frameworks, layered with proportionality in regulatory stance.
- Conformity to international standards and regulatory requirements by international standards setting bodies such as OECD, APG, FATF, have always been key to Labuan IBFC.
- Labuan IBFC has put in place relevant legislation to allow the exchange of information with the tax authorities of Malaysia's double tax treaty partners as well as the tax information exchange agreements signed by Malaysia.
- The range of unique and bespoke structures are cost-efficient, tax and currency neutral.
- Labuan IBFC has never accepted bearer shares in the entire 30 years of its existence, nor has cash transactions ever been carried out via its banking system. This is the level of transparency practiced by the jurisdiction and yet confidentiality remains paramount.

## Meeting the Need for Substance

- Substance is used in assessing cross-border tax situations that call into question the level of operational activity and decision-making process that is conducted in a jurisdiction.
- An entity is required to demonstrate it has a functional structure such as a physical office, staff administering the day-to-day operations and the necessary operating tools or equipment, to evidence economic substance in that jurisdiction.
- Without these operational requirements, tax authorities may conclude that key decisions are made outside the jurisdiction and hence not availing that entity to the preferential tax rate in that jurisdiction.
- In Labuan IBFC, to evidence economic substance, aside from mind, management and control, there is also a requirement to have a prescribed number of employees and an annual operating expenditure in Labuan.
- This approach has created tax and operational certainty for all entities operating in Labuan IBFC, as these requirements are based on the types of activities that a Labuan entity is undertaking.
- Example: for a Labuan trading company, the minimum substance is 2 full time employees and minimum spend of MYR 50,000 (about USD12,000). For a bank or an insurance entity, the minimum requirement for employees is similar and the spend is in the range of MYR100,000 to MYR200,000.

## Why Labuan IBFC?

- It is strategically located, shares a similar time zone and easy access to markets in Asia.
- It is a robust and well-regulated jurisdiction, conforming to international standards and best practices
  - Malaysia (which includes Labuan) is regarded as a “whitelisted” jurisdiction by the European Union. Labuan is part of Malaysia and is assessed by the European Union via its assessment of Malaysia
  - The Labuan regime has been classified as “not harmful” by the OECD
- It is legislated by a common law framework, offering a comprehensive suite of legislation enabling companies to create bespoke solutions for business growth and innovation.
- Currency neutrality – operations can be in any currency supported by your bankers .
- Tax efficiency and access to Malaysia’s DTAs.
- Cost-effective, substance-enabling jurisdiction with tax certainty.
- Businesses have access to a large pool of highly skilled workforce, proficient in English, Mandarin and Bahasa Malaysia.
- Work permit and dependent visa(s) to stay in Labuan and/or Malaysia are available.
- Labuan companies are recognised and accepted by Labuan International Financial Exchange (LFX), Singapore Exchange Limited (SGX), Hong Kong Exchange (HKEX) and National Stock Exchange of Australia (NSX).



**Labuan IBFC**  
International Business and  
Financial Centre, Malaysia

**Thank You**

# Disclaimer

This presentation should not be regarded as offering a complete explanation of the matters referred to and is subject to changes in law. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Labuan IBFC cannot accept any responsibility for loss occasional to any person acting or refraining from action as a result of any material in this presentation. The republication, reproduction or commercial use of any part of this presentation in any manner whatsoever, including electronically, without the prior written permission from Labuan IBFC Inc. is strictly prohibited.



# Questions, Comments, Answers?



© Z/Yen Group  
2020



# FS Club

Platinum Sponsors



Gold Sponsors



Silver Sponsors



Bronze Sponsors



Personal Sponsors





© Z/Yen Group  
2020

# Thank You



Global Financial Centres Index 28 September 2020



Take the GFCI survey at:

[www.globalfinancialcentres.net/survey/](http://www.globalfinancialcentres.net/survey/)



@ZyenLF

