



Malaysia (Labuan) Fact Sheet

GENERAL INFORMATION

Company type	Private Limited Company
Timeframe for company formation	10 - 14 days*
Governing corporate legislation	Labuan companies are regulated under The Labuan Companies Act 1990 ("LCA 1990")
Legal system	Common Law
Corporate taxation	Labuan corporate tax rate is 3% (24% if the nature of business does not fall under any of the Labuan Business Activities Tax Act 1990).
Accessibility of records	Upon registration of the company, the names of company officers and shareholders will appear on public record.
Time zone	GMT + 8
Currency	Malaysian Ringgit (MYR)

SHARE CAPITAL

Standard currency	USD
Standard authorised capital	Not applicable
Minimum paid up	USD 1

SHAREHOLDERS, DIRECTORS AND COMPANY OFFICERS

Minimum number of Shareholders	1
Minimum number of Directors	1
Locally-based requirement	Yes
Bearer shares	No
Requirement to appoint resident Company Secretary	Yes

ACCOUNTING REQUIREMENTS

Requirement to prepare accounts	Yes
Requirement to appoint auditor	Required for Labuan companies which carry on Labuan Business Activities and licensed companies
Requirement to file accounts	Yes
Accessibility of accounts	No
Requirement to file annual return	Yes

DOCUMENT REQUIREMENTS**

- Certified copy of valid passport
- Certified copy of a proof of domicile dated less than three months in English or translated into English
- Curriculum vitae
- 2 professional reference letters (banker, lawyer or accountant)
- Last 3 months' bank statement

INCORPORATION FEES

Initial set-up and first year	USD 3700
Per year from second year	USD 2000

GOOD TO KNOW

As well as the low Corporate Tax rate of 3% (24% on chargeable income if the nature of business does not fall under any of the Labuan Business Activities Tax Act 1990), there are many other benefits of doing business in Labuan. For example, Labuan provides an attractive base for many multinational corporations and entrepreneurs.



JURISDICTION INFORMATION

Officially the Federal Territory of Labuan, is a Federal Territory of Malaysia. Its territory includes Labuan Island and six smaller islands, off the coast of the state of Sabah in East Malaysia. Labuan's capital is Victoria and is best known as an offshore financial center offering international financial and business services via Labuan IBFC since 1990 as well as being an offshore support hub for deepwater oil and gas activities in the region. It is also a tourist destination for people travelling through Sabah, nearby Bruneians and scuba divers. The name Labuan derives from the Malay word labuhan which means harbour.

POLITICAL STRUCTURE

Labuan is one of the Malaysian federal government territories. The island is administered by the federal government through the Ministry of Federal Territories. Labuan Corporation is the municipal government for the island and is headed by a chairman who is responsible for development and administration of the island. Labuan has one representative in each of the Lower and Upper Houses of Parliament. Typically, the current member of parliament of Labuan will be appointed to become chairman of Labuan Corporation.

ECONOMY

The Gross Domestic Product (GDP) of Labuan is estimated at MYR 3.63 billion in 2012 with a growth rate of 5.8 percent. Labuan GDP per capita in 2012 is MYR 39,682. The total employment for Labuan is around 39,800 in 2012. The main economic sectors in Labuan are services and manufacturing which contributed 94.6 percent to the island GDP. The service sector consisted mainly of Finance, Insurance, Real Estate and Business Services. Meanwhile, the manufacturing sector consists mainly of oil and gas industry.

The Labuan International Business and Financial Centre Labuan IBFC was created as Malaysia's only offshore financial hub in October 1990 and was operating under the name of Labuan International Offshore Financial Centre (IOFC). At the time, it was established to strengthen the contribution of financial services to the Gross National Product (GNP) of Malaysia as well as to develop the island and its surrounding vicinity. The jurisdiction, supervised by the Labuan Offshore Financial Services Authority or LOFSA, offers benefits such as 3% tax on net audited results or a flat rate of Malaysian Ringgit (MYR) 20,000 to trading companies; low operational costs; liberal exchange controls; and a host of other advantages including readily available, experienced and professional service providers. In 2010 the notion "offshore" was excluded from all the statutes of Labuan due to world pressure on the tax havens and offshore.

POPULATION

Labuan's population, according to Malaysia's Department of Statistics, was 86,908 at the 2010 Census, and 95,120 at the 2020 Census. The ethnic composition in 2010 in Labuan was: Brunei Malay and Kedayan (30,001), Kadazan-Dusun including/excluding Rungus (7,380), Bajau (6,300), Murut and Lun Bawang/Lundayeh (701), Chinese (10,014), Indians (641), other ethnic groups (19,727), and non-Malaysian citizens (12,144). The majority of Chinese people in Labuan are from the Hokkien dialect group (but has been since decreasing due to migration to the Peninsula as well as overseas); however, there are also many Hakkas, most of whom are migrants or descendants of migrants from mainland Sabah as well as local-born Hakkas, whom are settled for more than 2 to 3 generations in the island dating as long as the colonial period, in which they came as stopover migrants or traders before embarking to the mainland (even when it was still an only island offshore municipality within Sabah state jurisdiction from 1963 to 1984) as well as a negligible minority of Fuzhounese from neighboring Sarawak, mostly working as government staff and those posted in the petroleum and gas offshore industries and to a lesser extent a large minority of Dayaks also from Sarawak who are resident here and their local-born descendants whom are mostly ethnically Iban with pockets of Bidayuh and Orang Ulu residents.

As of 2010 Census the population of Labuan is 76.0% Muslim, 12.4% Christian, 9.0% Buddhist, 0.4% Hindu, 2.1% follower of other religions, and 0.1% non-religious.

LANGUAGE

The Official Language is Bahasa Malayu. However, English is widely spoken and many documents and publications are available in English.

TAXATION

Labuan Business Activity Tax Act 1990 ("LBATA") governs the imposition, assessment, and collection of tax on a Labuan business activity carried on by a Labuan entity in, from or through Labuan.

The tax rate applicable to a Labuan entity is 3% on the chargeable income from Labuan trading activities only.

This means the income from the Labuan non-trading activities (i.e. the passive holding of investments in securities, stocks, shares, loans, deposits or other properties) of a Labuan entity is not subject to tax at all.

TAXATION

Labuan entities that carry on a non-Labuan business activity are subject to the provisions of the Malaysian Income Tax Act, 1967 (“ITA”).

“Labuan business activity” are referred to as a Labuan trading or a Labuan non-trading activity carried on in, from or through Labuan, excluding any activity which is an offence under any written law.

COMPANY FORMATION INFORMATION

INCORPORATION PROCEDURE

Incorporation of a Labuan company in Labuan IBFC must be done through a Labuan trust company. The application should be submitted together with the Memorandum and Articles of Association, consent letter to act as director, statutory declaration of compliance as well as payment of registration fees based on paid-up capital.

INCORPORATION TIMEFRAME

The procedures for incorporation are simplified as much as possible, so its process can take no more than 10-14 days.

TRADING RESTRICTIONS

Business transactions of Labuan companies must be made in currencies other than the Malaysian Ringgit, except for the purpose of defraying administrative and statutory expenses as well as receiving fees and commissions.

NAME RESTRICTIONS

The client may choose any name, but Labuan FSA has the discretion to reject the name if it is undesirable or involves a name that the Registrar is not willing to accept. The name shall contain any word or abbreviation thereof in the national language of any country with an accurate and certified rendition of the name in the English language provided. Approval by the Registrar is within 24 hours, and the name will be reserved for a period of three months.

CORPORATE DOCUMENTS LANGUAGE

English

NOTES

* Subject to the constraints of the due diligence procedure.

** Documents must be provided for every person related to the company.

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