

## GENERAL INFORMATION ON LABUAN COMPANIES

### A. PROPOSED NAME OF COMPANY

- i. All Labuan companies must have as part of its name any word or abbreviation thereof in the national language of any country that connotes a company limited by shares, guarantee or unlimited company, e.g.
  - (a) word “Corporation” or the word “Incorporated” or the abbreviation “Corp.” or “Inc.”;
  - (b) word “Limited” or the abbreviation “Ltd.”;
  - (c) words “Public Limited Company” or the abbreviation “P.L.C.”;
  - (d) words “Societe Anonyme” or “Sociedad Anonima” or the abbreviation “S.A.”;
  - (e) word “Aktiengesellschaft” or the abbreviation “A.G.”;
- ii. A person or corporate desiring to form a Labuan company must first submit a name search application and may choose any name. Approval of the name shall be at the discretion of the Registrar. Approval by the Registrar is within 24 hours, and the name will be reserved for a period of three months.

### B. INCORPORATION

- i. Following the name search, the application for incorporation must be accompanied by the signed memorandum and articles of the proposed company, statutory declaration by an officer of the company (Form 6) and consent in writing of the person(s) to be appointed as director(s) of the Labuan company (Form 24), along with the relevant fees. Approval by the Registrar is within 24 hours.
- ii. Incorporation fees paid to the Registrar are as follows:

(a)	Memorandum & Articles of Association	<u>RM</u> 100
(b)	Paid up share Capital	See Section D below

### C. BUSINESS ACTIVITIES

- i. A Labuan company can be incorporated to undertake any lawful purposes. However, a Labuan company is prohibited from carrying on banking or insurance businesses unless licensed under the relevant legislation. A Labuan company is now allowed (where previously it was disallowed

unless prior approval was obtained from the authority) to carry on business with residents of Malaysia. Note that any income derived from such business transactions with residents would be taxed under the Income Tax Act 1967 and not the Labuan Business Activity Tax Act. The Labuan company must notify the Registrar in the prescribed form within 10 working days of entering into certain transactions.

- ii. Labuan companies are only permitted to transact in foreign currencies. They cannot carry on business in the Malaysian currency except for defraying their administrative and statutory expenses.

#### D. CAPITAL

- i. The number of shares and the denomination are to be stated. Shares of Labuan companies do not have par value.
- ii. A Labuan company may issue shares of different classes and of different rights, but bearer shares are not allowed. All prices and values given in respect of shares must be expressed in a currency other than the Malaysian Ringgit. The minimum number of share to be issued is one share.
- iii. The fee payable on paid up share capital is as follows:

PAID UP CAPITAL IN RINGGIT EQUIVALENT	FEE PAYABLE (RM)
Paid up capital not exceeding the equivalent value of RM50,000	1,000
Paid up capital exceeding the equivalent value of RM50,000 but less than the equivalent value of RM1 million	2,000
Paid up capital exceeding the equivalent value of RM1 million	5,000

- iv. There is generally no minimum capital requirement for a Labuan company (unless it is an offshore bank, offshore insurance company or trust company). The minimum capital duty payable to the Registrar is RM1,000 for a paid up capital of up to the equivalent of RM50,000/-. For this reason, Labuan companies are normally incorporated with a capital of not more than the equivalent of RM50,000/-.

#### E. SHAREHOLDERS

- i. The minimum number of shareholders for a Labuan company is one and this can be a natural person or a body corporate. *Tricor Trustco* can provide you with nominee shareholder(s).
- ii. Residents of Malaysia are permitted to hold shares, debt obligations or other securities in a Labuan company. Similarly, a Labuan company may now hold shares in domestic companies without seeking prior approval from the Labuan Financial Services Authority (Labuan FSA).

## **F. DIRECTORS**

- i. A Labuan company is required to have at least one director who may be a resident director. A director can be a natural person or a corporate director.
- ii. The appointment of a *resident director* is optional, but if one is appointed, he/she must be an officer of a trust company or a domestic company wholly owned by a trust company. *Tricor Trustco* can provide you with nominee director(s).

## **G. RESIDENT SECRETARY**

It is mandatory under the Labuan Companies Act (LCA) to have at least one resident secretary who must be an officer of a trust company or a domestic company wholly owned by a trust company made available for the appointment. *Tricor Trustco* can provide you with a resident secretary.

## **H. REGISTERED OFFICE**

Every Labuan company must have a registered office in Labuan, which has to be the principal office of a trust company.

## **I. BANK ACCOUNTS**

- i. A Labuan company may open bank accounts anywhere in the world including in Labuan and in any denomination except Israeli Shekels. It may have an account in Malaysian Ringgit, provided the account shall be funded by Ringgit from the sale of foreign currencies or from credit facilities in Ringgit. However, there are restrictions to the usage of the Ringgit in Labuan as mentioned above.
- ii. We can assist by obtaining application forms and providing corporate details for the opening of the bank account(s) if required.

## **J. ACCOUNTS AND AUDIT**

- i. A Labuan company must keep proper accounting and other records, which shall be kept at the registered office of the Labuan company or at such other place in Labuan. All transactions must be registered in the accounting records within 90 days of their completion.
- ii. Accounts need not be audited unless the Labuan company elects to be taxed at 3% (of its net profits).
- iii. Accounts, whether audited or unaudited, must be tabled to the members of the Labuan company not more than nine months after the date to which the audited accounts or unaudited accounts are made up. Audited accounts, if prepared, must be filed with the Registrar within one month after they are presented to the members.

**K. ANNUAL GOVERNMENT FEE**

The annual government fee is RM2,600 (equivalent to about USD870) and shall be payable on or before the anniversary of the date of incorporation of the Labuan company.

**L. ANNUAL RETURN**

A Labuan company must file an annual return with the Registrar, once in each calendar year, not later than 30 days prior to the anniversary of the date of its incorporation.

**M. ANNUAL GENERAL MEETINGS AND BOARD MEETINGS**

- i. There is no requirement to hold annual general meetings or board meetings under the LCA although a Labuan company may, in its Articles of Association, determine otherwise. Notwithstanding that, there is a requirement under the LCA to table the management or audited accounts of the Labuan company to its members.
- ii. Board meetings, if convened, can be held anywhere unless proof of Labuan tax residence is required. In such cases, a board meeting must be held in Labuan or anywhere in Malaysia. Proof of residence must be applied annually.

**N. PLACE OF BUSINESS IN MALAYSIA**

A Labuan company is allowed to operate in, from or through Labuan. A Labuan company is also allowed to set up a marketing, management or operational office in Peninsular Malaysia (West Malaysia), with prior approval of Labuan FSA and subject to restrictions and conditions.

**O. EXCHANGE CONTROLS**

Unless they are dealing with Malaysian companies or in the Malaysian currency, Labuan companies are not subject to any exchange controls. Movement of capital is unrestricted.

**P. CONTINUATION OF REGISTRATION IN AND OUT OF LABUAN**

Foreign companies incorporated and existing under the laws of another country may register to continue business in Labuan. Similarly, Labuan companies may migrate to another jurisdiction.