



LAW & COMMERCE TRUST LIMITED

Level 2, Lot 19, Lazenda Commercial Centre, Phase 3, 87007 F.T. Labuan, Malaysia

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On-Going Maintenance & Compliance:

Account & audit: A Labuan company must keep its financial records which clearly show its financial position. This would mean keeping accounts up to trial balance at least. For trading company, it is compulsory for an audited account to be made and submitted to relevant authorities every financial year. For non-trading company (investment holdings), the requirement to have its financial statement to be audited depending on whether the [economic substance regulation](#) is complied. Audit must be done by an approved Labuan auditor – which list will be provided to you upon request.

Appointment of auditor: Appointment of auditor must be done and registered to the Labuan FSA by us as the Company's Secretary. From the list of Labuan approved auditors, there are a few audit firms that we have been working very closely with. Please do not hesitate to let us know if you require any recommendation from us.

Taxation: A Labuan entity consist of both **trading** and **non-trading** companies in which their business activity must be as specified in the list [here](#). The term "trading activity" includes banking, insurance, trading, management, licensing or any other activity which is not non-trading activity. The term "non-trading activity" refers to activity relating to the holding of investments in securities, stock, shares, loans, deposits and immovable properties by a company on its own behalf.

The taxation of Labuan entity is at the minimum rate of **3% (Trading)** or **0% (Non-Trading)** upon their chargeable profits based on audit.

However, any Labuan entity which fails to comply with the economic substance regulation; that is to have an adequate number of full-time employees in Labuan and adequate amount of annual operating expenditure in Labuan, for a basis period for a year of assessment, shall be charged to tax at the rate of 24% of its audited net profit.

Tax filing is made every year on or before 31st March. Further extension may be applied if required.

If your company remains [dormant](#) after incorporation, no tax is needed to be paid, in which case we will file tax return for a dormant company.

Election to be taxed under ITA 1967

A Labuan company is now allowed to elect to be taxed under the Income Tax Act 1967 and pay tax at a rate that varies depending on year of assessment as well as the company's paid-up capital in the particular financial year. This will enable the company to derive benefits from Malaysia's numerous DTTs. This election is **irrevocable** and if made will subject the company to all provisions under the ITA. Any income that is derived from intellectual property right is also subject to tax under ITA 1967.



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Account, audit & taxation summary:

	Nature of business	Taxing statute	Tax rate	When tax payable?	Is account required?	Filing of a/c with IRB	Filing of a/c with Lofsa
Trading Company	The term "trading activity" includes banking, insurance, trading, management, licensing or any other activity which is not a non-trading activity.	LBATA ¹ 1990	3% or 24%	On or before 31 st March every year	YES	YES	YES
Non-trading company	The term "non-trading activity" refers to activity relating to the holding of investments in securities, stock, shares, loans, deposits and immovable properties by a Labuan company on its own behalf.	LBATA 1990	0% or 24%		YES	YES	YES
Labuan company electing to be taxed under ITA 1967	Applies to trading and non-trading	ITA ² 1967	Tax rate varies with year of assessment and company's paid-up capital	Advance tax payable monthly	YES	YES	NO/YES

¹ Labuan Business Activity Tax Act 1990

² Income Tax Act 1997