



The Labuan Company (Malaysia)

Labuan - General

The Federal Territory of Labuan, which is part of Malaysia, consists of 7 small islands of which Pualu Labuan is the biggest. The islands have a combined total area of 92km² and round about 50'000 inhabitants. Labuan is on the northern edge of Brunei Bay facing the South China Sea.

Labuan's economy is well developed and the island is known as offshore financial center. More than 50 of the world's top banks have branches in Labuan. The legal system is based on English laws.

In 1989, the Government of Malaysia declared the Federal Territory of Labuan as an international Offshore Financial Centre and decreed several new offshore acts. In addition the Labuan Offshore Financial Service Authority (LOFSA) has been set up as the sole regulatory body.





Characteristics of a Labuan Company

Business Purpose	<p>An offshore company may not carry on business with a resident of Malaysia. Furthermore business in the field of shipping operations, crude oil and gas as well as trust companies are not allowed. Certain businesses like banking, insurance or similar need a license.</p> <p>An offshore company may not carry on business in the Malaysian currency except for defraying its administrative and statutory expenses.</p>
Name of the Company	<p>The Company's name may be registered in any language providing roman characters are used. Such names must contain an indication as to the legal form such as "Corporation", "Incorporated", "Soci�t� Anonyme" or abbreviations thereof ("Inc.", "SA", etc.)</p>
Authorized Capital	<p>No minimum requirements. Standard authorized capital of USD 10'000 (or equivalent to USD 10'000 in any currency, other than Malaysian Ringgit (MYR))</p>
Shareholder	<p>The minimum number of shareholders required for an offshore company is one. The shareholder may be an individual or corporate entity.</p>
Shares	<p>Bearer shares or shares without a par value are not allowed.</p>





Board of Directors

The law provides that at least one director (natural or juridical) and one secretary shall compose the board of directors. The secretary must be a Malaysian citizen or holder of a resident permit. There are no restrictions as to nationality and domicile of the directors.

Accounting

The accounting records of an offshore company shall be kept in Labuan. It is the responsibility of directors to ensure that transactions are entered into the company's books. An offshore company is not required to appoint an auditor as long as:

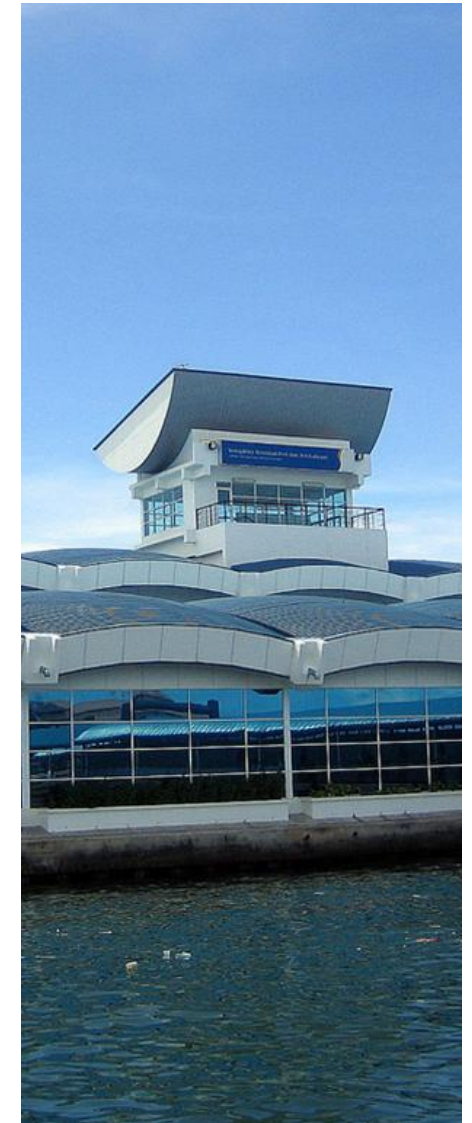
- it is not a licensed entity registered with LOFSA
- the company does not issue an invitation to the public to subscribe for shares or debentures in the company or to deposit money with, or lend money to, the company
- the members of the company resolve at a general meeting not to appoint an auditor

General Meeting

Members' and directors' meetings may be held within or outside Labuan. Meetings by telephone or other electronic means are valid and proxies are allowed to speak at meetings.

Redomiciliation

A foreign company incorporated under the laws of any country other than Malaysia may apply to be registered as being continued in Labuan.





Taxation

Offshore trading activity is taxed either at a rate of 3 % on chargeable profits or an election to pay a flat tax of MYR 20'000 (approx. CHF 7'000, EUR 4'250, USD 5'800). Offshore non-trading activity is not taxable. Malaysia's double taxation agreements are not valid for Labuan.

Labuan offshore companies offer the benefit of being able to access certain of Malaysia's double taxation agreements for the minimization of withholding and capital gains taxes. Certain countries with which Malaysia has entered into double taxation agreements do not permit the application of the treaty to Labuan.





Highlights of a Labuan Company

- ✓ very stable system – politically and economically
- ✓ Labuan is an established financial centre in Asia Pacific
- ✓ no tax on offshore business for non-trading activities
- ✓ low flat tax for trading companies
- ✓ simplified policy for working and residency permits
- ✓ well managed commercial register
- ✓ no minimum requirements on the number of shareholders
- ✓ Shareholder and director may be individuals or corporate bodies.

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