



Aspen Group Limited

A GUIDE TO LABUAN OFFSHORE COMPANIES

HONG KONG

PANAMA

PRAGUE

The Federal Territory of Labuan is part of Malaysia and comprises seven small islands of which Pulau Labuan is the largest. Labuan is off the north-west coast of Borneo and very near Brunei Darussalam. Labuan is roughly triangular in shape and derives its name from the Malay word for “an anchorage”.

The Malaysian legal system is based on English Common Law supplemented by local laws and special laws applicable to the offshore industry.

Labuan is economically strong and politically stable, its broad treaty network and prime location make Labuan an interesting jurisdiction for international trading in Asia, the Far and Middle East. Labuan’s broad treaty network renders it a launch pad into Europe and main economies in Latin America. LOFSA is the Labuan Offshore Financial Services Authority which regulates the offshore company and other activities in the nation.

LABUAN COMPANY INFORMATION

An Offshore Company shall only carry on business in, from or through Labuan. An Offshore Company may not: carry on business with a resident of Malaysia except as permitted by the Offshore Banking Act 1990; carry on the business of Banking or Insurance or such similar business unless it is licensed so to do under the Offshore Banking Act 1990 or the Offshore Insurance Act 1990; carry on business in the Malaysian currency except for defraying its administrative and statutory expenses; carry on business of shipping or petroleum operations in Malaysia or carry on business as a trust company.

EXCEPTIONS TO CARRYING ON BUSINESS WITH RESIDENTS OF MALAYSIA:

An Offshore Company is not treated as carrying on business with residents of Malaysia if it makes or maintains deposits with a person carrying on business in Malaysia; it makes contact with professional advisers carrying on business in Malaysia; it prepares and maintains books and records in Malaysia; it acquires or holds any lease or property for operational purposes or accommodation of its employees; it holds directors' or members' meetings within Malaysia; it holds shares, debt obligations, or other securities in a company incorporated under the Offshore Companies Act 1990 or in a domestic company, or holds shares, debts obligations or other securities for the purposes of a transaction entered in to in the ordinary course of a money-lending business.

NAME RESTRICTIONS

Names resembling the name of an existing company are not acceptable or names that in the opinion of the Registrar suggest Royal or government patronage. Names, which the Registrar considers undesirable, will be rejected. Company names containing the following words are not allowed or require a license: Bank, building society, insurance, assurance, reinsurance, fund management, investment fund, trust, trustees, Chamber of Commerce, university, municipal or their foreign language equivalents. All languages are allowed provided the names are written in Latin alphabet.

Companies may bear the following suffixes: Limited, Incorporated, Corporation, Société Anonyme, Sociedad Anonima or their relevant abbreviation. The Malaysian word Berhad is allowed as long as it is preceded by: "(L)" to denote that the company is incorporated in Labuan.

AUTHORISED AND ISSUED SHARE CAPITAL

The standard authorised capital is US\$ 10,000; divided in to 10,000 shares of US\$ 1. The minimum issued capital is one share, which may be fully or partly paid.

CLASSES OF SHARES

Registered shares with par value; preference shares; redeemable shares, and shares without voting rights.

TAXATION

3% tax is paid on net audited profits or the sum of RM 20,000. The source of profits from trading is the place where the contracts for purchase and sale are made; and not where the contracts are executed. The source of the income is the place where the activities of the commission agent are performed. If such activities are performed through an office in Hong Kong, the income has a source in Hong Kong.

DOUBLE TAXATION AGREEMENTS

Labuan is party to more than 63 double tax agreements. The countries include: Albania, Argentina, Australia, Austria, Bahrain, Bangladesh, Belgium, Canada, Chile, China, Croatia, Czech Republic, Denmark, Egypt, Fiji, Finland, France, Germany, Hungary, India, Indonesia, Iran, Ireland, Italy, Japan, Jordan, Kuwait, Kyrgyzstan, Lebanon, Luxembourg, Malta, Mauritius, Mongolia, Morocco, Myanmar, Namibia, Netherlands, New Zealand, Norway, Pakistan, Papua New Guinea, Philippines, Poland, Romania, Russia, Saudi Arabia, Seychelles, Singapore, South Africa, South Korea, Sri Lanka, Sudan, Sweden, Switzerland, Taiwan, Thailand, Turkey, UAE, UK, USA, Vietnam, Yugoslavia and Zimbabwe.

FINANCIAL STATEMENTS REQUIRED

A set of accounting records must be kept in Labuan. Companies which elect to pay tax of RM 20,000 p.a. are not required to file financial statements. Such companies are exempt from appointing an auditor if they are not a licensed offshore bank or insurance company, did not invite the public to subscribe for shares or debentures or to deposit money with or lend money to the company and the members of the company have resolved that no auditor be appointed.

A trading company, which pays 3% of audited net profits, is required to appoint an auditor and file audited financial statements.

There is a filing fee of RM 50 for adoption of accounts. If the accounts have been audited, then there is a filing fee of RM 50 lodgement of the said audited accounts.

LABUAN COMPANY	
General	
Type of entity :	Offshore Trading
Type of law:	Common
Minimum government fees (excluding taxation) :	RM 2,600
Corporate taxation:	3% or RM 20,000
Double taxation treaty access:	Yes
Share capital or equivalent	
Minimum paid up:	US\$1
Usual authorized:	US\$10,000
Directors or Managers	
Minimum number:	One
Local required:	No
Corporate Directors Permitted:	Yes
Members	
Minimum number:	One
Company Secretary	
Required:	Yes, Local
Accounts	
Required:	Yes
Annual Audit:	Yes
Annual accounts filing:	Yes
Requirement to file annual return:	Yes

If you would like additional information on this jurisdiction, please contact us at enquiries@aspenoffshore.com; or contact any of our offices.

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