
TECHNICAL

Direct Taxation

Labuan FSA: Circular on Labuan Investment Committee Pronouncement 1-2019

The Labuan Financial Services Authority (FSA) has uploaded a [Circular on Labuan Investment Committee \(LIC\)* Pronouncement 1-2019](#) dated 19 June 2019 on its website.

** The LIC comprises of the Ministry of Finance (Tax Division), the Labuan FSA and the Inland Revenue Board of Malaysia (LHDNM). It is mandated to recommend policies on substantial activity requirements in Labuan IBFC and monitor enforcement of the related regulations on substantial activity requirements.*

Following the LIC's deliberation on various implementation issues arising from recent changes to the Labuan tax regime (Note), the LIC has issued clarifications under their [Pronouncement 1-2019](#) on the following:-

- (a) Treatment of deduction not allowed (Non-deductibility) for payments made to Labuan entity by resident
- (b) Compliance to the substantial activity requirements
- (c) Definition of "full-time employees"

Note:-

Members may also refer to our [e-CTIM TECH-DT 29/2019](#) dated 28 March 2019, [e-CTIM TECH-DT 3/2019](#) dated 9 January 2019 and [e-CTIM TECH-DT 99/2018](#) dated 28 December 2018 and the Labuan FSA's [Circular on Legislative changes relating to Labuan IBFC](#) dated 9 January 2019 for matters pertaining to recent changes to the Labuan tax regime.

The secretariat of the LIC can be contacted for clarification on the [LIC Pronouncement 1-2019](#) as follows:-

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Members may view the Circular in full at the [Institute's website](#) and the [Labuan FSA website](#).

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any suggestions, concern or comments you may have on the [Circular](#).

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