

TECHNICAL

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Direct Taxation

LABUAN UPDATES

1. [LABUAN BUSINESS ACTIVITY TAX \(EXEMPTION\) ORDER 2020 \[P.U. \(A\) 177/2020\]](#)

The above [Order](#) was gazetted on 2 June 2020 and is deemed to have come into operation on 1 January 2019. According to the Order, the Minister exempts a Labuan entity carrying on a Labuan business activity related to pure equity holding from the application of Section 2B(1)(b)(i) of the Labuan Business Activity Tax Act 1990 ("LBATA").

The Labuan Financial Services Authority ("Labuan FSA") has issued a [Circular](#) dated 5 June 2020 on the above Order. According to the Circular, by virtue of the above Order, any Labuan entity that undertakes pure equity holding activities is not required to have full time employee as required under Section 2B(1)(b)(i) of the LBATA but shall comply with the "management and control" requirement. This requirement will be announced by the Labuan FSA in due course.

Note:

- a. Members may also refer to the following in relation to a Labuan entity carrying on a Labuan business activity related to pure equity holding:
  - [Labuan Investment Committee \("LIC"\) Pronouncement 2-2019](#) dated 11 December 2019. ([e-CTIM TECH-DT 108/2019](#))
  - [Clarification to LIC Pronouncement 2-2019](#) dated 20 December 2019. ([e-CTIM TECH-DT 6/2020](#))
  - [LIC Pronouncement 3-2020](#) dated 11 March 2020. ([e-CTIM TECH-DT 28/2020](#))
  - [Response](#) (refer to item 3 in Appendix B) obtained from the Inland Revenue Board of Malaysia dated 21 May 2020, on matters arising from the [LIC Pronouncement 3-2020](#). ([e-CTIM TECH-DT 55/2020](#))
- b. Section 2B(1)(b)(i) of the LBATA states:

**Section 2B. Labuan entity.**

(1) *The Labuan entities—*

(b) *shall, for the purpose of the Labuan business activity, have—*

(i) *an adequate number of full time employees in Labuan; and*

Members may read the Order in full at the official website of the [Attorney-General's Chambers](#) and the Labuan FSA Circular in full at the website of the [Institute](#) and the [Labuan FSA](#).

## **2. APPEAL FOR FURTHER EXTENSION OF TIME FOR SUBMISSION OF TAX RETURNS UNDER LABUAN BUSINESS ACTIVITY TAX ACT 1990 FOR YEAR OF ASSESSMENT 2020**

The Institute had written an [email dated 24 July 2020](#) to the Inland Revenue Board of Malaysia (“LHDNM”) at LHDNM Headquarters in Menara Hasil, Cyberjaya to support request for further extension of time (“EOT”) of up to 31 December 2020 to be given automatically for all Labuan entities to submit their tax returns under the Labuan Business Activity Tax Act 1990 for the year of assessment 2020. The LHDNM has responded by [email dated 24 July 2020](#) that application for further EOT is evaluated on a case by case basis at the LHDNM branches. Labuan entities which require further EOT should apply directly to the LHDNM Labuan branch.

Members may read the Institute’s and LHDNM’s emails dated 24 July 2020 in full at the website of the [Institute](#).

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