
TECHNICAL

Direct Taxation

Labuan FSA: Circular on Revisions to Non-Deductibility (ND) Rules

The Labuan Financial Services Authority (FSA) has uploaded a [Circular](#) dated 23 December 2019 on revisions to the Non-Deductibility ("ND") Rules [[P.U. \(A\) 375/2018](#)] on its website. These revisions are to take effect from 1 January 2019 and are subject to the issuance of gazetted rules on amendments to the P.U. (A) 375/2018.

The revisions as approved by the Ministry of Finance are in respect of the following: -

- a. Changes to the ND rates for interest and lease rental payments made by a resident to a Labuan company; and

Note: The ND rules for payments made by a resident general insurer to a Labuan (re)insurer will remain unchanged as per the [Labuan Investment Committee \("LIC"\) Pronouncement 1-2019](#) (refer to our [e-CTIM TECH-DT 68/2019](#)).

- b. The ND Rules are not applicable to the following: -
- Transactions between Labuan International Commodity Trading Company ("LITC") and Malaysian residents;
 - Transactions between Labuan entities that have opted to pay tax under Income Tax Act 1967 ("ITA") and Malaysian residents; and
 - Transactions between Labuan entities that are paying taxes under ITA and Labuan entities that are paying taxes under Labuan Business Activity Tax Act 1990.

The Labuan FSA can be contacted for clarification on the [Circular](#) 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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