



GUIDELINES ON THE ESTABLISHMENT OF LABUAN INTERNATIONAL COMMODITY TRADING COMPANY UNDER THE GLOBAL INCENTIVES FOR TRADING PROGRAMME

1.0 Preamble

- 1.1 The guidelines are issued pursuant to section 4A of the Labuan Financial Services Authority Act 1996 and are applicable to qualified applicants who wish to undertake international commodity trading business in Labuan International Business and Financial Centre (IBFC) under the Global Incentives For Trading (GIFT) programme.
- 1.2 The GIFT programme is a gift of incentives for traders, of specified commodities, to use Malaysia as their international trading base. GIFT is a strategic collaboration between Labuan FSA and Malaysia Petroleum Resources Corporation (MPRC).
- 1.3 The guidelines clarify the licensing procedures for a Labuan International Commodity Trading Company (LITC) as required under Section 92 of the Labuan Financial Services and Securities Act 2010 (LFSSA).

2.0 Who Can Apply

- 2.1 Any person intending to undertake Labuan international commodity trading business under the GIFT programme may apply to Labuan FSA for approval.
- 2.2 Upon receiving approval from the Labuan FSA, the applicant is required to establish a Labuan company incorporated or registered under the Labuan Companies Act 1990 (LCA).

3.0 Labuan International Commodity Trading Business

3.1 The Labuan international commodity trading business is the trading of:–

3.1.1 Petroleum and petroleum-related products;

3.1.2 Minerals;

3.1.3 Carbon credits; and

3.1.4 Any other commodities as may be approved by Labuan FSA,

in any currency other than Ringgit under the GIFT programme.

3.2 Trading under the GIFT programme is defined as the buying, selling and/or brokering of the specified commodities.

3.3 The LITC is encouraged to utilise Malaysia's support functions which may include but not limited to:-

3.3.1 Strategic management;

3.3.2 Banking, finance and treasury management;

3.3.3 Risk management;

3.3.4 Market research and product portfolio development;

3.3.5 Logistics management;

3.3.6 Global procurement; or

3.3.7 Marketing and sales planning.

4.0 Application Requirements

The applicant may submit the application for approval herein by submitting the relevant forms.

5.0 Operational Requirements

- 5.1 The LITC must have sufficient capital/working funds to commensurate or in accordance with its operations and activities.
- 5.2 Existing Labuan companies currently undertaking international commodity trading business are required to be licensed as an LITC by January 2013.
- 5.3 The LITC must indicate clearly on its letterhead, stationery and other documents including signage, its name and that it is licensed as a “Labuan International Commodity Trading Company” under LFSSA, together with its licence number.
- 5.4 The LITC is required to maintain a registered office in Labuan, which is the office of its Labuan trust company but is allowed to establish its operational office(s) anywhere in Malaysia.
- 5.5 The LITC must ensure that the business is conducted with proper corporate governance and risk management framework is in place.
- 5.6 The LITC is expected to comply with other requirements of the LCA, LFSSA and the relevant laws, whichever applicable.

6.0 Tax Incentives for LITC under GIFT

- 6.1 The LITC shall be subject to a corporate tax rate of 3% of chargeable profits under the Labuan Business Activity Tax Act 1990 or at the rate of 10% in the case where the LITC does not comply with the qualifying criteria specified by the Authority.
- 6.2 100% exemption on director fees paid to non-Malaysian director of the LITC.
- 6.3 50% exemption on gross employment income of Non-Malaysian professional, managerial staff including Trader with the LITC.
- 6.4 Exemption on dividends received by or from the LITC.
- 6.5 Exemption on royalties received from the LITC.
- 6.6 Exemption on interest received by resident or non-resident from the LITC.

6.7 Stamp duty exemption on all instruments for Labuan business activities, M & A of Labuan company and transfer of shares.

7.0 Qualifying Criteria for 3% Preferential Corporate Tax

7.1 To qualify for corporate tax of 3%, the LITC must comply with the following criteria:-

7.1.1 Minimum annual turnover of USD100 million;

7.1.2 Minimum annual spending of RM3 million payable to Malaysian entity; and

7.1.3 Minimum of three professional traders throughout its operation.

7.2 Notwithstanding the above, for the initial 5-year period the LITC will be taxed at the corporate rate of 3%. Labuan FSA will review on the compliance of criteria mentioned in 7.1 by the LITC to determine the corporate tax rate applicable thereafter.

8.0 Licence Period

The licence to carry on Labuan international commodity trading business is valid for a period of five years from the date of approval and may be renewed at the end of the period.

9.0 How to Apply

9.1 The application under the guidelines can be submitted to:-

Director General
Labuan Financial Services Authority (Labuan FSA)
17 Floor, Main Office Tower
Financial Park Complex
Jalan Merdeka
87000 Federal Territory of Labuan
Malaysia

9.2 Any request for additional information or clarification pertaining to the guidelines may be directed to the following contact details:-

Labuan Financial Services Authority (Labuan FSA)

Contact person : Ms Yon Zahimah Ibrahim
Telephone no. : +6 087 591 200 / +6 019 822 1001
Facsimile : +6 087 422 300
E-mail : business_management@labuanfsa.gov.my

Malaysia Petroleum Resources Corporation (MPRC)

Contact person : Ms Musmina Mustaffa Babjee
Telephone no. : +6 012 215 8597
E-mail : gift@mprc.gov.my

10.0 Implementation Date

The guidelines shall take effect from 31st October 2011 and remain effective unless otherwise amended or revoked.

Labuan Financial Services Authority
31 October 2011