

LEMBAGA PERKHIDMATAN KEWANGAN LABUAN  
(LABUAN FINANCIAL SERVICES AUTHORITY)

Reference No. : 232/2019/ALL  
Date : 23 December 2019

Association of Labuan Trust Companies  
Association of Labuan Banks  
Labuan Investment Banks Group  
Labuan International Insurance Association  
Labuan International Financial Exchange

Dear Sir/ Madam,

**Revisions to Non-Deductibility (ND) Rules**

We refer to the above matter pursuant to P.U.(A) 375/2018 dated 31 December 2018.

2. Subject to the final release of gazetted regulations on amendments to P.U.(A) 375/2018, Labuan FSA wishes to inform the following ND Rules as approved by the Ministry of Finance.

**Revision to ND Rules pursuant to P.U.(A) 375/2018**

The following changes to the ND Rules for the relevant Labuan entities have been decided by the Minister. The ND rules for payment made by a resident general insurer to a Labuan (re)insurer will remained unchanged (as per Labuan Investment Committee (LIC) Pronouncement 1-2019).

No.	Type of Payments	ND Rates	
		Current	Revised
1.	Interest payments	33%	25% (including all payments relating to financing e.g. commission, facility & upfront fees)
2.	Lease rental payments	33%	25%
3.	Other payments	97%	Status Quo

In addition, the ND Rules are not applicable to the following:

- a) Transactions between Labuan International Commodity Trading Company (LITC) and Malaysian residents;
- b) Transactions between Labuan entities that have opted to pay tax under Income Tax Act 1967 (ITA) and Malaysian residents; and
- c) 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 effective date for the above changes is from 1 January 2019.

3. Labuan FSA will continue to inform the market and issue any further circular on new developments relating to the Labuan new tax regime, from time to time. We seek your assistance to disseminate this circular to the members of the associations and any other relevant parties, where necessary. Should you need any clarification on the above, please do not hesitate to contact the following officers:

<b>Name</b>	<b>Email Address</b>
Pn. Norhafishal Ahmad Latifi	<a href="mailto:norhafishal@labuanfsa.gov.my">norhafishal@labuanfsa.gov.my</a>
En. Mohd Haffiz Suzahakasimi	<a href="mailto:mohdhaffiz@labuanfsa.gov.my">mohdhaffiz@labuanfsa.gov.my</a>
Pn. Khairunnisa Abdul Karim	<a href="mailto:khairunnisa@labuanfsa.gov.my">khairunnisa@labuanfsa.gov.my</a>

Yours sincerely,



Erni Marlina Madzlan  
Deputy Director  
Market Development Department