

NOTICE FOR LABUAN ENTITIES

AN UPDATE ON ECONOMIC SUBSTANCE REQUIREMENTS FOR LABUAN ENTITIES THAT UNDERTAKE PURE EQUITY HOLDING ACTIVITIES

Directive on Management and Control Requirements

Labuan FSA has on 10th August 2020, issued a [Directive](#)¹ on Management and Control Requirements in relation to Labuan entities that undertake pure equity holding activities.

For ESR compliance purposes, Labuan entities that undertake pure equity holding activities are now required to observe the management and control requirements as follows –

- (a) to have its registered office in Labuan;
- (b) to appoint a resident secretary in Labuan;
- (c) to keep its books and records, including minutes of meeting in Labuan; and
- (d) at any time during the basis year for a year of assessment at least one meeting of the board of directors is held in Malaysia concerning important company policy decisions, including essential decisions in respect of investments.

The annual operating expenditure to be incurred in Labuan remains at RM20,000.00.

Further guidance to be issued by Labuan FSA

We expect further guidance will be issued by Labuan FSA *vis-à-vis* the ESR matter, following which we will update you with more information and any new development.

Please note that this notice is intended to update you with the revised changes affecting all Labuan entities. It should not be used or relied upon as a substitute for advice or a basis for formulating your or your client's business decisions as to the tax and/or the economic substance requirements.

We urge that you contact us immediately to discuss further and formulate the next course of action for your or your client's Labuan entities.

Thank you.

Yours faithfully,

Sukor Ashak
Managing Director
HMR Konsultan (Labuan) Ltd.