

## **NOTICE FOR LABUAN ENTITIES**

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

#### **Clarification by Labuan FSA on Board Meeting Requirement for Labuan entities that undertake pure equity holding activities**

Labuan FSA has clarified in their [Circular](#)<sup>1</sup> specifying that the board of directors of a Labuan entity that undertakes pure equity holding activities must hold their meeting at least once a year in Labuan, instead of anywhere “in Malaysia” as previously indicated in our [Notice](#)<sup>2</sup> based on their last directive issued.

This requirement will take effect from year of assessment (YA) 2021 onwards.

Due to the Malaysia’s cross-border travelling restriction, this year’s board meeting may be conducted virtually but the meeting must be arranged and hosted by the resident secretary of the Labuan entity.

Please contact us for a solution. We will assist you or your client’s Labuan entity to comply with this requirement.

#### **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.

Thank you.

Yours faithfully,

Sukor Ashak  
Managing Director  
**HMR Konsultan (Labuan) Ltd.**

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<sup>1</sup> Clarification on Board Meeting Requirement dated 10<sup>th</sup> September 2020

<sup>2</sup> Notice Labuan Entities (Ref. HMRKLB00520) dated 17<sup>th</sup> August 2020