LEMBAGA PERKHIDMATAN KEWANGAN LABUAN
(LABUAN FINANCIAL SERVICES AUTHORITY)

Our Reference : LFSA.900-32/2021/All
Date : 14 December 2021

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

Dear Chairman/Sir/ Madam,

Issuance of FAQs pertaining to the Labuan Business Activity Tax (Requirements For Labuan Business Activity) Regulations 2021 [P.U.(A) 423/2021]

We refer to the above and wish to inform that Labuan FSA has issued the *Frequently-Asked-Questions* (FAQs) specifically pertaining to item 20 First Schedule [Regulation 2 and 4], P.U.(A) 423/2021.

2. The purpose of the FAQs is to provide the Labuan industry players with guidance on what business activities that is intended under the item 20 First Schedule [Regulation 2 and 4], P.U.(A) 423/2021 pending the issuance of Guidelines under Section 4A of the Labuan Financial Services Authority Act 1996 (LFSAA).

The FAQ is downloadable from Labuan FSA's official website at the following link: https://www.labuanfsa.gov.my/legislation-guidelines/guidelines/tax-related-matters

3. In this regard, we would appreciate it if you could inform and distribute this FAQs to the members of your association or any relevant parties, where necessary.

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4. Should you require any further clarification on the FAQs, please do not hesitate to contact any of the following officers:

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Thank you.

For and on behalf of
Labuan Financial Services Authority

Jaffree Ismail
Director
Business Development Department

FREQUENTLY-ASKED QUESTIONS
LABUAN BUSINESS ACTIVITY TAX (REQUIREMENTS FOR LABUAN BUSINESS ACTIVITY) REGULATIONS 2021 [P.U.(A) 423/2021]

A. Details of Prescribed Labuan Business Activities

Details of the Labuan Business activities as prescribed under item 20 of the First Schedule of the Regulation 2 and 4 are as follows:

1) Administrative services

   Administrative services mean services pertaining to employee management, payroll management, property management, human resource management, financial planning, contract or subcontract management, facilities management or proposal management.

2) Accounting services

   Accounting services mean services pertaining to recording, analysing, summarizing or classifying financial, commercial and business transactions and information of a person or business.

3) Legal services

   Legal services mean –
   (a) conveyancing services;
   (b) legal advisory services;
   (c) litigation or legal representation services in any proceedings before any court, tribunal or other authority; or
   (d) legal dispute resolution services including alternative dispute resolution.

4) Backroom processing services

   Backroom processing services are services relating to settlements of receivables and payables, clearance, record maintenance, regulatory compliance or information technology (IT) related services which are usually performed by administration and support personnel who do not deal directly with client.

5) Payroll services

Payroll services mean services relating to –

(a) processing, calculation, payment and deduction of remuneration, benefits, tax and statutory payment; or
(b) issuance of payslip and tax statement.

6) Talent Management Services

Talent management services mean the provision of human resource services to attract, onboard, develop, motivate, and retain employees.

7) Agency services

Agency services mean the provision of specific services on behalf of another group, business, or person pursuant to an agency agreement between the agent and its client.

8) Insolvency related services

Insolvency related service mean services related to administering company liquidations or winding up or personal bankruptcy.

9) Management services

Management services cover the organization and coordination of activities of a business in order to provide services to the clients and usually consist of organizing, supervising, monitoring, planning, controlling and directing business's resources such as human, financial and technology.

For avoidance of doubt, management services exclude company management as defined in Section 129 of the Labuan Financial Services and Securities Act 2010.

Labuan Financial Services Authority
14 December 2021

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thereunder which related to Labuan entities can be sought from the Inland Revenue Board of Malaysia.

Take notice that any information provided herein is for informational and reference purposes only and does not constitute legal advice. Whilst the information contained herein has been formulated with all due care, it shall not in any circumstances be construed as constituting any legal obligation on the part of Labuan FSA. In no circumstances will Labuan FSA be liable or responsible for any damages or losses whatsoever, including without limitation, special, indirect or consequential arising out of or related to the reference, use or reliance of the information provided herein, whether by action, in contract or tort or otherwise howsoever."