



Labuan GIFT Programme for International Commodity Trading

GIFT Programme provides tax rate of 3% on qualifying income to increase its competitiveness as a centre for international trading companies.

1st 11/2020

A. BACK GROUND

The Global Incentives for Trading (GIFT) Programme is tax incentives to encourage the traders to use Malaysia as an international base for specified types of commodities to be conducted on in, from or through Labuan, Malaysia.

Global Incentives For Trading (GIFT) Programme

<p>Eligibility Entities</p>	<ul style="list-style-type: none"> a) Labuan Entities licensed as a Labuan International Commodity Trading Company (LITC). b) Traditional commodities such as petroleum and petroleum-related products. The specified trading of physical products and related derivative are as follows:- <ul style="list-style-type: none"> i. Petroleum and petroleum-related products (including liquefied natural gas (LNG)); ii. Mineral; iii. Agricultural products; iv. Refined raw materials; v. Chemicals; vi. Base minerals; and vii. Coal.
<p>Incentive Commitment</p>	<ul style="list-style-type: none"> a) Minimum annual turnover of USD 50 million; b) Substantial Activity Requirements for Labuan International Commodity Trading Company (LITC) under the GIFT Programme :-



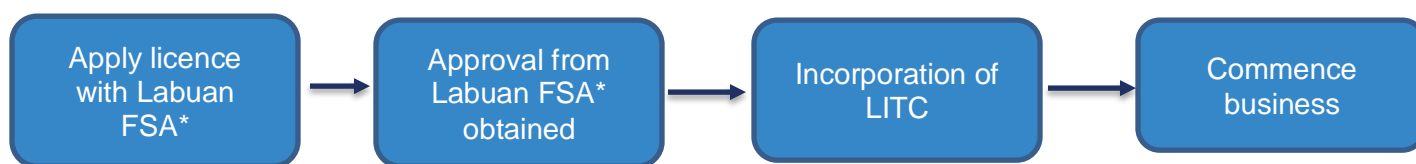
Labuan Entities	Annual operating expenditures
<p>Labuan International Commodity Trading Company.</p> <p>i. 5 or less related LITC companies.</p> <p>ii. Every incremental of 5 related LITC companies.</p>	<p>RM3,000,000 (USD 750,000) per entity in Malaysia (including minimum of RM100,000 (USD 25,000) in Labuan).</p> <p>RM3,000,000 (USD 750,000) per entity in Malaysia (including minimum of RM100,000 (USD 25,000) in Labuan).</p> <p><i>Local business spending including:-</i></p> <ul style="list-style-type: none"> • Freight charges • Bank charges • Commissions • Depreciations • Entertainment • Insurance costs • Professional fees • Rental of office space • Skills development fund • Telecommunications • Transport and travel • Utilities • Warehousing and storage fees • Manpower costs • Office maintenance

Labuan Entities	Minimum number of full time employees in Labuan
<p>Labuan International Commodity Trading Company</p> <p>i. 5 or less related LITC companies.</p> <p>ii. Every incremental of 5 related LITC companies.</p>	<p>2 staff per group.</p> <p>Increase of 1 employee for every additional 5 LITC companies.</p>



	c) To employ at least three (3) professional traders who are tax residents of Malaysia.
Operational Requirements	LITC to have the following functions (but not limited to) in Malaysia: <ul style="list-style-type: none"> i. Strategic management; ii. Banking; iii. Finance and treasury management; iv. Risk management; v. Market research and product portfolio development; vi. Logistics management; vii. Global procurement; viii. Marketing and sales planning.
Location for consideration	Operating and/or marketing office can be based anywhere in Malaysia.
Incentives	<ul style="list-style-type: none"> i. 3% on audited chargeable profits; ii. 100% tax exemption on director fees paid to a non-Malaysian director; iii. 50% tax exemption on gross employment income of non-Malaysian professional, managerial including traders with LITC; iv. Tax exemption on dividends received by or paid from the LITC; v. Tax exemption on royalties received from the LITC; vi. Tax exemption on interest received by residents or non-residents from the LITC; vii. Stamp duty exemption on all instruments for Labuan business activities, M&A of Labuan entities and transfer of shares; viii. No sales tax and service tax; ix. The non-deductability rules under P.U (A) 375/2018 dated 31st December 2018 is not applicable to transactions between LITC and Malaysian resident (subject to fulfillment of the tax substantial activity requirements).

B. SETTING-UP LITC COMPANY



* Labuan Financial Services Authority



C. COMPARISON BETWEEN LABUAN GIFT PROGRAMME VS SINGAPORE GLOBAL TRADER (GTP) PROGRAMME

	GIFT (MALAYSIA)	GTP (SINGAPORE)
Incentives	3% on audited net profit. No renewal is required, provided that the Substances Regulations for LITC are met.	Reduced corporate rate of 5% - 10% on qualifying trading income for renewable period three (3) to five (5) years.
Qualifying commodities and products:-	<ul style="list-style-type: none"> i. Petroleum and petroleum related products, including liquefied natural gas (LNG); ii. Mineral; iii. Agricultural products; iv. Refined raw materials; v. Chemicals; vi. Base minerals; and vii. Coal. 	<ul style="list-style-type: none"> i. Electronic and electrical products; ii. Consumer products; iii. Building and Industrial materials; iv. Industrials products; v. Energy commodities and products; vi. Agricultural commodities and bulk edible products; vii. Minerals; viii. Machinery components <p>Physical trade that qualify under GTP:</p> <ul style="list-style-type: none"> i. Trans-Shipment Trade; ii. Offshore Trade; iii. Re-Export Trade (only the non-value added portion of the trades qualify).
Business transactions	Allowed to have transactions with Malaysians for petroleum and petroleum-related products.	Transactions are only those with offshore parties or other GTP companies
Operation cost	Lower cost of operation, wages and rental.	High cost of operation, wages and rental.
Location	All States in Malaysia, including Iskandar Malaysia	Singapore
Requirements	<ul style="list-style-type: none"> i. Minimum annual turnover of USD50 million; ii. Annual operating expenditures of RM3 million (USD 750,000) payable to Malaysian 	<ul style="list-style-type: none"> i. Minimum annual turnover of USD100 million; ii. Minimum local expenditure of SGD \$3million (USD 2.3million); and iii. Minimum 3 trading professional employed which involved in one of the following sectors: risk



	<p>iii. residents in Ringgit Malaysia; Minimum 3 professional traders who are tax residents in Malaysia.</p>	<p>management, procurement/sourcing or sales and marketing.</p>
<p>Who can apply</p>	<p>Any person who intend to establish a Labuan entity to undertake international commodity trading business.</p>	<p>Well-established players engaged in international physical trading on principal basis and have substantial operations in Singapore and meet stringent quantitative criteria, including employment and local expenditure.</p>

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