

Labuan finance hub to offer tax incentives
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Malaysia plans to relax rules and offer more tax incentives to attract investors to its offshore financial centre in Labuan off Borneo island, officials said today.

"A review of the entire legislation pertaining to Labuan and an increased range of products and services is currently underway," the Labuan Offshore Financial Services Authority (LOFSA) said in a statement.

"New company structures will be introduced to cater for the demands of users in the offshore environment," it said.

LOFSA chairman Zeti Akhtar Aziz said the review was necessary due to a constantly changing business environment and competition from other offshore centres.

"One of the main reviews is regarding the tax structure. We have already made a number of changes but there is room for further review and further changes," Zeti, who is also the central bank governor, told reporters.

"We want to remain relative to other offshore financial centres," she said.

Zeti said the tax incentives will be announced later in the year when the government unveils its budget for 2008.

She said Labuan plans to identify niche businesses to focus on as well as expand its Islamic financial services.

"An area we believe we'll see more growth originating out of Labuan is debt issues," she said, pointing to a 750 million dollar Sukuk issue that was listed on the Labuan International Financial Exchange last year.

Strong performance

Sukuk refers to Islamic certificates or notes. Their mechanics are similar to trust certificates issued by other conventional issuers but based on Islamic principles which ban interest payments.

In reviewing Labuan's performance in 2006, Zeti said the offshore centre had "another strong performance."

A total of 5,678 companies were registered in Labuan in 2006. There were 53 offshore banks with total assets of 21.1 billion dollars.

The Labuan exchange saw six additional listings, bringing the total number to 40 with a market capitalisation of 15.1 billion dollars.

The Labuan offshore centre was established 10 years ago and has over 300 financial institutions that provide conventional and Islamic offshore financing services, including banking, insurance, investment holding and fund management.

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