

DECEMBER. 2019, EDITION 4

# PACIFIC TRUSTEES TRUST NEWSLETTER

TRUSTED BY EVERYONE, EVERYWHERE

*Merry  
Christmas!*

## OPENING STATEMENT

### *DEAR VALUED CUSTOMERS & ASSOCIATES OF PACIFIC TRUSTEES*

Christmas to many is a day of meaning and traditions - it marks the start of hope, belief and trust. Christmas is also a special day where families and friends gather to share warmth, joy and laughter.

As we approach the end of the year 2019, we at Pacific Trustees would like to wish everyone a "Blessed Merry Christmas and Happy New Year" especially to our fellow Christian friends and partners who are celebrating this very joyous occasion.

Pursuant to this, we are extremely honoured and excited to share with you, our 4th Edition Newsletter.



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# Pacific Trustees' 25<sup>TH</sup> Anniversary and Christmas celebration

## CELEBRATING 25 YEARS EXCELLENT OF TRUSTEE SERVICES

Founded in 1994, Pacific Trustees has provided 25 years of trustee services. Over the years, we have provided a wide range of services due to our long-term view of providing services to our clients and businesses; both individuals and corporations.

Pacific Trustees has acted as a Trustee for many schemes and issuances in the following areas: Corporate Trust Services, Private Trust Services, Will Writing Services and Corporate Services.

As much as we value our Clients, we equally value our employees as well. On 16th December 2019, Pacific Trustees Berhad had an internal celebration for its 25th Anniversary together with celebrating Christmas.

We thank our clients, employees, board of directors and shareholders for their contributions to our continued success.





# PREPARING FOR BUSINESS UNCERTAINTY

BY : PACIFIC TRUSTEES BERHAD

## INTRODUCTION

As a business owner, you and your partner have worked hard to grow and nurture your business to where it is today. However, have you ever thought of the fate of your business when one of you are not able to be part of the business due to death, disability or critical illnesses? In many cases, the death of a key person results in the disintegration of a successful business built over years of hard work.

### ARE YOU PREPARE

Planning ahead is crucial to ensure a smooth transition of ownership and the future sustainability of a business. This process involves drawing up a business succession plan on what will happen to the outgoing partner's share of the business, including how the remaining owner will buy out the departing owner's share. Planning ahead will avoid messy legal battles and disputes and family members will have peace of mind in terms of inheritance and cash income in difficult times.

### WHAT IS MY BUSINESS WORTH?

When business partners decide to cash out (or if death makes the decision for them), a set dollar value for the business needs to be determined, or at least the exiting share of it. This can be done either through an appraisal by a certified public accountant (CPA) or by an arbitrary agreement between all partners involved.

### CHOOSING A SUCCESSOR

Many factors determine whether a succession plan is necessary, and sometimes the logical and easy choice is to sell the business lock, stock and barrel. However, many owners prefer the thought of having their businesses continue even after they have passed on.

Choosing a successor can be as easy as appointing a family member or assistant to take the owner's place. However, there may be several partners or family members from which the owner will have to choose — each with a number of strengths and weaknesses to be considered. In this case, a lasting resentment by those who were not chosen may happen, regardless of what choice is ultimately made. Partners who do not need or want a successor may simply sell their portion of the business to the other partners of the business.

Without careful planning, all the available choices will not bring any benefit to the parties involved as the key person would not be around to make any decisions and to ensure a smooth transition of his business interest. A solution to address this issue will be via a Business Succession Trust. This is a trust arrangement where business partners agree to transfer their respective portion of the business shares to the surviving partner in the event of the demise of any business partner.

## LIFE INSURANCE

IN A BUSINESS SUCCESSION TRUST, ONCE A SET DOLLAR VALUE HAS BEEN DETERMINED, LIFE INSURANCE IS PURCHASED FOR ALL PARTNERS IN THE BUSINESS AND IS ASSIGNED ABSOLUTELY TO THE TRUSTEE. IN THE EVENT THAT A PARTNER PASSES ON BEFORE ENDING HIS BUSINESS RELATIONSHIP WITH HIS PARTNER, THE TRUSTEE OF THE BUSINESS SUCCESSION TRUST WILL CLAIM THE INSURANCE PROCEEDS AND PAY SUCH PROCEEDS TO THE FAMILY OF THE DECEASED PARTNER. THE TRUSTEE WILL THEN TRANSFER THE DECEASED PARTNER'S SHARES TO THE SURVIVING PARTNER.



## PEACE OF MIND

Not only will planning and implementing a sound succession plan provide benefits to the business owners, it will also ensure peace of mind for their family member's during difficult times.

1. *Business continues to run as usual as the business interest of the deceased partner can be smoothly transitioned to the surviving partner.*
2. *No legal disputes or boardroom tussle as the sale of business interest has been pre-agreed at a full and fair price.*
3. *Avoids the tedious estate probate process.*
4. *Easily funded by life insurance.*
5. *Protects the deceased's family against loss of inheritance.*
6. *Converts non-liquid ownership in business to cash in difficult times for the deceased partner's family members.*

## PROPER BUSINESS SUCCESSION PLANNING REQUIRES CAREFUL PREPARATION

We, at Pacific Trustees Berhad, are equipped with the necessary experience and expertise to ensure a smooth, fair and impartial transition of your business interests during unforeseen circumstances. Do contact us for further discussion on how we can assist you in formulating your Business Succession Trust.





# SECURITIES-WHAT THEY ARE AND WHY THEY ARE ESSENTIAL TO THE MODERN BUSINESS

BY: PACIFIC TRUSTEES SINGAPORE

## INTRODUCTION

In the early days of capitalist founding nations, business and financial markets of many countries grew their economies under the ubiquitous corporation vehicle that facilitated the undertaking of riskier business ventures. Thousands of companies have since been incorporated and each of them actively vying for the finite supply of capital from prospective investor shareholders. Supporting the capitalist market, the banking industry has also seen rapid growth alongside buoyant equity markets that fuel and feed expanding businesses and start-ups exhibiting entrepreneur flare to bring many new products and services to the commercial markets.

Over time, equity investors became increasingly scarce, and with banking industry (being heavily regulated for the protection of retail depositors) facing ever more stringent capital and liquidity obligations, businesses had to look at alternative options to satisfy their growing capital and funding requirements.

Innovative financial bankers had therefore embarked to create new financial instruments to attract investors. Invariably this led to the advent of the security industry that is driven by a new breed of bankers identifying themselves to the market as investment bankers. Since its inception, the securities industry has grown significantly to become a major financial 'backbone' for funding many conglomerates in advanced nations.

With sound financial wizardry and creativity, bankers having the requisite expertise have kept busy devising various forms of funding structures that is comprised of neither 'pure form equity' nor your typical traditional bank borrowings. Instead, a blend of both these original forms is what we often see emerging from today's modern securities markets.

Their obvious traits of flexibility coupled with the attendant sophistication have become the bulwark of the modern day financial instruments and structures.

These instruments are deployed alongside the traditional equity and loan based instruments to form the financial 'backbone' of nations that support global/regional business conglomerates.





## SECURITIES VS EQUITIES

### SO WHAT THEN ARE SECURITIES?

Pinpointing them is not a straightforward matter. While fiat currencies, stocks (also known as shares) and debt have been the main staple of businesses, funding options can now also come from the debt capital markets. In these markets, private debt securities ("PDS") may be issued by corporations taking the different forms ranging from Bonds and Sukuks (for long term instruments), Medium Term Notes (which typically has tenure anywhere between 1 to 7 years), and Commercial Papers (short term instruments of up to 1 year).

Real Estate Investment Trusts (i.e REITs) units issued by large industry players, especially corporations with large real property portfolios, also add to the plethora of financial instruments that may be issued as securities in the debt capital markets space.

Where debt capital market securities differ fundamentally from equities is their control of the corporations and limited exposure to investment risk faced by the holders of such securities. It is well known that corporations that receive funds via equity funding are free to apply and deal with the funds in any manner their Board sees fit and provided they are also used for the company's business objectives stipulated in the company's M&A or Constitution. Securities issued by the debt capital markets on the other hand are often tailored for application to specific purposes if required. But if need be, they are also flexible enough to be applied for general capital.

To contain undue risk exposures, debt market securities can be structured to be made secured with the appropriate debt repayment instruments.

### SECURITIES VS LOAN DEBTS

Let's take a quick look also as to how loan debts differ from PDS. In loan debt markets, banks and other similar financial institutions issue loans based on contractual arrangements that come in the form of loan/financing/facility documents.

So how will this relate to the PDS industry which clearly also have repayment obligations?

While repayment obligations is a common aspect of both loan debt and PDS' debt, PDS differ markedly in that they can be issued by corporations not coming under the direct purview of the central bank regulators. They are therefore exempted from the capital and liquidity requirements imposed on banks and financial institutions. Consequently their terms of repayment can be made much more flexible so long as they are acceptable to the subscribers of PDS instruments.

A more significant reason why PDS regulators tend to be more 'relaxed' when compared with central bank regulators can be attributed to the PDS subscribers coming from the sophisticated and non-retail group of investors. Such segments of investors are expected to make their investment decisions to acquire PDS instruments based on research and analysis (as they have access to financial data that is seldom available to retail bank depositors). They often also deploy investment strategies that allow and cater for some degree of underperformance of the PDS issuers.



So what should by now become obvious is that PDS issuers can, to some extent at least, anticipate that where business cash flows are expected to be less reliable and consistent to service repayments, fundings that are raised via the PDS market can be a good compromise middle ground solution between equity funding (requiring unfortunately more dilution and/or capital exposure of shareholders) and debt funding (requiring committing your assets to be given and encumbered as security for repayments). While the cost of PDS funding is usually higher as compared to loan debt funding, the 'flexible structuring' and 'repayment accommodation' of the former is a compelling reason to pursue PDS funding.

### ARE ALL SECURITIES NECESSARILY SECURED?

While PDS instruments afford its issuers the alternative means to raise funding from non-banking/financial institutions, PDS subscribers do not see their monies as equity being injected into corporations. Consequently, such subscribers naturally expect to be repaid their principal together with the interest gains much like that of banker lenders.

It should hardly be surprising that investment bankers will often fortify funding procured by issuance of PDS instruments in secured arrangements and structures to gain more market confidence and acceptance. In this sense, PDS investors are afforded repayment protection mechanisms typically resorted to by bankers/financial institutions. So in what way and in what form then can PDS instruments become secured? Bankers/financial institutions deploy an arsenal of securities consisting of the combination of any of the following for repayment are :

- (a) Debentures;
- (b) Land Charges;
- (c) Assignment and Charge of Designated Accounts;
- (d) Assignment and Charge of Insurance Policies;
- (e) Assignment of Rights under Concession Agreements;
- (f) Corporate Guarantees;
- (g) Assignment of Performance Bonds;
- (h) Government Guarantees;
- (i) Assignment of contract/project revenue and income streams;
- (j) Novation of Contracts/Agreements;
- (k) Escrow arrangements;

etc. These instruments are widely used by investment bankers to provide security for repayment to the PDS subscribers and they work generally in the same manner as when they are deployed in loan/borrowing facilities arrangements.

Nevertheless, as PDS subscribers are seldom comprised of a single party, the security instruments are required to be held by an approved debt capital market trustee in the capacity as Security Trustee for the benefit of all the subscribers collectively. Unlike bankers/financial institutions that tend to require the provision of sufficiency of security to safeguard the principal loan debt, investment bankers have the leeway to structure PDS instruments in a much broader spectrum; ranging from fully unsecured positions to almost fully secured positions. What the final secured position will look like ultimately will be dependent on the financial standing and credibility of the PDS issuers balanced against the risk appetites of the targeted PDS subscribers.



## Conclusions to be drawn

By now it should be apparent that whenever the topic of discussion is focused on securities issued under the debt capital markets, it will do well for readers to distinguish the two distinct activities; one involving the issuing of securities (i.e PDS instruments) and the other, involving looking at the assets being deployed as security for repayment of debts whether in the form of loan/PDS instruments.

Also, one can readily discern that the commercial market now has space for raising funds from all kinds and types of financial instruments. Notably, there is now a robust and fast growing segment of hybridised instruments straddling the conventional loan debt and equity funding space. These newer hybridised instruments, termed as 'securities', have been created by financially savvy market place people to gain the benefits of both equity and loan debt funding.

They also endeavour to address some of the weaknesses of the traditional funding methods to bring both businesses and investors together in relationships that hitherto thought not possible before.







## FINANCIAL HEALTH DESIGNED PLAN – CORPORATE TRUSTEE AND FINANCIAL ADVISORS WORKING TOGETHER

BY: PACIFIC TRUSTEES BERHAD

### INTRODUCTION

Most clients often walk in the door of a corporate advisor's and Trustee's office with a relatively predetermined idea about how they would like to both create and preserve their wealth and assets (that they have accumulated over the years) for their children. Nonetheless, it is important for corporate advisors to direct their clients on issues they might not have considered on their own, or may not have considered important when developing their wealth management plan.

It is often the case that developing such plan is not as straightforward as clients initially think.

Here are some of the important factors to consider when helping the clients design such a plan:

#### 1) CONSULT AN INDEPENDENT FINANCIAL ADVISOR (IFA)

Most people are not familiar with the crucial role that the IFAs can play in ensuring their financial freedom.

An IFA would be able to assist the client to address the full range of personal financing issues, which includes income, expenses and debt planning, insurance planning, tax planning, retirement and EPF planning, children's university funding planning, home purchase and property investment planning, estate planning and investment planning. An IFA should do all this in an integrated and holistic manner.

An IFA must have the competency to identify the clients' financial goals, analyse their current financial position, identify the gaps and develop strategies to enable them to achieve their financial goals. The IFA should also have the necessary intellectual framework, advisory model and tools to complete the task.

An advisor who specialises in only one area of financial services may not be able to foresee how his/her solutions will affect the clients' other financial goals.

#### 2) TO APPOINT A CORPORATE TRUSTEE

The structure of a will and trust includes fiduciaries who are persons in charge on its management, administrative and distributive duties to its Testator and Settlor respectively. The persons (or corporations) are also known as executors and trustees. Many clients may want to simply name the oldest child to perform these jobs, without consideration of whether he or she has the requisite skills.

If the client decides against naming a family member as a trustee, another option is to name a corporate trustee. There are many situations where appointing a corporate trustee can be the best choice. For example, some clients have no trusted family members or individuals in their lives. In other situations, trust beneficiaries may have special needs. In this regard, a professional would be better equipped to handle the situation.

Designing an inheritance requires the consideration of a multitude of factors. As such, it is highly beneficial for the clients to review these factors with a professional to ensure the best possible estate planning for the client's particular facts and circumstances.

## WHO IS THE BEST PERSON FOR THE JOB?

Most people opt to manage their own money – because nobody else can be trusted to deal with their own money better than themselves. This may sound like a brilliant idea to some, but for many, this spells disaster.

Nonetheless, getting at financial advisor who ticks all the right boxes is not an easy task in Malaysia. Most of the time, the clients are approached by a “so called” financial planner who actually merely sells insurance, or unit trust, or some banking products. We reached out to a few financial advisors to ask them to share their views on the qualities and traits that one should look out for in a financial advisor and corporate trustee and here is what they had to say:



**DATO DR  
CHUA MIN MENG,  
ROVIDENT WEALTH**  
*-Director-*

### 1) HOW CAN YOUR FIRM'S SERVICES HELP THE CLIENTS ?

Our agents are primarily from retail banking, investment banking and insurance. Instead of only estate planning which we offer, they are also able to provide different types of services according to their profession. As part of the financial sector, our agent will carry a certain degree of professionalism when handling clients.

### 2) WHAT IS YOUR FIRM'S EXPERIENCE WORKING TOGETHER WITH PACIFIC TRUSTEES BERHAD?

Spectacular. Pacific Trustee Berhad is one of our favourite private trustee because of their efficiency and ease of accessibility. In these modern times, everything is run electronically and digitally. Pacific Trustees Berhad is no stranger to that. With a few simple clicks on their online website and proper minimal guidance, estate planning has never been easier. Moving forward, our company will lean towards the usage of trust and offer the same to our clients.



### 1) HOW CAN YOUR FIRM'S SERVICES HELP THE CLIENTS ?

We believe in total holistic one stop financial solutions for our clients. Client's interest must always come first. Because of our DNA, we are able to offer complete financial solutions to every segment of clients from retail, to SMI/SME business owners, to HNW clients and even Ultra HNW clients. Our highly regulated licence under Bank Negara and Security Commission allows us to approach or source the right business partners to collaborate with in order to fulfill the client's financial objectives and needs. This is where choosing the right partner to work with is very important, in this case Pacific Trustees Berhad.

### 2) WHAT IS YOUR FIRM'S EXPERIENCE WORKING TOGETHER WITH PACIFIC TRUSTEES BERHAD?

VKA experience working with PTB have been extremely beneficial to the clients and VKA advisors. Because of the uniqueness of services offered by PTB, allows VKA advisors to provide a one stop solution to all segment of clients. This matches very well with VKA corporate objectives and working methodology. The vast experience and knowledge provided by the PTB team provides much confidence to our advisors and clients. The high dedication and commitment shown by PTB are examples of best practices testimony to our clients and planners.

There are many occasions when demand for urgency on advice, PTB have proven to step up and perform accordingly to the best of their abilities. PTB is able to muscle up a team for a joint meeting with clients whenever requested, sometime last minute arrangements. This is the type of commitment VKA would like to have coming from it's business partners and PTB have shown great strides in doing so.



**MING FOO LOOI**  
*-Executive Director-*

**1) HOW CAN YOUR FIRM'S SERVICES HELP THE CLIENTS ?**

**PWP practises the six-steps financial planning process by:**

- (1) Determining a client's current financial situation or Know-Your-Customer (KYC).
- (2) Developing need-based and realistic financial goals.
- (3) Identifying list of alternative plans.
- (4) Evaluating those alternative plans on feasibility and adoptability.
- (5) Creating and implementing an agreed upon and committed financial action plan.
- (6) Monitoring and revising the plan accordingly to reach optimal outcome.

We are able to provide cradle to grave financial planning solutions for clients from all walks of lives to conform to their life cycle needs and wants, and to help them achieve their financial goals.

**2) WHAT IS YOUR FIRM'S EXPERIENCE WORKING TOGETHER WITH PACIFIC TRUSTEES BERHAD?**

PTB is our most valued will and trust planning partner, kudos to its nimble, professional and strong support and training services provided to our team of financial planners. The company support staffs and even the top management bosses are easily accessible, most attentive to our planners' requests and prompt assistance in resolving clients' issues.

Notably, PTB team is also receptive towards requests for joint-marketing, seminars and roadshows. This has enabled our planners to reach out to their clientele carrying with them PTB branding easily and confidently.

PTB has been consistently achieving new milestones and accolades in its company history, by winning coveted domestic and international awards and also keeping up to date with technological advancement, by creating PactOnline platform for submission of cases with ease and convenience.

With its strong local branding, and outreach to Labuan, Guernsey Island, Singapore and other offshore centers, the business opportunities to grow together with PTB is very promising.

For clientele of PWP, especially those without will and trust planning, this important process of financial planning is a necessity for our planners to help their respective clients to fulfill their wishes, and PTB is at the forefront in this specialized field to equip our planners with necessary knowledge and know-how.

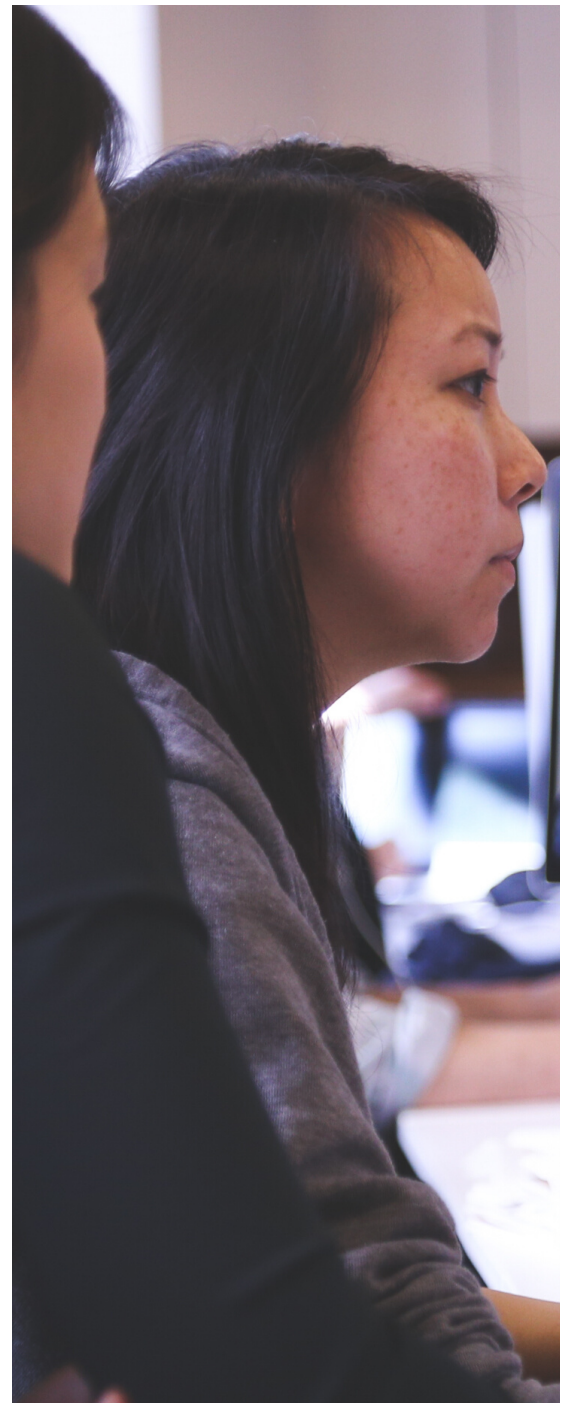


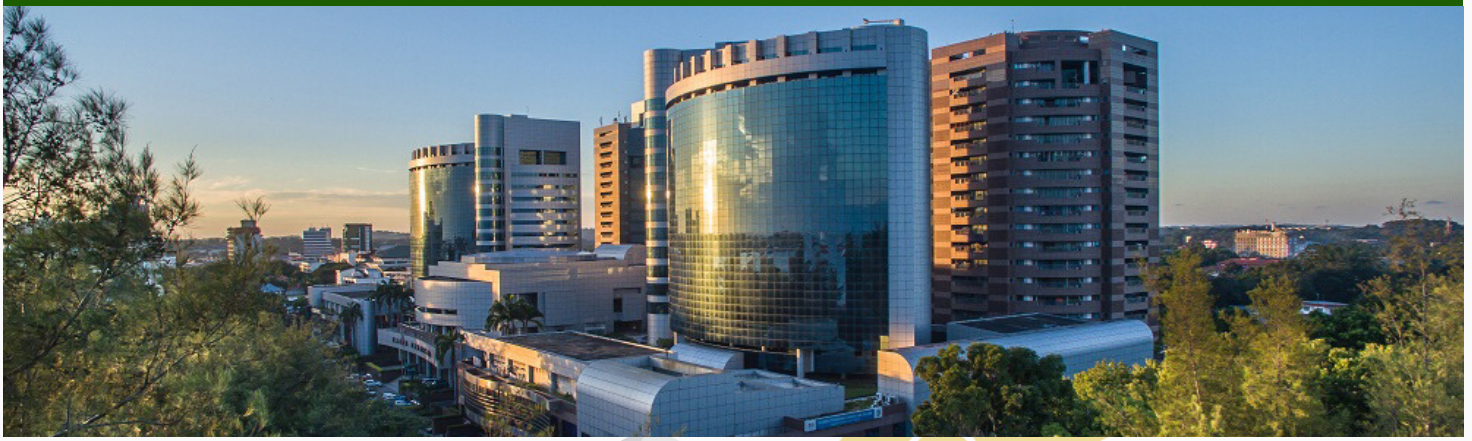


## CONCLUSION

Hence, having appointed a competent independent financial advisor who will advise that going in such a direction might not be prudent and clients should be wary of, for instance, leaving one sibling in charge of another sibling's money. Once parents are deceased, decades-old resentments can potentially resurface and make the trust arrangement quite challenging for all parties. Naming the wrong person for the job can, at a minimum, increase costs down the road. At worst, it could result in an estate or trust being administered incorrectly, or perhaps even result in litigation.

To conclude, designing an estate or trust plan requires the consideration of a multitude of factors. However, with proper consultation and a team of knowledgeable and experienced experts, clients can be rest assured that they can achieve the best possible estate plan to suit and cater for their tailored needs and circumstances and ensure that their financial plans and goals are met.





## A GUIDE TO LABUAN IBFC

BY : LABUAN IBFC

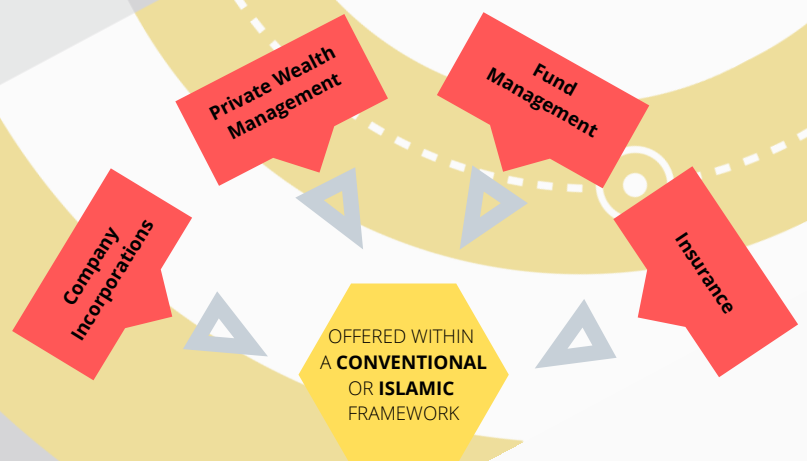
## A GUIDE TO LABUAN IBFC



The Labuan IBFC was set up for more than 25 years to complement the activities of the domestic financial market in Kuala Lumpur, Malaysia and to supplement the growth of economic activities in one of the Federal Territory in Malaysia known as Labuan.

The Regulating Body responsible for the development and regulation of Labuan IBFC is the Labuan Financial Services Authority ("Labuan FSA"). On the other hand, Labuan IBFC's wholly-owned subsidiary, Labuan IBFC Inc Sdn Bhd is responsible for promoting Labuan IBFC as a preferred international business and financial centre in Asia Pacific.

Labuan IBFC provides an extensive list of structures and solutions. The main areas of focus provided within a conventional or Islamic framework includes and not limited to company incorporations, fund management, insurance (i.e Insurance, reinsurance, captive, takaful and retakaful) and private wealth management. / The diagram illustrates the main areas of focus offered within a conventional or Islamic framework :



## THE LABUAN LEGISLATION

In 2010, the Malaysian Parliament billed and passed four Acts and comprehensive amendments were made to the four existing Acts during the same year.

Consequently, to date, Labuan IBFC is governed by the following Acts :-

- Labuan Companies Act 1990
- Labuan Business Activity Tax Act 1990
- Labuan Trusts Act 1996
- Labuan Foundations Act 2010
- Labuan Limited Partnerships and Limited Liability Partnerships Act 2010
- Labuan Financial Services and Securities Act 2010
- Labuan Islamic Financial Services and Securities Act 2010
- Labuan Financial Services Authority Act 1996





## A GUIDE TO LABUAN IBFC

### THE LABUAN TAX FRAMEWORK

Labuan Business Activity Tax Act 1990 ("LBATA") establishes the framework of Labuan's entities tax laws. Under Section 4(1) of the LBATA, a rate of 3% per annum would be charged on the net audited profits of a Labuan Entity that carries out trading activities. In any instance, no taxes will be imposed for that assessment year for a Labuan Entity that is not carrying out trading activities.

So, what falls under a Labuan non-trading activities? Such activities are defined as activities relating to the holding of investment in securities, stocks, shares, loans, deposits or any other properties situated in Labuan and owned by a Labuan entity on its own behalf.

On the other hand, a Labuan trading activity includes banking, insurance, trading, management, licensing, shipping operations or any other activities.

The concessionary tax treatment offered by LBATA is supplemented by the Statutory Orders exempting Labuan Companies from taxation, withholding taxes, stamp duty as well as in certain cases, partial exemption from salary taxes. Foreign exchange control rules, foreign ownership limitations, capital gain tax, estate or inheritance taxes and indirect taxes which may apply in Malaysia, is not applicable to Labuan Companies or structures.

An irrevocable election to be taxed under the Income Tax Act 1967 ("ITA") can be made if the Labuan company or structure prefers not to be taxed under LBATA. For Labuan entities which elects to be taxed under ITA, the Malaysia Inland Revenue Board has issued guidelines on the tax treatment inclusive of compliance requirements. For Labuan Entities which are taxed under LBATA, the Inland Revenue Board has also issued the advance ruling provisions.

Description	Tax Treatment
<b>Labuan Non-Trading Activity</b> Holding of investments in securities, stock, shares, loans, deposits or any other properties situated in Labuan and help by a Labuan entity on this own behalf	Not Subject to Tax
<b>Labuan Trading Activity</b> Include banking, insurance, trading, management, shipping operations, licensing or any other activity which is not a Labuan non-trading activity	3% of net profits per audited accounts
<b>Carrying out both Labuan Trading and Non-trading activities Deemen to be Labuan Trading Activity</b>	Same tax treatment as Labuan Trading activity, i.e. 3% of net profits per audited accounts
<b>Non-Labuan Business Activities</b>	Tax under domestic income tax act - 24%

### LABUAN COMPANIES OPERATING IN MALAYSIA

In order to avoid losing the Labuan Business activity status, Labuan companies may make an application to Labuan FSA in order to operate marketing offices to carry out marketing activities in Kuala Lumpur or Iskandar Malaysia.

Subjected to Labuan FSA's approval and its conditions, Labuan banks and insurance companies may also set up co-located offices within Malaysia to conduct Labuan's permissible business activities.

With regards, to Labuan Holding companies, an application can also be made to FSA co-locate its operational and management office in Kuala Lumpur, save and except that the companies make an irrevocable election to be taxed under ITA instead of LBATA.

Co-located offices are allowed to provide management services, management of surplus funds and provision of credit facilities, and trading or invoicing activities. Subject to the nature of activities, the services can be extended to related companies within and outside of Malaysia and to non-related companies outside of Malaysia.

## DOUBLE TAXATION AGREEMENTS (“DTA”)

An extensive DTA network which contributes to a valuable and vital business environment is accessible to all Malaysian tax-paying residents. The majority of Malaysia’s DTA network can also be accessible by Labuan entities with Malaysian tax residency status. In some cases, whereby Labuan companies elect to be taxed under the ITA, such election can facilitate access to the benefits provided under some of the DTAs.

Pursuant to the ITA, the present-day tax usage exempts foreign sourced income from tax save for the exception of companies undertaking banking, insurance, sea or air transport businesses. This allows Labuan entities more adaptability to structure their business transactions in a more efficient manner and at the same time giving their investors a more liberal business and exchange control environment.

The provisions in the Labuan Acts and the Organisation for Economic Co-operation and Development’s recognition that Malaysia adheres to are the international standards for transparency and exchange of information between countries and have substantiate Labuan IBFC’s position as a significant regional and global international business and financial centre.

With the accessibility of a variety of trusts and foundations, Labuan IBFC provides flexibility in organizing wealth management vehicles that is deemed acceptable by both the common law and civil law jurisdictions within Asia and beyond.

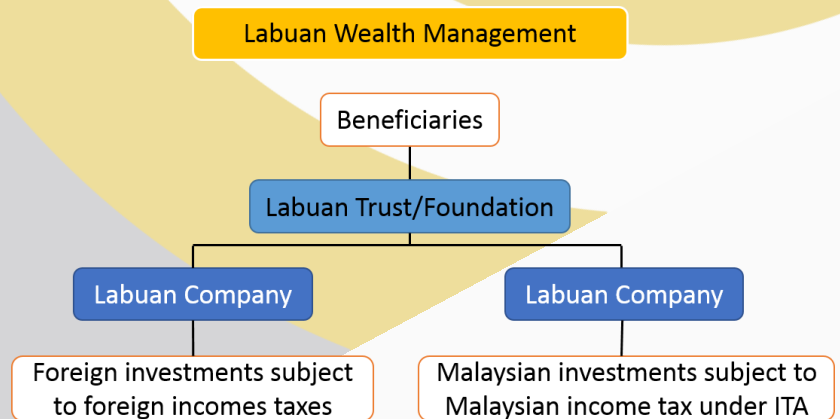
Nonetheless, prior consent from Labuan FSA is necessary for Malaysian properties. Moreover, the income from Malaysian properties is subject to tax under the ITA, while income from non-Malaysian properties is taxed under LBATA.

The above wealth management vehicles can be contemplated together with the Labuan Trusts Act 1996 which provides different classes of trusts, ranging from purpose to charitable trusts. A significant attribute of the Act is the provision of the Labuan special trust, which can be utilised to hold shares of Labuan holding companies that may in turn own assets inclusive of cash, real estate, art, securities, businesses and insurance policies.

Furthermore, the accessibility of private trust companies would be convenient to individuals and families that wish to maintain control of the management of their assets and businesses ; giving them the flexibility to be involved in the daily administration of their assets and businesses. International as well as Malaysian properties owned by a Malaysian and a non-Malaysian resident can administer them into a trust or a foundation.

## PRIVATE WEALTH MANAGEMENT

As for individuals with a high-net-worth, they will view Labuan IBFC to be a well-regulated authority which offers a range of private wealth management vehicles such as trusts, foundations, limited partnerships or companies limited by guarantee. As a matter of fact, Labuan IBFC is one of the few authorities in Asia that offers private foundations for wealth management.



### Tax Profile :

- The Labuan company and Labuan trust/foundation can enjoy minimum tax under the LBATA
- No withholding tax on dividends/royalty payments from Labuan company to Labuan trust/foundation
- No withholding tax on distributions from Labuan trust/foundation to beneficiaries
- Liberal exchange control environment in Labuan
- Access to benefits under Malaysia’s DTAs by the Labuan company may be available





# TRUSTED BY EVERYONE, EVERYWHERE

Your local Trust Company

## CONTACT PAGE

TO FIND OUT MORE.

CHECK US OUT ON OUR  
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