

Labuan Attracts Captive Insurance Business

by Mary Swire, Tax-News.com, Hong Kong
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Its Chief Executive Officer David Kinloch has said that the attractions of the Labuan International Business and Financial Centre (IBFC) for captive insurance companies are increasingly being recognized, and the sector is expected to expand significantly next year.

It has been reported that there are 34 captive companies established within the IBFC, of which 14 are Malaysian companies. The sector had total assets of over US\$33bn in 2010, with total gross premiums of US\$1.2bn.

However, Kinloch has pointed out that, while there is a large untapped market in Malaysian companies that have significant insurance needs, Labuan is also now attracting European and Asian multinational companies away from other captive insurance destinations in the region, such as Singapore.

As the IBFC has been operating captive insurance only for some five years, and the period for developing such products, and for companies to take decisions, is substantial, Kinloch disclosed that he expects the recent emphasis put into the sector by Labuan to mean that there will be a substantial influx of captive insurance business in 2012.

He pointed to the Labuan IBFC's advantages. For example, it is possible to operate structures such as limited liability partnerships and protected cell companies, and there are also significant tax advantages, including a stamp duty exemption on all documentation, no tax on non-trading activities (such as the holding of investments), and a 3% tax on net profits per audited accounts, or MYR20,000 (USD6,420) upon election.

Kinloch added that the availability of Malaysia's double taxation agreements and its growing Islamic finance market are also extremely useful.

A comprehensive report in our [Intelligence Report](#) series which studies the 20 main offshore jurisdictions which offer captive insurance regimes is available in the [Lowtax Library](#) at http://www.lowtaxlibrary.com/asp/subs_reports.asp and a description of the report can be seen at http://www.lowtaxlibrary.com/asp/description_report11.asp

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