

**BUDGET 2025:**  
**EXPANSION OF INCOME TAX EXEMPTION FOR**  
**ISLAMIC FINANCIAL ACTIVITIES IN LABUAN IBFC**

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# Introduction

## Current Position

An income tax exemption for five years, from the Year of Assessment 2024 to 2028, is granted to Labuan trading entities engaged in Islamic financial activities that leverage digital solutions. This includes Islamic banking, Islamic digital exchanges, Shariah-compliant fund management services, and Islamic digital token issuance.

## Budget 2025

To further promote investment in the Islamic financial sector powered by digital technology at the Labuan International Business and Financial Centre (Labuan IBFC), the Malaysian Government, through its 2025 Budget, has proposed extending the income tax exemption for Labuan trading entities. This expansion now includes **Labuan (re)Takaful business activities** and eligible (re)Takaful-related activities, building on the exemption first introduced in Budget 2024 and formalized under Gazette Order P.U. (A) 127 of the Labuan Business Activity Tax (Exemption) Order 2024.

The inclusion of (re)Takaful business activities broadens the incentives available to entities operating within Labuan IBFC, further driving growth and innovation across the Islamic financial industry. This move strengthens Labuan's position as a global hub for Islamic finance, especially in the rapidly evolving digital landscape.

## Further Information

More specific details regarding the conditions and scope of the tax exemption will be outlined in a forthcoming tax exemption order, which will be gazetted under the Labuan Business Activity Tax Act 1990 in due course.

# THANK YOU

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The information contained herein is of a general nature and should not be regarded as offering a complete explanation of the business of Labuan IBFC or Labuan FSA.