Home-Country Tax Rules: US, UK & Australian Owners

Labuan's low rate is only half the picture — how each home country can still tax your company's income every year, and where substance genuinely helps.

Why this exists

CFC rules stop residents from parking income in a low-tax offshore company indefinitely. If you're a US, UK, or Australian resident controlling a Labuan company, one of these regimes likely applies — genuine substance is your best defense in all three.

How each country handles it

UNITED STATES

Subpart F & GILTI

`Citizenship-based worldwide taxation`

US persons controlling a foreign corporation can be required to include Subpart F/GILTI income on their US return every year, distributed or not. The Foreign Earned Income Exclusion does not shield GILTI.

> **No tax treaty exists** — signed but never ratified by the US Senate. No negotiated withholding relief between the US and Malaysia.

UNITED KINGDOM

CFC attribution

`Shareholding-control test, 25% threshold`

Profits of a foreign company controlled by UK residents (25%+ interest) are attributed back in proportion to ownership, via specific "gateways."

> **Where substance helps:** trading profits are broadly excluded where the company has a genuine operational function of its own.

AUSTRALIA

CFC attribution (Part X, ITAA 1936)

`50% control test, or 40%+ single holder`

Once a company is a CFC, "tainted" (largely passive) income is attributed back to Australian resident shareholders holding more than 10%.

> **Where substance helps:** passing the "active income test" (under 5% tainted turnover) exempts the company from attribution entirely.

BEING STRAIGHT WITH YOU

Your home country already knows the account exists

Malaysia participates in the OECD Common Reporting Standard and has a FATCA agreement with the US — account information is automatically shared with your home tax authority. Labuan is a low-tax jurisdiction, not a secrecy one.

> **Not tax advice.** CFC rules are complex and depend on your specific structure and residency status. Speak with a cross-border tax advisor before making decisions.