

TECHNICAL

Direct Taxation

GUIDELINES ON APPLICATION BY SOCIAL ENTERPRISE FOR APPROVAL UNDER SUBSECTION 44(11C) ITA 1967

The Ministry of Finance ("MOF") and Inland Revenue Board of Malaysia ("LHDNM") have uploaded the [Guidelines on Application by Social Enterprise for Approval under subsection 44\(11C\) of the Income Tax Act \(ITA\) 1967](#) ("Guidelines") dated May 2019 on their websites. The Guidelines are available in the Malay Language only.

The objective of these Guidelines is to explain the procedure and conditions for the application by Social Enterprise to obtain approval under subsection 44(11C) of the ITA 1967 on cash contribution to Social Enterprise for income tax deduction claim as announced in the 2019 Budget (please refer to paragraph ("para") 74 on page 18 of the [2019 Budget Speech](#)).

The Guidelines include the following:-

1. Criteria that must be fulfilled by Social Enterprise that are eligible to apply for approval under subsection 44(11C) of the ITA 1967 (para 2.1);

Note:-

- Para 2.1(g) - Social Enterprise with approved status under subsection 44(6) of the ITA 1967 are not allowed to apply for approval under subsection 44(11C) of the ITA 1967.

2. Conditions which are required to be complied by Social Enterprise after obtaining approval under subsection 44(11C) of the ITA 1967 (para 2.2);

Note:-

- Para 2.2(d) – Receipt for cash contribution to approved Social Enterprise are required to be issued with details specified in the said para.

3. Tax deduction on cash contribution to approved Social Enterprise (para 3);

Note:-

- Para 3.1 - Only cash contribution is allowed a tax deduction and the amount that can be claimed by the donor is pursuant to the proviso to subsection 44(11C) of the ITA 1967; and
- Para 3.2 – Tax deduction can only be claimed if the contribution has been made by the donor and receipt has been issued by Social Enterprise approved under subsection 44(11C) of the ITA 1967.

4. Liquidation of Social Enterprise (para 4);

5. Application period and approval period for Social Enterprise (para 5);

Note:-

- Para 5.1 - The application period to obtain approval under subsection 44(11C) of the ITA 1967 is from 1 January 2019 to 31 December 2020; and

- Para 5.2 - The approval period for Social Enterprise approved under subsection 44(11C) of the ITA 1967 is 3 consecutive years of assessment.
6. Withdrawal of approval (para 6); and
7. Application (para 7).

Members may read the Guidelines in full on the websites of the [Institute](#) and the [LHDNM](#).

You may write to the Institute at technical@ctim.org.my or secretariat@ctim.org.my in respect of any suggestions, concern or comments you may have on the [Guidelines](#) so that we may raise them to the tax authorities.

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