



SERVICE TAX POLICY NO 7/2020

ACCOUNTING OF SERVICE TAX FOR PERSONS EXEMPTED FROM PAYMENT OF SERVICE TAX UNDER ITEM 3 AND 4, SERVICE TAX (PERSONS EXEMPTED FROM PAYMENT OF TAX) ORDER 2018

1. Section 7 of the Service Tax Act 2018 (STA 2018) states that imported taxable services are subject to service tax.
2. Service tax on imported services must be accounted and paid by the recipient:
 - 2.1. using SST-02 form for taxable person (Sec.26 (1) STA 2018)
 - 2.2. using SST-02A form of declaration for persons other than taxable persons (Sec.26A (1) of STA 2018)
3. Effective from 1st January 2020, Service Tax (Person Exempted from Payment of Tax) Order 2018 (ST(PEFPOT)O 2018) has been amended by adding item 3 and 4 to the Schedule.
4. Exemption given under item 3 or 4 of the ST(PEFPOT)O 2018, recipients of the imported taxable service specified in column (3) are not required to pay service tax to the JKDM by the mechanism mentioned in paragraph 2.1 or 2.2 above.
5. Therefore, for the purposes of item 3 and 4 of the ST(PEFPOT)O 2018, any person specified in column (2) and qualified in column (4), shall not be required to account for tax on services imported in column (3);
 - 5.1. Taxable persons are not required to declare in Section B1, B2 and item 18 (c) of Part D of SST-02 form
 - 5.2. Persons other than taxable persons do not need to declare SST-02A form of declaration.