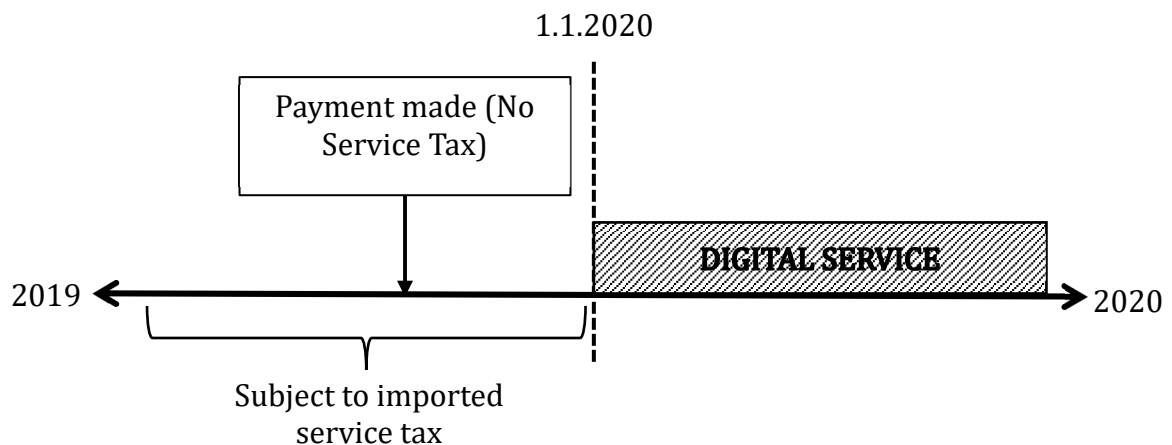




**SERVICE TAX POLICY NO 3/2020**

**SERVICE TAX POLICY ON CLAIMING A REFUND BY OFFSETTING METHOD ON  
SERVICE TAX ON IMPORTED DIGITAL SERVICE PROVIDED BY FOREIGN  
REGISTERED PERSON**

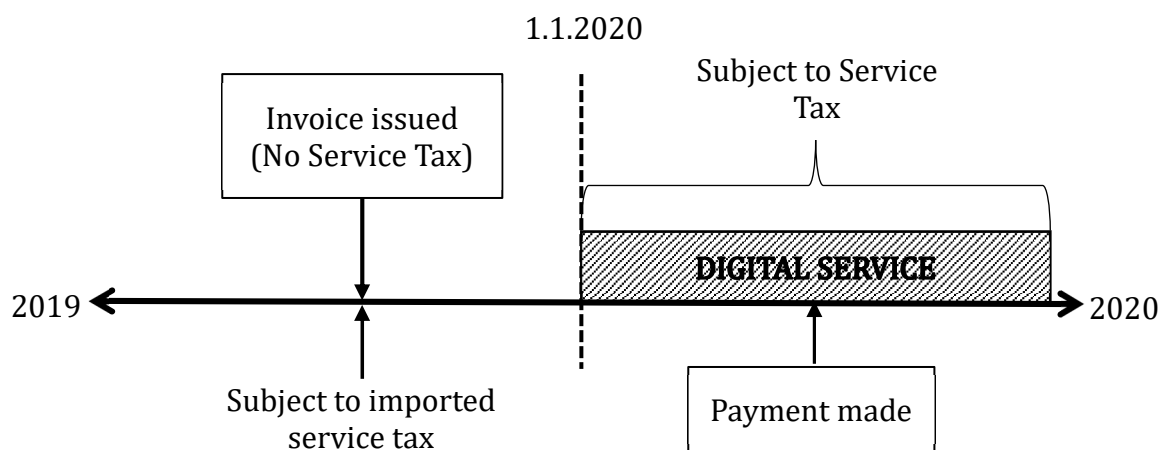
1. Effective from **1<sup>st</sup> January 2020**, the local service provider who has paid Service Tax to a Foreign Service Provider (FSP) on imported digital services is **allowed to claim a refund** granted under section 34(3)(b) Service Tax Act 2018 **by the offsetting method** based on the actual amount paid.
2. The taxable service provider who is eligible to enjoy this benefit must fulfill the following criteria :
  - 2.1. He is a **registered person (RP)** under the Service Tax Act 2018;
  - 2.2. Provides the **same digital service** as the imported digital service;
  - 2.3. Imported digital service must be for the furtherance of business and not for personal consumption;
  - 2.4. The imported digital service must be **provided by a foreign registered person (FRP)** under the Service Tax Act 2018; and
  - 2.5. **Payment of Service Tax has been made** to FRP.
3. The mechanism of claiming the refund by the **offsetting method is to be made via SST-02 form in item 13(c)** based on the actual amount of Service Tax paid to FRP.
4. Service tax treatment for **the claiming** are as follows:



**Illustration 4.1**

4.1. Where **any payment made before 1.1.2020** in connection with **receiving digital service on or after 1.1.2020** :

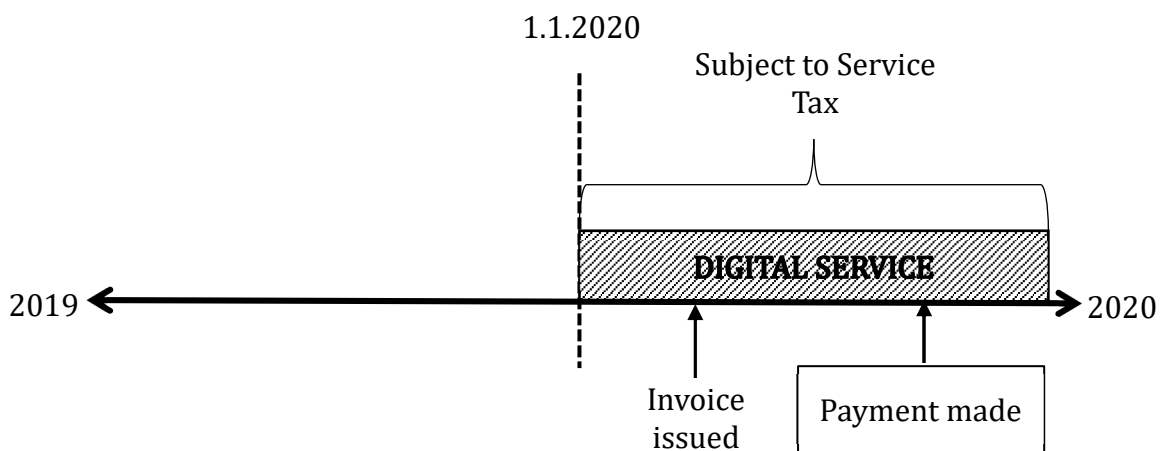
- a) There will be no Service Tax imposed on the service. If the RP has not accounted the imported service tax, therefore, **no refund** by offsetting method can be made.
- b) No refund is allowed for any RP who has accounted imported Service Tax.



*Illustration 4.2(a)*

4.2. (a) Where **any payment is made after 1.1.2020** in connection with **digital service acquired on or after 1.1.2020**, FRP shall impose Service Tax. FRP need to **adjust the invoice issued previously** (e.g.; FRP issues debit note to add in Service Tax amount).

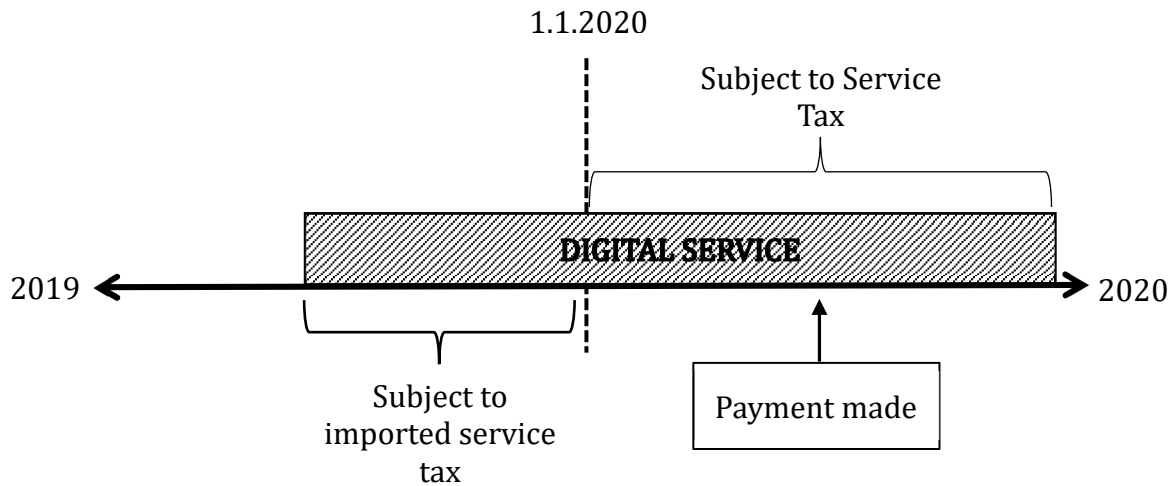
In this scenario, **RP can claim for a refund** by the offsetting method in the SST-02 form in the taxable period for which the Service Tax payment is made to FRP.



*Illustration 4.2(b)*

(b) Where **any payment is made** in connection with **receiving digital service on or after 1.1.2020**, FRP shall impose Service Tax. In this scenario,

**RP can claim for a refund** by the offsetting method in the SST-02 form in the taxable period for which the Service Tax payment is made to FRP.



**Illustration 4.3**

- 4.3. Where **any digital service receives before 1.1.2020 and is spanning after 1.1.2020, apportionment needs to be applied.** Only digital service receives on and after 1.1.2020 is subject to Service Tax.

FRP will only charge Service Tax on the digital service provided on and after 1.1.2020. **RP can claim for refund** on the Service Tax paid by offsetting method as what has prescribed in Para 3.