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## CASE STUDY

# TAXATION DUE DILIGENCE

### **BACKGROUND OF THE CASE**

Our client was an Italian company which had secured a sub-contract to provide engineering and equipment support for a large infrastructural project in India. The project had several agreements, addendums and payment structures. They wanted to conduct a thorough documentary due diligence to understand the payments received and pending along with amount of withholding tax (TDS) deducted & deposited. With that, they wanted to verify payments made and TDS deducted under Lower Taxation Deduction Certificate ('LTDC').

### **HOW DID OCTAGONA INDIA HELP?**

- A due diligence of legal documents and taxation compliance of each transaction was undertaken.
- Some payments were kept on hold by the contractor as release of those payments required submission of specific documents by our Client.
- For a few payments TDS was deducted at incorrect rates and for some payments withholding tax was deducted but not deposited with the Government. Further, despite having a LTDC, the TDS was not deducted at a lower rate for all transactions within the purview of LTDC. LTDC's term had expired and remaining transactions couldn't be covered under it.
- As conclusion our report suggested actions required to be taken by the Client for receiving pending payments and ensuring compliance with tax laws. It also suggested method to be adopted by the Client for gaining maximum benefit of tax credit in Italy against withholding tax deposited in India. Lastly, we procured a new LTDC so that withholding tax could be deducted at lower rates for remaining payments.

### **FINAL OUTCOME**

Octagona India through its understanding of Indian & International taxation system was able to provide guidance to Client for taxation compliance, tax planning and in gaining maximum available tax benefit.





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