



CASE STUDY

**SPECIAL CERTIFICATES FOR
WITHHOLDING TAX**

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 the 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.
- In 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 a 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 the 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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