

Case Study

A UAE Construction and Engineering Company

Service(s) offered: **Indirect Tax Advisory**

Sector/Industry: **Real Estate and Construction**



Support in bidding for a major construction project in India

Our client is a global leader in the design and manufacture of innovative commercial and residential ceiling, wall and suspension system solutions. The company has offices across nine states in India. The Indian subsidiary of the company is engaged in trading operations.

The UAE company approached us to support them in the process of participating in a bid for a construction project in India.

Solution

We first provided a detailed input and output tax cost analysis for the client. We assisted them in identifying various procurement and supply options/scenarios and preparing the tax cost sheets to ascertain the most tax efficient option.

We also suggested a few terms to structure the transactions in order to optimise indirect taxes on Engineering Procurement Construction (EPC) contracts.

Furthermore, we delivered a contractual classification note with treatment of the same as a works contract.

The assignment was planned and structured in the following way:

Case Highlights

- Our client approached us to support and assist them in the process of participating in a bid for a construction project in India
- In this regard, various indirect taxation options available to the company were explained in detail along with the comparative analysis of all available options
- The company was able to implement the best option for their business which resulted in savings in bidding cost

Preparatory work

- Analysis of the activities to be undertaken by the company
- Noting the laws applicable to the client for carrying out this project and drawing suitable assumptions to kick-start the process

Compiling information and detailed analysis:

We prepared the tax cost sheets taking into consideration key factors such as identifying the nature of procurements made for the following EPC contracts:

- Inter-state Procurements
- Local Procurements
- Imports

We highlighted the tax impact on the company taking into consideration the nature of procurements done and estimating the total eligible credit available to the company. We also analyzed the applicability and eligibility of the company for credit if the service or part of the service delivered is outsourced to sub-contractors.

Another crucial task was to determine the applicability of a works contract on the business activities as a whole and evaluating the best possible option for valuation for the purpose of taxability, which would result in the least net output tax liability.

Furthermore, a total of six feasible options were suggested along with their respective ranks on the basis of the least net output tax payable considering all permutations available for valuation (for e.g. valuation as per composition scheme under State VAT and on an actual basis under service tax, valuation as per composition scheme under State VAT and on an ad-hoc basis under service tax, etc.) as per the legislative provisions prescribed under the State VAT and service tax laws.

A similar evaluation was done taking the Laws of the GST Act into consideration in case the project would have to be undertaken by the company after the implementation of the GST Law.

Impact

The company had the option to choose from the various available alternatives for the purpose of taxability supported by a comparative analysis of all the possible options which would give the least net output tax liability.

Our client was able to evaluate alternative procurement structures based on our findings and a meticulous analysis of the qualitative and quantitative information.

Various indirect taxation options (the best of seven) were provided to the company and the same were explained in detail along with quantification.

As a result, the client successfully implemented the best option for its company which entailed savings in bidding cost. This facilitated the company to place a competitive bid for the construction project.

For more information on this case study, please write to us at:

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You can also visit our website to know how our services resulted in tangible business benefits:

www.nexdigm.com