

The Hindu 10.08.2017

Tough choices ahead for Corporation

Road works stalled as contractors protest over GST charges

The city Corporation is left with some hard choices to bring an end to the tender boycott by its contractors after the implementation of Goods and Services Tax (GST) which has stalled road works in the city. It could either revise the estimates by cutting down on the volume of work, thus earning the displeasure of the councillors or bear the extra costs from its own funds, at a time when it is reeling from loss of entertainment revenues.

The Mayor has called for a meeting with representatives of the six contractors' unions in the city Corporation to bring an amicable settlement to the issue. Officials from the Taxes Department will also participate to communicate with the contractors.

Last month, all the contractors unions decided to boycott the tender process for works to be carried out in the city roads, citing the increase in their financial burden after the implementation of GST. Earlier, the tax for civil works were fixed at 6%, including Value Added Tax (VAT) of 4%, welfare fund contribution of 1% and income tax of 1%. Post- GST, this

tax component has increased to 18%.

Thin margin

“Already, we were having only a thin margin of profits for works taken up in the Corporation. The GST has come as a huge blow. We decided to stay away from the tender process as there was no point in it, if we are not getting any profits from this. The issue can be solved if the Corporation is ready to bear the extra burden,” says contractor Anil.

Though the Corporation officials are hinting at a reduction of the tax to 12% by the GST council, no official decision has been communicated yet.

“By the time GST was implemented, we had got the technical sanctions and began the tender process. Only, VAT was considered in these estimates. Now, revising the estimates is not practical. The councillors will not agree to the cutting down of the already estimated works. The State Government has to take a decision on whether we can revise the estimates or make it up from our own funds. More clarity will be there after

the government publishes a revenue note regarding this,” said the Corporation Mayor V.K.Prasanth.

Meanwhile, contractors who are not part of any of the six unions, bid successfully for the tenders of few works in the Kazhakuttam zone. The unions are seeing this as an attempt by the local body to defeat their tender boycott.

- ***Mayor has called for a meeting with six contractors' unions***
- ***Other contractors bid successfully for tenders in Kazhakuttam zone***