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Property tax exemption not automatic, says HC

It directs two hospitals to pay one-third of arrears

The Madurai Bench of the Madras High Court on Wednesday observed that benefits conferred under Section 122 (e) of the Madurai City Municipal Corporation Act were not automatic.

Hearing petitions filed by two private hospitals seeking exemption from property tax, the court directed them to pay one-third of the arrears to the corporation subject to its final orders on exemption.

Justice R. Mahadevan, who heard the petitions filed by Velammal Educational Trust and S. R Trust (running the Meenakshi Mission Hospital and Research Centre) observed that the hospitals were at liberty to make a representation to the Madurai Corporation within six weeks to seek exemption. The corporation shall pass appropriate orders after considering the representations and conducting proper investigation of the premises. The daily rent charged by the hospitals on patients shall also be considered, the court said.

Counsels for the petitioners Niranjan S. Kumar and S. Ramesh argued that the hospitals were entitled for exemption under Section 86 (e) of the Tamil Nadu District Municipalities Act, 1920, and under Section 122 (e) of the Madurai City Municipal Corporation Act as charitable hospitals and dispensaries, excluding residential quarters, were exempted from property tax. They argued that notices were sent to the hospitals without giving them an opportunity to present their stance on exemption from property tax.

Additional Advocate General B. Pugalendhi argued that the hospitals were not run purely for charitable purposes and charges were collected from patients. No evidence was provided by them on the claims that the poor and needy were charged only nominal fees.

Exemption under Section 80 G of the Income Tax Act by itself would not entitle the petitioners to seek an exemption from property tax. As the hospitals had rented out parts of their premises to run canteens and were collecting parking fees for vehicles, they were not automatically exempted from property tax, said the Additional Advocate General.

The petitions were filed by the hospitals after the Corporation

Commissioner sent notice asking them to pay property tax dues.