IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 13-03-2026

CORAM

THE HON'BLE MR JUSTICE C. SARAVANAN

WP No. 10269 of 2026 and

W.M.P.Nos.11133, 11134 and 11135 of 2026

S Devarajan
Trustee,
S.Palaniandi Mudaliar Memorial Hospital
Established by S.Palaniandi Mudaliar Charitable
Trust No.29, Cuddalore Road North Extenstion,
Ammapet, Salem 636003

..Petitioner(s)

Vs

1. The Corporation of Salem
   Rep. by its Commissioner,
   Salem 636 001
2. The Assistant Commissioner
   Corporation of Salem, Ammapet Ward
   Office,Salem 636 003
3. State of Tamil Nadu
   Represented by Secretary to Government
   Municipal Administration and Water Supply
   DeptSecretariat, Fort St. George,Chennai

..Respondent(s)

Prayer: This Writ petition is filed under Article 226 of the constitution of India to issue a writ of Certiorarified Mandamus to call for the records of the second respondent dated 03.10.2024 bearing Na.Ka.No.L3/2857/ 2020 and consequential demand notice dated 17.02.2026 and quash the same and direct all Respondents to refund to the Petitioner a sum of Rs.6,10,540/-, being all the property tax paid by the Petitioner and pass orders.

For Petitioner(s): Rahul Balaji
B.Madhan Babu
Vishnu Mohan
Rekha S

For Respondent(s): Mrs.N.Devi, Standing counsel for
Mr.C.A.Amedius, Government Advocate

ORDER

Mrs.N.Devi, Standing counsel takes notice for the Respondents.

2. This Writ Petition is being disposed of at the stage of admission itself with the consent of the learned counsel for the Petitioner and the learned Standing counsel for the Respondents.

3. This is the second round of litigation before this Court. Earlier the petitioner had approached this Court against the proceedings of the second respondent herein/The Assistant Commissioner, Corporation of Salem dated 24.01.2020 and consequential prosecution notice dated 04.03.2020 in

W.P.No.6815 of 2020. The prayer in the said writ petition is extracted hereunder:

> *Writ Petition filed under Article 226 of the Constitution of India praying for a writ of certiorarified Mandamus calling for the records of the second respondent in proceedings bearing Na.Ka.No.111/2564/2007 dated 24.01.2020 and the consequential prosecution notice dated 04.03.2020 and quash the same and direct the Respondents to refund to the petitioner a sum of Rs.6,27,200/- being all the property tax paid by the petitioner.*

4. The demand therein was for the period between 2003 to 2020. By an order dated 07.11.2023 this Court gave a categorical finding that the activity carried out by the petitioner was charitable in nature and that the petitioner was entitled to the benefit of Section 123(e) of the Coimbatore City Municipal Corporation Act, 1981 which was made applicable to Section 8 of the Salem Municipal Corporation Act, 1994. The discussion in the aforesaid order of the Court dated 07.11.2023 in W.P.No.6815 of 2020 is extracted hereunder:

> *13.Upon hearing the submissions made by the learned Senior Counsel for the petitioner and the learned Additional Advocate General appearing on behalf of the respondents 2 and 3 and on perusal of the records placed before this Court, the issue to be decided in the present case is as to whether the petitioner is entitled for exemption of property tax as provided under Section 123(e) of the Coimbatore City Municipal Corporation Act, 1981 which is applicable to Salem Corporation as well?*
>
> *14. No doubt, the petitioner is a charitable trust registered under the Trust Act and the petitioner has got tax*

exemption under Section 12A of the Income Tax Act, 1961. It is seen from the records placed before this Court that the petitioner has only filed income and expenditure statement before the income tax authorities and they have not filed any profit and loss statement. Further a perusal of the balance sheet would show that the Trust is having income over expenditure and the said income is also invested back only for the betterment of facilities in the hospital and there is also no evidence to show that the trustees are driving any monetary benefits from the income generated from the hospital. In view of the aforesaid reasons, the arguments made by the learned Additional Advocate General that the hospital is making systematic profits appears to be without any merits.

15. It is also an admitted fact that the hospital is not doing services free of costs to all the patients but they are only providing concessional services. The hospital is also providing standard deduction and additional deduction in the charges for the benefit of the poor and needy patients. Further, it is established that the income derived from the hospital is invested back into the hospital for betterment of its services. As per Clause 3(s) of the Trust deed dated 21.05.1980, it has been decided to utilize the funds for the advancement of any other object to general public utility not involving the carrying on of any activity for profit. Further, it could be seen from the said document that no interest shall be charged as per clause 3(c) of the objects of the Trust on moneys to be lent to poor and deserving students to meet their educational expenses. Thus, it can be inferred that the petitioner is doing charitable services within the scope of the Trust deed and hence, they are certainly entitled for benefit of exemption from payment of property tax.

16. For all the above reasons, this Court is of the considered view that it is crystal clear that the petitioner is doing charitable service and the revenue generated from the hospital is utilised for betterment of its facilities as per the objects of the Trust, however the respondents without considering all these aspects had consequently made a further demand which is not sustainable in law. Therefore, the impugned order passed by the respondent is liable to be set aside and accordingly set aside.

> *17. At this juncture, learned Advocate General would submit that the matter may be remitted back to the respondent to pass orders afresh and the petitioner may be directed to place all the relevant records to establish that they are doing Charitable services. Though this Court is convinced that the petitioner is dong charitable services, in view of the suggestion putforth by the learned Additional Advocate General which is also conceded by the learned Senior counsel appearing on behalf of the petitioner, this Court while setting aside the impugned order remits the matter back to the respondent concerned and the respondent is directed to consider the matter afresh on merits in line with the observations made by this Court in this order.*
>
> *18. This Writ petition is disposed of with the aforesaid direction. Consequently, connected miscellaneous petitions are closed. No costs.*

5. After the order was passed the Tamil Nadu Urban Local bodies Act, 1998 has undergone Amendment which came into force with effect from 13.04.2023. Somewhat similar exemptions has been incorporated under Section 87(e) of the Tamilnadu Urban Local bodies Act, 1998 as per which the buildings and land of Charitable Hospital and Dispensary are exempted subject to the guidelines as may be prescribed by the Government in this regard. The exemption does not apply to residential quarters attached therein.

6. Section 123(e) of the Coimbatore City Municipal Corporation Act, 1981 which is applicable for the Salem Corporation as well is *pari materia* with Section 87(e) of the TN Urban Local Bodies Act, 1998 read as follows:

Tamil Nadu Urban Local Bodies Act Section 87: General Exemptions-	Coimbatore City Municipal Corporation Act. Section 123: General Exemptions from property Tax: The following buildings and lands shall be exempt from the property tax:
Section 87(e) *Charitable Hospitals and dispensaries, subject to the guidelines as may be prescribed by the Government in this behalf, but not including residential quarters attached thereto;*	Section 123(e) *Charitable hospitals and dispensaries but not including residential quarters attached thereto:*

7.The S.Palaniandi Mudaliar Memorial Hospital Trust was founded originally vide Trust deed dated 24.01.1975. Thereafter, the terms and conditions were modified vide Trust deed dated 21.05.1980. In terms of Clause

3(s) of the Trust deed dated 21.05.1980, it was been decided to utilize the funds for the advancement of any other object to general public utility not involving the carrying on of any activity for profit. The said clause is extracted hereunder:

> *"3(2). To utilise the funds of the Trust for the advancement of any other object to general public utility not involving the carrying on of any activity for profit."*

8. The petitioner is said to running a charitable hospital. The petitioner is said to have also obtained tax exemption under Section 12A of the Income Tax Act, 1961. The second respondent has now passed the impugned order, wherein the second respondent has examined the scope of the exemption from the presumption of Rule 267(2) under the TN Urban Local Bodies Rules,2023 as per which exemption may be granted having regard of specified factors. Relevant portion of Rule 267(2) under the TN Urban Local Bodies Rules,2023 the same is extracted hereunder:

> *2. The exemption may be granted having regard but not limited to the following factors:-*
>
> *(a) The institution is registered or recognized under any law for the time being in force*
>
> *(b) The income of the institution is exempted for the purpose of income tax;*
>
> *(c) The income of the institution is fully or substantially used (I.e eighty-five percent of the income) for charitable purposes;*

(d) In case of Charitable hospitals and dispensaries, at least seventy-five percent of the Institution's patients in a year are treated free of cost or at concessional rates;

(e) The objects of the institution is fully or substantially used (I.3 eight-five per cent of the income) for charitable purposes;

(f) Verification of the submitted audited accounts of the institution; and

(g) The property should not be in violation of any Act or Rules

9. The tax demand is for the Tax Period 2003-2004 to 2025-2026. The respondent should have examined the issues both from the perspective of the Section 123(e) Coimbatore City Municipal Corporation Act and from the perspective of the Section 87(e) of the Tamil Nadu Local Bodies Act, 1988 read with the aforesaid rules.

10. The impugned order has not complied with the orders dated 07.11.2023 passed by this Court in W.P.No.6815 of 2020. Therefore, the impugned orders dated 03.10.2024 and 17.02.2026 are quashed and the case is remitted back to the second respondent to pass fresh orders on merits and in accordance with law. The respondents are at liberty to issue a Fresh Demand Notice in case Demand is so confirmed.

11. The Impugned orders which stands quashed shall be treated as an addendum to the Show Cause Notice. The petitioner shall filed a proper reply to substantiate the case both under the Coimbatore City Municipal Corporation Act and under Tamil Nadu Local Bodies Act, as an force with effect from 13.04.2023.

12. Needless to state, before passing any such order, the Respondents shall give due notice to the Petitioner.

13. This Writ Petition stands disposed of with the above observations. No costs. Connected Writ Miscellaneous Petitions are closed.

13-03-2026

Index: Yes/No

Speaking/Non-speaking order

Neutral Citation: Yes/No

smn

To

1. The Corporation of Salem
   Rep. by its Commissioner,
   Salem 636 001

2. The Assistant Commissioner
   Corporation of Salem, Ammapet Ward
   Office,Salem 636 003

3. The Secretary to Government Municipal
   Administration and Water Supply
   DeptSecretariat, Fort St. George,Chennai

C.SARAVANAN, J.

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