IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 03-06-2026

CORAM

THE HON'BLE MR JUSTICE M.DHANDAPANI

WP No. 10928 of 2020

and

WMP No.13278 of 2020

Sundram Fasteners Ltd.,
Metal Forms Division,
Harita, Hosur,
Rep. by its Chief Financial Officer,

..Petitioner

Vs

1. Special Officer/
   Asst. Director (Audit),
   Krishnagiri.

2. The Commissioner,
   Panchayat Union,
   Hosur.

3. Block Development Officer,
   Panchayat Union,
   Hosur.

..Respondent(s)

Writ Petition filed under Article 226 of Constitution of India, to issue a Writ of Certiorari, calling for the records of the 1st respondent in

Proceedings Na.Ka.No.3524/2018 /A2 order No.485 dated 24/09/2019 and consequential Demand Notice of the 2nd respondent dated 22.06.2020 in Na.Ka.No.468 /2020 /A2 and to quash the same.

For Petitioner: M/s.Anand Gopalan
for M/s.Agam Legal

For Respondents: Mr.C.Prabakaran
Government Counsel

ORDER

This petition has been filed challenging the impugned order dated 24.09.2019 passed by the 1st respondent and consequential Demand Notice dated 22.06.2020 issued by the 2nd respondent, and seeks to quash the same.

2.The learned counsel appearing for the petitioner would submit that, the petitioner is a company registered under the Companies Act and is engaged in the business of manufacturing fasteners, auto components, power train components and various critical high-precision engineering components for the automotive and other sectors. The Tamil Nadu District Municipalities Act ("the Act") mandates the local bodies to provide certain services and collect taxes from residents as well as licence fees from companies operating within their jurisdiction. The petitioner company has been paying the requisite license since its inception and has not defaulted in payment at any point of time.

3.The further case of the petitioner is that, for the purpose of renewal of its licence, the petitioner company approached the 2nd and 3rd respondents for renewal. On 27.02.2020, when the officials of the petitioner visited the office of the 3rd respondent to remit the license fee of Rs.2,14,930/- at the existing rate, namely Rs.1050/- for the first 100 HP and Rs.10/- for every HP in excess of 100 HP, they were informed that the licence fee had been revised. Thereafter, the 2nd respondent issued a demand notice to the petitioner's plant directing the petitioner to remit a licence fee of Rs.12,89,280/-. The said amount was calculated at the revised rate of Rs.6000/- for the first 100 HP. Thus, the rate of Rs.10/- per HP was increased to Rs.60/- per HP, and the base fee of Rs.1,050/- was increased to Rs.6,000/-.

4.According to the petitioner, the revision is arbitrary and unreasonable, as no rationale or basis has been provided for such a steep increase in the licence fee. The petitioner contends that it has been regularly paying the licence fee and that the abnormal enhancement bears no nexus to the services rendered by the respondents or to any legitimate objective sought to be achieved. The increase appears to have been effected solely with a view to augmenting the revenue of the 3rd respondent. The petitioner further submits that a similar issue was considered by this Court in W.P No.5452 of 2011 by order dated 20.12.2022, wherein the demand raised by the respondent was set aside. Relying on the said decision, the learned counsel prays for allowing the present writ petition.

5.Per contra, the learned Government Counsel appearing for the respondents would submit that, the licence fee had originally been fixed prior to the year 2020. Subsequently, by way of a resolution, the license fee was revised with a view to augmenting the revenue of the Municipality, which has since been merged with the Corporation, Hosur. It was further submitted that, under Section 249 of Tamil Nadu District Municipalities Act, the Municipality is vested with the power to levy and revise license fees. Accordingly, license fee was increased in exercise of the powers conferred under the Act, and therefore, the revision cannot be termed arbitrary or illegal. On these grounds, the learned Government Counsel prayed for dismissal of the present writ petition.

6.Heard the learned counsel on either side and perused the material available on record.

7.The facts of the present case are not in dispute. Admittedly, the petitioner company is registered under the Companies Act. The petitioner has been obtaining the requisite licenses from the local body and the competent authorities and has been regularly paying the prescribed licence fee. It is also undisputed that prior to the year 2020, the petitioner had been paying the license fee at the rate of Rs.1050/- for the first 100 HP and Rs.10/- for every HP in excess of 100 HP. The petitioner continued to pay the licence fee at the said rate until 2020. However, it appears that the local body, by Resolution No.485 dated 29.04.2019, enhanced the licence fee to Rs.6000/- for the first 100 HP and Rs.60/- for every HP in excess of 100 HP. The said resolution was forwarded to the Assistant Director for approval. Nevertheless, the resolution by itself does not have statutory force unless it is approved by the competent authority, namely, the Director of Municipal Administration. In the absence of such approval or sanction, the collection of license fee from the petitioner on the basis of the said resolution cannot be sustained in law.

8.However, a perusal of Section 249 of the District Municipalities Act shows that the Executive Authority is empowered to levy and collect licence fees. The said provision prohibits the carrying on of certain trades or establishments without obtaining the requisite licence. Under the relevant

Schedule, the State Government has prescribed the applicable fee. However, as per the schedule, the State Government fixed only Rs.2/-. However, there is no provision under the Act empowering the Executive Authority or the Municipal Council to enhance the licence fee fixed by the State Government by merely passing a resolution. In the absence of any statutory provision conferring such power, the enhancement of the licence fee and the consequent demand raised against the petitioner cannot be sustained, particularly in the absence of approval from the competent authority or the State Government. Further, no justification has been placed on record for the steep enhancement of the licence fee from Rs.1,050/- to Rs.6000/- for the first 100 HP and from Rs.10/- to Rs.60/- for every HP in excess of 100 HP. Such an arbitrary increase, without any rational basis, is liable to be interfered with. A similar issue was considered by this Court in W.P No.5452 of 2011 vide order dated 20.12.2022, wherein it was held as follows:

> *6. The learned counsel appearing for the petitioner has relied on the following judgments:-*
>
> *(i). The CORPORATION OF MADRAS Vs. SPENCER & CO (1929) 57 MLJ 71*
>
> *(ii). THE MUNICIPAL COUNCIL, KUMBAKONAM, REP. BY ITS CHAIRMAN Vs. RALLI BROTHERS (ORIGINAL SIDE APPEAL No.94 OF 1929)*

(iii). SUBBAIAH MAISTRY Vs. THE CORPORATION OF MADRAS, REP BY ITS SANITARY INSPECTOR (1953) IMLJ – 92

(iv). A.R.DAMODARA MUDALIAR & CO, REP. BY ITS PARTNER – Mr. A.R.DAMODARAN Vs. THE COMMISSIONER, NELLIKUPPAM MUNICIPALITY (1972) 1 MLJ 389

(v). KRISHI UPAJ MANDI SAMITI AND OTHERS Vs. ORIENT PAPER & INDUSTRIES LTD (1995) 1 SUPREME COURT CASES – 655

(vi). THE SIVKASI MASTER PRINTERS ASSOCIATION, REP. BY ITS PRESIDENT, SIVAKASI Vs. 1. THE STATE OF TAMIL NADU, rep. BY THE SECRETARY TO GOVERNMENT, DEPARTMENT OF LOCAL ADMINISTRATION, CHENNAI 9 AND TWO OTHERS

(W.P.No.8637 of 2003)

7. Learned counsel appearing for the respondent submitted that license fee has been enhanced in the year 2010. Now, the erstwhile Municipality has been merged with Chennai Metropolitan Corporation. Therefore, the same cannot be challenged now and further submitted that new license fee would be fixed, as per Section 365 of the Chennai City Municipal Corporation Act, 1919. As the petitioner is paying the original license fee, since the Municipality has merged, they will follow the rules, as per the Chennai City Corporation Act.

8. Learned counsel appearing for the respondent further submitted that the license fee was enhanced in order to augment the revenue of the Municipality and therefore, increase cannot be stated to be arbitrary or illegal.

9. In such a view of the matter, this Court is of the view that as the Municipality has already merged with Chennai City Corporation, any license fee to be revised and the same should be in accordance with law, as per Section 365 of the said Act. It is relevant to note that a learned Single Judge of this Court in THE SIVKASI MASTER PRINTERS ASSOCIATION, REP. BY ITS PRESIDENT Vs. 1. THE STATE OF TAMIL NADU, rep. BY THE SECRETARY TO GOVERNMENT, DEPARTMENT OF LOCAL ADMINISTRATION, CHENNAI 600 009 (W.P.No.11069 of 2003), has referred the judgment in R.NARAYANAN'S case reported in 1976 (1) MLJ -12, wherein the Hon'ble Supreme Court has held as follows:-

"2. The authority to justify the levy qua fee, must render some special services to the category from whom the amount is extracted and the total sum so collected must have a reasonable correlation to the cost of such services. Where these dual basic features are absent, you cannot legally claim from the licencee under the label "fee".

10. Similarly, the Hon'ble Full Bench of this Court in 1992 L.W – 696 has stated as follows:

"23. ...... The Municipality being a statutory body, it is bound to act on a rational basis and must apply uniform principles in levying the fee. We are not against the policy of the Municipality in generally increasing the totality of the fees in a market to augment its income. As correctly observed in ATTORNEY GENERAL Vs. COLCHESTER CORPORATION [1952 (2) ALL.E.R. 297], it is for the convenience of the stall holders that he chooses to remain in the public market in spite of the fact that there may be cheaper stalls available outside the market. Therefore, a stall holder cannot question the increase of fee levied by the Municipality on a rational basis unless he makes out arbitrariness on the part of the Municipality in apportioning the fee as among the various stall holders within the market".

11. On a careful perusal of the above judgments, it is clear that Municipality cannot increase the license fee arbitrarily and there should be a rational basis for such enhancement. Though the learned Single Judge has not quashed the increase on the ground of delay in enhancing the license fee however held that there cannot be any arbitrary increase of license fee.

12. Considering the above judgments, this Court is of the considered view that collecting the fees on the basis of the horse powers of the machineries will amount to double taxation, since the petitioner has already obtained license under the Factories Act, based on the horse power of each machineries. Fixation of the license fee is only for the purpose of providing some service and it is not for the purpose of revenue generation. The purpose of collection of license fee is only for providing the service relating to *issuance of licence and not for augmenting the revenue. The amounts collected in the form of property tax and wealth tax, etc., could be said to be for the purpose of revenue.*

13. In such a view of the matter, arbitrary exercise of powers enhancing the fees from 100% to 400% without giving an opportunity cannot be sustained in the eye of law. As the license fee has been fixed by the Municipality, now the Municipality has been merged with the Corporation of Chennai, Corporation shall fix the licence fee, as per the procedure set out in Section 365 of the Chennai City Municipal Corporation Act, 1919. As the petitioner has already paid the original license fee, as fixed in the year 2010, no further arrears could be claimed by the CMDA. If at all new license fee has to be enhanced, the same has to be enhanced, strictly in accordance with the provisions under Section 365 of the Chennai City Municipal Corporation Act, 1919.

4. With the above observation, this writ petition is disposed of. No costs. Consequently, the connected M.Ps are closed

9. Applying the ratio laid down by this Court, the impugned order dated 24.09.2019 passed by the 1st respondent and the consequential Demand Notice dated 22.06.2020 issued by the 2nd respondent are hereby set aside. The petitioner shall continue to pay the prescribed fees in accordance with law.

10.Accordingly, the writ petition is allowed. There shall be no order as to costs. Consequently, connected miscellaneous petition is closed

03-06-2026

Index: Yes/No

Speaking/Non-speaking order

Neutral Citation: Yes/No

Uma

To

1. Special Officer
   Asst. Director (Audit), Krishnagiri.
2. The Commissioner,
   Panchayat Union, Hosur.

3. Block Development Oficer,
   Panchayat Union, Hosur.

M.DHANDAPANI, J.

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