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WP-27879-2023

IN THE HIGH COURT OF MADHYA PRADESH  
AT JABALPUR

BEFORE

HON'BLE SHRI JUSTICE VISHAL MISHRA

ON THE 9<sup>th</sup> OF MARCH, 2026WRIT PETITION No. 27879 of 2023

*GUJRAL HOTELS PVT. LTD. THROUGH ITS DIRECTOR SHRI  
INDRANEEL SINGH GUJRAL*

*Versus*

*THE STATE OF MADHYA PRADESH AND OTHERS*

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Appearance:

Shri Anshuman Singh - Advocate with Shri Anuj Shrivastava,  
Advocate for the petitioner.

Shri Prabhanshu Shukla - Government Advocate for the respondents/  
State.

Shri Utkarsh Agrawal - Advocate for the respondent no. 3.  
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ORDER

This petition is filed assailing the order dated 28.03.2023 (Annexure-P/5) passed by the respondent no. 3, whereby, property tax along with other surcharges have been levied upon the petitioner.

2. Briefly stated facts of the case are that the petitioner is a private limited company. The present petition is being filed through its Director Shri Indraneel Singh Gujral. The company has passed a resolution authorizing Shri Indraneel Singh Gujral to file the present petition. The Madhya Pradesh State Tourism Development Corporation Ltd. issued a notice inviting tender for the operation and management of a restaurant/hotel unit known by the name of Tourist Motel situated in District Katni. The petitioner participated



in the tender and was declared successful. In furtherance to this, M.P. State Tourism Development Corporation Ltd. issued a letter of award to the petitioner dated 01.05.2018. Subsequently, an agreement was executed between the parties on 24.04.2019. The said hotel was granted to the petitioner company on license and solely for the purpose of operation and maintenance of the same. Clause 2 of the agreement describes the scope of services and states that the licensee shall develop, furnish, operate and manage the Tourist Motel, Katni. The role of the petitioner was only limited to operations and management and the property in question is solely owned by the State of Madhya Pradesh.

3. It is argued by the counsel for the petitioner that under Section 136 of the Municipal Corporation Act, 1956, any property belonging to the State Government is specifically exempted from the imposition of property tax. The property in question being owned by the State Government is not liable for payment of property tax. The petitioner company has not constructed the building, on which, the hotel is being run. It is submitted that completely ignoring the provisions of law, Municipal Corporation, Katni issued a demand notice to the petitioner asking the petitioner to deposit property tax on the aforesaid property from the year 2010-11 to the year 2022-23. It is next contended that under Section 135 of the Act, 1956, the property tax can only be imposed on the owner and admittedly, the petitioner is not the owner of the property and is merely a licensee. The property tax has been illegally imposed on the petitioner from the year 2010-2011, whereas the petitioner has become the licensee of the property only in the year 2019 and prior to



that, the petitioner had no nexus with the said property. Mentioning all the facts in detail, the petitioner sent a legal notice to the respondent Municipal Corporation, Katni on 5.4.2023. In reply to the notice, it is stated that even if Madhya Pradesh State Tourism Development Corporation is liable to pay the property tax, then the petitioner should pay the property tax to the Municipal Corporation and then initiate appropriate proceedings to recover the same from MPSTDC. It is argued that the impugned order dated 28.3.2023 is completely illegal, arbitrary and violative of the fundamental rights of the petitioner. It is well settled in law that property tax has to be in accordance with law and no tax can be recovered unless it is found under statutory provision. The imposition of property tax on the petitioner is violative of Article 265 of the Constitution of India. Therefore, the impugned recovery is completely illegal and liable to be set aside.

4. It is submitted by counsel for the petitioner that the aforesaid aspect was considered by the Division Bench of this court in the case of **Municipal Corporation Bhopal and others vs. RKDF Institute of Science and others**, (2013 (4) MPHT 375) and in the case of **Satna Diocesan Society vs. Municipal Corporation, Rewa and another** (2013 (3) MPLJ 244), wherein it was held that as per the provisions contained in Section 136 (c) of the Madhya Pradesh Municipal Corporation Act, there is a exemption from payment of the property tax for building and lands exclusively used for educational purpose. In support of his arguments, he has also placed reliance on the orders passed by this Court in WP No.23486/2021 vide order dated 20.10.2025 (Indore Bench) and prayed for the similar relief in the matter.



Counsel for the petitioner has prayed to allow the writ petition seeking direction not to charge taxes from the petitioner qua the property in question as the property belongs to the State Government.

5. Counsel appearing for the respondents no. 1 to 3 / State has opposed the aforesaid contentions and argued in support of the impugned demand notice. As per Section 132 of the Municipal Corporation Act, the Corporation subject to any general or special order of State may impose taxes. Further, sub-clause (1) of section-132 of the MC Act envisages that Corporation shall impose a tax payable by the owners or building or lands within the city subject to the provisions of section-135, 136 and 138 of the MC Act. Further Section 5(7), (31) and (43) defines building, land and owner respectively. The words owners, building, land mentioned in Section 132 (1) (a) is separated by the word "or", thus, tax is payable from either owner or building or land. It is argued that in terms of Section 135 and 132 of the MC Act, the petitioner comes within the ambit of Section 132 of the MC Act as the property tax is imposed not on any individual but property tax is imposed on the property. By virtue of Section 132 (1) (a) of the MC Act, the petitioner is liable to pay property tax. It is next contended that the agreement was entered into between the petitioner and M/s. Madhya Pradesh State Tourism Development Corporation Ltd. which is a company registered under the Companies Act, 1956. Because the MPSTC owns the property in question and MPSTC is Company registered under the Companies Act, 1956 which means it is a legal person, separate and distinct from its individual members and it is a legal entity of its own, thus, it cannot be said that the



property in question is owned by the State and thus, Section 136 (1) (ii) cannot be involved in the present case.

6. It is argued that against issuance of notice of demand under Section 174, remedy of appeal lies under Section 184 of the Act of 1956 but the petitioner has not availed such statutory remedy and has directly filed the writ petition. It is further stated that the petitioner has wrongly stated in the petition that the title of the property in question belongs to State Government. It cannot be said that the land, on which, the motel is running belongs to the State Government and is not exempted from payment of property tax.

7. Heard learned counsel for the parties.

8. Before adverting to the issue involved in the instant appeal, relevant provisions are reproduced below for the sake of convenience.

Sections 135 and 136 of Municipal Corporation Act, 1956 :

**“135. Imposition of Property Tax.-** Notwithstanding anything contained in this Act, the tax under clause (a) of sub-section (1) of section 132 shall be charged, levied and paid, at the rate not less than six percent and not more than ten percent of the annual letting value, as may be determined by the Corporation for each financial year. Provided that if the Corporation fails to determine the rate of the property tax by 31st March the rate as prevailing during the previous financial year shall be deemed to be the rate for current financial year.

**136. Exemptions -** The property tax levied under section 135 shall not be leviable in respect of the following properties, namely:-

- (a) buildings and lands owned by or vesting in-
  - (i) the Union Government;
  - (ii) the State Government;
  - (iii) the Corporation;



(b) buildings and lands the annual value of which does not exceed six thousand rupees in case of Municipal area having population of one lac or above and four thousand eight hundred rupees in case of Municipal area having population below on lac.

Provided that if any such building or land is in the ownership of a person who owns any other building or land in then same city, the annual value of such building or land shall for the purposes of this clause, be deemed to be the aggregate annual value of all buildings or lands, owned by him in the city;

(c) buildings and lands or portions there of used exclusively for educational purposes including schools, boarding houses, hostels and libraries if such buildings and lands or portions thereof are either owned by the educational institutions concerned or have been placed at the disposal of such educational institutions without payment of any rent;

(d) public parks and play grounds which are open to the public and building and land attached thereto if the rent derived there from is exclusively spent for the administration of parks and playgrounds to which they are attached;

(e) buildings and land or portions thereof used exclusively for public worship or public charity such as mosques, temples, churches, dharmashalas, gurudwaras, hospitals, dispensaries, orphanages, alms houses, drinking water fountains, infirmaries for the treatment and care of animals and public burial grounds, or other places for the disposal of the dead:

Provided that the following buildings and lands or portions thereof shall not be deemed to be used exclusively for public worship or for public charity within the meaning of this Section, namely:-

(i) building in or lands on which any trade or business is carried on unless the rent derived from such buildings or lands is applied exclusively to religious purposes or to public charitable institutions aforesaid;

(ii) buildings or lands in respect of which rent is derived and such rent is not applied exclusively to religious purposes or public charitable institutions aforesaid.

(f) buildings or lands owned by widows or minors or persons subject to physical disability or mental infirmity owing to which they are incapable of earning their



livelihood, where the main source of maintenance of such widows or minors or persons is the rent derived from such buildings and lands:

Provided that such exemption shall, relate only to the first twelve thousand rupees or the annual value of such buildings and lands.

(g) buildings and lands owned by freedom fighters, retired members of Defense Services and their widows during their life time if they are exempted from income tax.

(h) building and lands owned by blind persons, abandoned women and mentally incapacitated persons if sufficient proof is produced in this behalf and if the main source of their maintenance is the rent derived from such buildings and lands.

i) buildings and lands in occupation of owner or his residence shall be exempted from property tax to the extent of fifty per cent.

(j) the electric pole erected by the Madhya Pradesh Electric Board.

(k) property owned by such political party in the State which has been recognized by the Election Commission of India.

**6. Levy of cess on lands and buildings.-** (1) There shall be charged, levied and paid for each year an urban development cess on all lands or buildings or both situated in municipal area or urban area at the rate of 5 per centum of the annual letting value or annual value:

Provided that where the lands or buildings or both are in occupation of the owner himself, the rate of cess shall be one half of the rate aforesaid:

Provided further that no cess shall be charged, levied and paid in respect of lands or buildings or both, the annual letting value or annual value whereof is less than ten thousand rupees.

(2) The cess charged and levied under sub-section (1) shall be in addition tax charged and levied on lands or buildings or both in respect of annual letter value or annual value thereof under the law relating to local authority or the Sampatti Kar Adhinyam, as the case may be, and shall be payable by the owner in the same manner as that tax.

(3) Subject to the provisions of this part, the provisions



of the law relating to local authority or the Sampatti Kar Adhiniyam, as the case may be, and the rules made there under shall apply to the cess as if the cess were a tax levied under the said law or the Sampatti Kar Adhiniyam, as the case may be."

(The second proviso to Section 6 has been substituted by M.P. Act No. 11 of 2007 w.e.f. 21.5.2007.

9. On perusal of the record it emerges that Madhya Pradesh State Tourism Development Corporation Ltd. issued a notice inviting tender for the operation and management of a restaurant/hotel unit known by the name of Tourist Motel situated in District Katni. The petitioner participated in the tender and was declared successful. In furtherance to this, M.P. State Tourism Development Corporation Ltd. issued a letter of award to the petitioner dated 01.05.2018. Thereafter, on 24.4.2019 an agreement was executed between the petitioner and M/s. Madhya Pradesh State Tourism Development Corporation Ltd. which is a company registered under the Companies Act, 1956 and owns the property in question. As the MPSTC is a Company registered under the Companies Act, 1956, it is a legal person, separate and distinct from its individual members and it is a legal entity of its own. Thus, it cannot be said that the property in question is owned by the State and thus, Section 136 (a) (ii) cannot be invoked in the present case.

10. The building erected and standing over the said land is constructed by M/s. Madhya Pradesh State Tourism Development Corporation Ltd. which is a company registered under the companies Act and as per Annexure-P/3, M/s. Madhya Pradesh State Tourism Development Corporation Ltd. has sublet the aforesaid building to the petitioner i.e. Gujral



Hotels Pvt. Ltd. which is a private limited company running a motel therein named 'Tourist Motel' purely for commercial purposes. Therefore, it cannot be said that the constructed building housing a private motel is the State Government property. Hence, the Municipal Corporation is entitled to claim property tax and other taxes from the petitioner with regard to hotel / building constructed over exempted land.

11. The word "property" is nowhere defined in the Municipal Corporation Act or M.P. Upkar Adhiniyam.

12. The exemption under Section 136 of the M.P. Municipal Corporation Act, 1956, applies to the *owner* of the building (the State Government / Tourism Development Corporation), not to the private commercial operator running a hotel in that building. The private entity running a commercial enterprise on government land is liable for property tax, urban development cess, and education cess. Because the petitioner is in occupation and using the building for profit-oriented commercial activity (hotel), they are considered the "occupier" liable for tax.

13. From the Agreement Annexure-P/3 it is apparently clear that the petitioner entered into an agreement with the M/s. Madhya Pradesh State Tourism Development Corporation Ltd. in the year 2019, therefore, the petitioner is liable for payment of property tax and other charges from 2019 onwards and not for the year 2010-11 as demanded by impugned demand notice dated 28.3.2023 (Annexure-P/5).

14. In view of above, this petition is partly allowed. The petitioner shall pay the property tax and other charges from the date when the petitioner



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entered into an agreement with the M/s. Madhya Pradesh State Tourism Development Corporation Ltd. and not from 2010-11 as demanded by the Municipal Corporation, Katni.

15. With the aforesaid, the petition stands disposed of.

**(VISHAL MISHRA)**  
**JUDGE**

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