

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA

UNSTARRED QUESTION No.1299

TO BE ANSWERED ON FRIDAY THE 22nd DECEMBER, 2017 / PAUSHA 01, 1939 (SAKA)

“Tax Exemption to Charitable Hospitals”

1299: **SHRI PINAKI MISRA:**

Will the Minister of Finance be pleased to state:-

- (a) whether the Government is aware that many charitable hospitals claiming tax exemptions for being a charitable trust do very little charity or no charity at all, due to which the Government exchequer is losing crores of rupees without any public benefits and if so, the details thereof ;
- (b) whether there is no performance specific definition of ‘Charitable’ in the Income Tax (IT) Act and if so, the details thereof ;
- (c) whether the Government is aware the despite measurable parameter existing in the IT Act, tax exemption cannot be denied to such trusts and if so, the details thereof ; and
- (d) the steps taken by the Government in this regard ?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SHIV PRATAP SHUKLA)

- (a) The C&AG report no. 27 of 2017 on “*Assessment of Private Hospitals, Nursing Homes/ Medical Clinics/ Research Institutes, Diagnostic Centres, Pathological labs and other Medical supplies agencies/ stores*” was laid on the table of Parliament on 28.07.2017. As per appendices to the C&AG report, instances of incorrect allowance of exemption under the existing provisions of the Income-tax Act, 1961 (‘Act’) have been pointed out. Out of the cases identified, the C&AG has reported only a few instances of Hospitals being run for non-charitable purposes and claiming tax exemption.
- (b) Section 2 (15) of the Act defines “charitable purpose” to include – (i) Relief of the poor, (ii) Education, (iii) Yoga, (iv) Medical relief, (v) Preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or objects of artistic or historic interest, and (vi) Advancement of any other object of general public utility. Hospitals can avail tax exemption under the category of “*medical relief*” subject to the fulfilment of the relevant provisions of the Act.
- (c) & (d) There is a statutory requirement provided in the Act regarding application of income by the charitable institution/ trust for the specified charitable purposes. The primary condition for grant of exemption to a trust or institution under section 11 of the Act is that the income derived from property held under trust should be applied for charitable purposes in India. Exemption/ Registrations are granted by the competent authorities as per the relevant provisions of the Act. Wherever instances of violation of provisions under the Act by any charitable hospital come to notice, it is dealt with appropriately in accordance with the provisions of the Act.
