

**GOVERNMENT OF INDIA  
INFORMATION AND BROADCASTING  
LOK SABHA**

UNSTARRED QUESTION NO:3828

ANSWERED ON:04.09.2012

NON COMPLIANCE OF SERVICE TAX RULES BY PRASAR BHARATI

Sethi Shri Arjun Charan

**Will the Minister of INFORMATION AND BROADCASTING be pleased to state:**

- (a) whether the Prasar Bharati has failed to comply with service tax rules, resulting in avoidable payment to the tune of crores of rupees on account of interest and penalty paid to the service tax department;
- (b) if so, the details of such amounts paid by the Prasar Bharati during each of the last three financial years;
- (c) whether any accountability has been fixed for such lapses; and
- (d) if so, the details thereof along with the punitive/corrective action taken in this regard?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF INFORMATION AND BROADCASTING (Dr. S. JAGATHRAKSHAKAN)

(a)&(b): Prasar Bharati has informed that a demand notice was received in May 2009 from the Service Tax Department in respect of Service Tax liabilities relating to the years 2003-04 to 2007-08 showing an unpaid amount of `87.1 crores on account of Service tax dues.

Prior to 2007-08, due to systemic deficiencies within the organization, regular returns in respect of Service Tax collected were not being filed. As a result, the Service Tax Department raised its demand based on Income and Expenditure figures in the published accounts. They did not take into account the benefit of Cenvat Credit admissible to Prasar Bharati for the respective years, which was not claimed due to these deficiencies.

Prasar Bharati has claimed that the demand raised was erroneous as there was a gross calculation error. But ignoring the submissions made by it, the Service Tax Office issued a final demand notice of `87.1 + interest on 5.5.11. A penalty under Section 78 was also imposed.

Prasar Bharati has therefore deposited an amount of `160.28 crores towards the demand, including interest and penalty. However, an appeal has also been filed with the CESTAT, for refund of the excess amount paid.

Prasar Bharati has also informed that regular Service Tax Returns are being filed since 2007-08. Details of amounts paid on account of Service Tax liability are at Annexure.

(c)&(d): Prasar Bharati informed that the non-receipt of relevant data from the various field offices and deficiencies in collection of accurate data were identified as among the main reasons in the past for deficiencies in the process of filing of Service Tax Returns. The period prior to the year 2007-08 was also marked by lack of awareness about the effect of Service Tax laws and the need for compliance. The problem had been compounded by acute shortage of qualified and experienced accounts/ finance personnel, throughout the organization due to absence of fresh recruitment for many years.

Prasar Bharati has informed that various steps have been taken in order to deal with the problem. A firm of Chartered Accountants was earlier appointed in the year 2007-08 to specially deal with matters relating to Service Tax and filing of returns in a timely manner while also ensuring availment of CENVAT Credit. A CA firm has also been appointed in July, 2012, for conducting internal audit of 100 field units which handle high value transactions. The scope of the work of internal audit includes checking, records relating to Service Tax payments and compliances with tax laws. Returns are now being filed regularly.