

**CHAPTER XII : MINISTRY OF INFORMATION &
BROADCASTING**

Prasar Bharati (Doordarshan)

12.1 Additional expenditure due to failure to deduct tax at source

Failure on the part of Doordarshan to pay balance income tax while discharging an award, led to levy of penalties and interest amounting to Rs. 4.43 crore by Income Tax Authorities.

In May 1994, Doordarshan (DD) entered into a Memorandum of Understanding (MoU) with World Tel (WT) in May 1994 for exclusive live coverage of Wills World Cup Cricket 1996 matches within India for a licence fee of US \$ 47.50 lakh equivalent to Rs. 16.06 crore (net of any taxes). The licence fee was payable in four instalments. After payment of two instalments, a dispute arose between the two parties about the date of payment of third instalment and WT unilaterally cancelled the MoU. DD filed a case (November 1995) in Delhi High Court. The Court directed (January 1996) WT to deposit the amount received by it and DD to deposit the balance amount due to WT. Accordingly, WT deposited US \$ 28.50 lakh and DD Rs. 712.31 lakh in UCO Bank (Bank). Thereafter the Court referred (February 1996) the case to sole arbitrator who awarded (6 January 1998) US \$ 7 million (Rs. 29.75 crore) to WT to be paid by DD within one month. The Court allowed the deposits in Bank together with accrued interest to be adjusted against the payment. DD appealed (February 1999) against the award but later withdrew it. The Court permitted the withdrawal (November 1999) and modified the award to the extent that interest accrued on deposits from 6 December 1998 to the date of intimation to deposits etc. by Bank would also be payable to WT by DD. In discharge of these awards, the Bank remitted Rs. 31.27 crore to WT in two instalments in January 2000 after getting from DD the difference in deposits (Rs. 6.50 crore) and interest accrued.

Audit noticed that DD had deposited income tax payable on Rs. 16.06 crore only out of the entire payment of Rs. 31.27 crore on 5 February 1998. Due to the failure of DD in deducting tax at source on the balance amount of Rs. 15.21 crore Income Tax Department levied a penalty of Rs. 2.28 crore equal to tax payable on Rs. 15.21 crore under section 195 of Income Tax Act as well as interest and penalty of Rs. 2.15 crore under other sections of the Act.

Thus, DD had to incur additional expenditure of Rs. 4.43 crore (Rs. 2.28 crore + Rs. 2.15 crore) due to their failure to pay balance tax while discharging the award.

While admitting the facts (December 2003) Prasar Bharati stated that total amount of penalty and penal interest paid by them was Rs. 3.39 crore. The reply is not tenable since besides Rs. 3.39 crore (penalty and interest), Income Tax Authorities had recovered Rs. 80.06 lakh directly from the bankers of Prasar Bharati (State Bank of India) on 8 February 2000 and D.D. had also deposited Rs. 0.24 crore on 15 January 2001 bringing the total amount deducted to Rs. 4.43 crore.

The matter was referred to the Ministry in December 2003; its reply is awaited as of February 2005.

12.2 Avoidable interest payment

Non-adherence to the schedule of payment of instalments of rights fee to Board of Control for Cricket in India resulted in avoidable payment of interest of Rs. 1.42 crore.

Prasar Bharati (PB) acquired TV rights to broadcast cricketing events for the five-year period 1 October 1999 to 30 September 2004 from the Board of Control for Cricket in India (BCCI), for which it agreed to pay Rs. 46 crore per annum. The agreement was signed in September 1999 between PB and BCCI. In terms of clause 12.3 of the agreement, PB was to make the payment of the agreed amount to BCCI in three instalments each year. In the first year, 50 *per cent* of the amount was payable within 30 days of the date of agreement, 25 *per cent* within eight weeks prior to the start of the first tour or tournament of the season and 25 *per cent* on the last day's scheduled play in last such tour or tournament. In the subsequent years, 50 *per cent* of the amount was payable on 1 October each year and the second and third instalments were payable in the same manner as for the first year. In case of default of payment of any instalment, BCCI was entitled to interest @15 *per cent per annum* on the defaulting instalment amount.

Audit ascertained that PB did not adhere to the schedule of payment of instalments and had paid instalments in eight cases after delays ranging from 1 day to 116 days. Consequently, PB had to pay to the BCCI interest of Rs. 1.42 crore in May 2004 due to delay in processing the amount of

instalments and their timely disbursement during the period 1999-2000 to 2002-2003 as detailed below:

(Rupees in crore)

Period	Details of instalments due			Date of payment of instalments	Delay in making payment (in days)	Interest @ 15 per cent paid on delayed amount
	Instalment number	Amount	Date			
1999-00	1 st (a)	3.00	25.10.1999	18.11.1999	24	0.03
	(b)	20.00	18.11.1999	17.12.1999	29	0.23
	3 rd	11.50	19.03.2000	02.05.2000	44	0.20
2000-01	1 st	23.00	01.10.2000	18.10.2000	17	0.16
	2 nd	11.50	23.09.2000	17.01.2001	116	0.54
2001-02	3 rd	11.50	19.03.2002	03.04.2002	15	0.07
2002-03	2 nd	11.50	14.08.2002	23.09.2002	40	0.19
	3 rd	11.50	24.11.2002	25.11.2002	1	0.00
Total						1.42

In response, PB confirmed (November 2004) the interest payment of Rs. 1.42 crore. Thus, lack of financial planning and control in PB resulted in avoidable interest payment of Rs. 1.42 crore.

The matter was referred to the Ministry in September 2004; its reply was awaited as of February 2005.

All India Radio, Rampur

12.3 Avoidable Expenditure

Non-disposal of a closed Receiving Centre building of All India Radio at Rampur resulted to avoidable expenditure of Rs. 26.51 lakh.

A Receiving Centre (RC) for All India Radio (AIR), Rampur was established during the year 1965. The RC was closed in June 1994 due to the introduction of new technology in radio receiving and broadcasting.

Audit ascertained (March 2004) from the records of the Station Engineer (SE), AIR, Rampur that on closure of the RC, the entire technical installations were dismantled and transferred but the building and land were not disposed of. An expenditure of Rs. 26.51 lakh (Security: Rs. 22.19 lakh, Electricity: Rs. 4.32 lakh) was incurred by AIR on the vacant RC building from the date of closure till March 2004. Five years after the closure of the RC, a proposal was sent (August 1999) by SE to the Director General (DG), AIR, New Delhi to either transfer the site to Doordarshan Maintenance Centre (DMC), Rampur which was running in a rented building or to rent it out to any Central/State (Semi-Government) Department. No decision was, however, taken till August 2004.

Meanwhile, DMC, Rampur housed in a rented building paid Rs. 5.54 lakh on account of rent from July 1994 to July 2004.

In response, SE stated (March 2004) that correspondence in this regard was being made with DG. The reply was not tenable because even after the lapse of more than 10 years no meaningful action was taken to arrest the avoidable recurring expenditure.

Thus, inaction to dispose of/transfer the RC building led to an avoidable expenditure of Rs. 26.51 lakh till March 2004 which would increase with the passage of time. Separately, timely decision to transfer the building to DMC, a unit of the same organisation, would have saved Rs. 5.54 lakh on account of payment of rent for office building.

The matter was reported to the Ministry in September 2004; its reply was awaited as of December 2004.

12.4 Inadmissible grant of agency commission

Prasar Bharati irregularly allowed an item of expense to the National Film Development Corporation against the terms of the agreement resulting in short recovery of Rs. 22.68 lakh.

The Prasar Bharati (PB) entered into two agreements (May 2001) with National Film Development Corporation (NFDC) for supply of Hindi feature films to be telecast on Doordarshan-I channel at 9.30 p.m and 10.30 p.m on each Friday and Saturday respectively during June 2001 to May 2002. The agreement was extended from time to time till December 2002 and thereafter NFDC was allowed to supply the films without a formal agreement till September 2003 under the same terms. According to the agreement, NFDC was to pay Rs. 81 lakh and Rs. 21.50 lakh per film as minimum guarantee amount to PB for telecasting films on Fridays and Saturdays respectively. PB was to allow NFDC marketing rights, which included free commercial time and additional commercial time¹ at the prescribed rates. In addition, PB was to charge NFDC Rs. 72,000 for branding² each film.

Audit ascertained that PB irregularly allowed agency commission @ 15 per cent (Rs. 10,800) to NFDC on the branding charges of Rs. 72,000. The initial agreement with NFDC did not provide for this item of expense to NFDC. In all, 210 films were telecast between June 2001 and September 2003 and by

¹ Additional commercial time is purchased by an agency marketing the film.

² Usages of punchline.

allowing for this item of expense, PB received Rs. 22.68 lakh less than the amount actually recoverable.

In reply, PB admitted (July 2004) that branding charges were being revised and arrears added against NFDC. In November 2004 it confirmed that arrears had been added against NFDC but they were yet to be recovered. Ministry endorsed PB's reply and stated (December 2004) that necessary corrective measures had been taken by PB. However, the arrears of branding charges are yet to be recovered.