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**STANDING COMMITTEE ON FINANCE  
(2010-11)**

**FIFTEENTH LOK SABHA**

MINISTRY OF FINANCE  
(DEPARTMENT OF REVENUE)

***TAX ASSESSMENT/EXEMPTIONS AND RELATED  
MATTERS CONCERNING IPL/BCCI***

**THIRTY EIGHTH REPORT**



LOK SABHA SECRETARIAT  
NEW DELHI

August, 2011/ Sravana, 1933 (Saka)

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**(2010-2011)**  
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**(DEPARTMENT OF REVENUE)**

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MATTERS CONCERNING IPL/BCCI**

*Presented to Lok Sabha on 2 August, 2011*  
*Laid in Rajya Sabha on 2 August, 2011*



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

**August, 2011/ Sravana, 1933 (Saka)**

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## **COMPOSITION OF STANDING COMMITTEE ON FINANCE – 2010-2011**

**Shri Yashwant Sinha - Chairman**

### **MEMBERS**

#### **LOK SABHA**

2. Dr. Baliram (Lalganj)
3. Vacant \*\*
4. Shri C.M. Chang
5. Shri Harishchandra Chavan
6. Shri Bhakta Charan Das
7. Shri Khagen Das
8. Shri Gurudas Dasgupta
9. Shri Nishikant Dubey
10. Shri Bhartruhari Mahtab
11. Shri Mangani Lal Mandal
12. Smt. Jaya Prada Nahata
13. Shri Rayapati Sambasiva Rao
14. Shri Magunta Sreenivasulu Reddy
15. Shri Sarvey Sathyanarayana
16. Shri G.M. Siddeshwara
17. Shri N. Dharam Singh
18. Shri Manicka Tagore
19. Dr. M. Thambidurai
20. Shri Anjankumar M. Yadav
21. Dr. Kavuru Sambasiva Rao\*

#### **RAJYA SABHA**

22. Shri S.S. Ahluwalia
23. Shri Raashid Alvi
24. Shri Vijay Jawaharlal Darda
25. Shri Piyush Goyal
26. Shri Moinul Hassan
27. Shri Satish Chandra Misra
28. Shri Mahendra Mohan
29. Dr. Mahendra Prasad
30. Dr. K.V.P. Ramachandra Rao
31. Shri Y.P. Trivedi

#### **SECRETARIAT**

- |                                 |   |                  |
|---------------------------------|---|------------------|
| 1. Shri A.K. Singh              | - | Joint Secretary  |
| 2. Shri R.K. Jain               | - | Director         |
| 3. Shri Ramkumar Suryanarayanan | - | Deputy Secretary |

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\* Nominated to this Committee w.e.f. 28.01.2011 vice Shri Y.S. Jagan Mohan Reddy, ceased to be a member of the Committee on his resignation from Lok Sabha.

\*\* Shri Sudip Bandyopadhyay, MP ceased to be the Member of the Committee w.e.f. 12.07.2011 consequent upon his induction to the Union Council of Ministers

## **INTRODUCTION**

I, the Chairman of the Standing Committee on Finance (2010-11), having been authorized by the Committee, present this Thirty-eighth Report on the subject 'Tax assessment/exemptions and related matters concerning IPL/BCCI'.

2. The Committee took evidence of the representatives of Ministry of Finance (Department of Revenue) and the Directorate of Enforcement on 15 June, 2010, 14 July, 2010 and 21 December, 2010. The Committee also took evidence of the representatives of Reserve Bank of India on 22 September, 2010.

3. The Committee also heard the views of the representatives of Board of Control for Cricket in India (BCCI) on 12 January, 2011.

4. The Committee considered and adopted this report at their sitting held on 14 July, 2011. Minutes of the sittings of the Committee are given in appendix to the Report.

5. The Committee wish to express their thanks to the representatives of Ministry of Finance (Department of Revenue), Directorate of Enforcement, Reserve Bank of India and BCCI for appearing before the Committee and furnishing the material and information which the Committee desired in connection with the examination of the subject.

**New Delhi;  
22 July, 2011  
01 Sravana,1933(Saka)**

**YASHWANT SINHA  
Chairman,  
Standing Committee on Finance**

# REPORT

## PART-I

### **BACKGROUND ANALYSIS**

#### **INTRODUCTION**

##### **Board of Control for Cricket in India**

The Board of Control for Cricket in India (BCCI) headquartered at Mumbai is the national governing body for cricket in India. The Board was formed in the year 1929 with the object of promotion and development of cricket in India and is a society registered under Tamil Nadu Societies Registration Act, 1975. BCCI is a full fledged Member of International Cricket Council (ICC) which is the Governing Body for cricket in the world. As a member of the ICC, it has the authority to select players, umpires and officials to participate in international events and exercises control over them. Without its recognition, no competitive cricket involving BCCI – contracted Indian players can be hosted within or outside the country.

##### **Composition of the BCCI**

The composition of the BCCI is given as under:

- (a) President
- (b) Five Vice-Presidents, one from each zone
- (c) An Honorary Secretary
- (d) An Honorary Joint Secretary
- (e) An Honorary Treasurer

##### **Objectives of the Board**

The main objectives of the Board are as under:

- (i) To control the game of cricket in India and give its decision on all matters which may be referred to it by any member association in India;

- (ii) To encourage the formation of State, Regional or other Cricket Associations and the organization of Inter-State and other Tournaments;
- (iii) To arrange, control, regulate and if necessary finance visits of Teams that are Members of the International Cricket Council and teams of other Countries in India;
- (iv) To arrange, control, regulate and finance visits of an Indian Cricket Team to tour countries that are Members of the International Cricket Council or elsewhere in conjunction with the bodies governing cricket in the countries to be visited;
- (v) To promote the game throughout India by organizing coaching schemes, establishing coaching academies, holding tournaments, exhibition matches, Test Matches, ODI's Twenty/20, any other matches and by any other manner;
- (vi) To foster the spirit of sportsmanship and the ideals of cricket amongst school, college and university students and others and educate them in the same;
- (vii) To frame the Laws of Cricket in India and to make alteration, amendments or addition to the laws of cricket in India whenever desirable or necessary;
- (viii) To make bye-laws generally for the management of the affairs of the Board.

### **Indian Premier League**

The Indian Premier League (IPL) is also known as DLF Indian Premier League. The BCCI launched the Indian Premier League (IPL) on the lines of football's English Premier League and the National Basketball League (NBA) of the US. The IPL is a professional Twenty 20 cricket league created and promoted by the BCCI and backed by the ICC. The IPL is a body established to oversee operation of domestic T-20 Cricket competition. The objective behind formation of IPL was to (i) identify and nurture Indian talent and provide a



platform for them to perform and (ii) bring in newer audience to the sport – especially families, women and children.

IPL is not a separate legal entity. It forms part of BCCI and is managed and controlled by a separate Committee, known as IPL Governing Council, having 14 members. This Committee is appointed by the General Body of the BCCI for a period of 5 years. The Committee maintains a separate bank account which is operated by the Treasurer, BCCI. Every year, the Committee is required to submit a report of its activities and decisions along with the audited final accounts for the approval of the General Body of BCCI at its AGM.

The Twenty 20 league matches started in April 2008, with eight teams comprising a minimum of 16 players each. The league lasts for about 45 days and involves 59 matches. The IPL works on a franchise-system based on the American style of hiring players and transfers. These franchises are put up for auction, where the highest bidder wins the rights to own the team,

This Report is based on examination of the subject “Tax assessment /exemptions and related matters concerning IPL/BCCI”. In the light of various news reports and considering its public importance, the Committee decided to examine various dimensions of this subject. Consequently, they took oral evidence of the representatives of the Ministry of Finance (Department of Revenue), Central Board of Direct taxes (CBDT), Central Board of Excise and Customs (CBEC), Directorate of Enforcement, Reserve Bank of India and Board of Control for Cricket in India. During the examination of the subject, the important issues that were discussed *inter-alia* include the following :-

- (i) Formation of IPL teams;
- (ii) Funding pattern of the IPL and the franchisees;
- (iii) Violations of Income Tax Laws, Prevention of Money Laundering Act, Foreign Exchange Management Act (FEMA) and Companies Act by the IPL franchisees and their associates;
- (iv) Tax exemptions granted to BCCI;

- (v) Tax assessment of IPL;
- (vi) Award of media rights;
- (vii) Decision making process in the BCCI/IPL etc.

The Committee have examined in detail the various issues summed up above in this Report. The same have been discussed in the succeeding paragraphs.

## **II. Formation of IPL teams**

The IPL works on a franchise-system based on the American style hiring players and transfers. These Franchises are put up for auction, where the highest bidder win the rights to own the teams. The details of bidding for IPL teams as furnished by the Ministry of Finance (Department of Revenue) are as follows :

### **Bidding for IPL teams**

The auction for the IPL-1 took place on 24<sup>th</sup> January, 2008 and the total base price for the action was \$400 million. The auction went on to fetch \$723.59 million. The details of IPL franchisees which won in the auction are as under :

<b>Name of the IPL team</b>	<b>Owner group</b>	<b>Winning bid (in \$ million)</b>
Mumbai Indians- Mumbai	Reliance Industries group	111.90
Royal Challengers-Bangalore	United Breweries group	111.60
Deccan Chargers- Hyderabad	Deccan Chronicle group	107.00
Chennai Super Kings- Chennai	India Cements group	91.00
Delhi Daredevils – Delhi	GMR Infrastructure group	84.00
Kings XI Punjab- Mohali	Preity Zinta, Ness Wadia, Karan Paul, Mohit Burman	76.00
Kolkatta Knight Riders- Kolkatta	Shah Rukh Khan, Juhi Chawla & others	75.09
Rajasthan Royals- Jaipur	Manoj Badale, Larchan Murdoch & others	67.00
		723.59

### **Bidding for new IPL teams**

For IPL-4, two more teams have been added. For the first bid on 7.3.2010, only three parties came forward for the bidding of two franchises

because of tough norms forcing the IPL Governing Council to return the bids without opening it. In the bids received on 21<sup>st</sup> March, 2010, five bids were received out of which the bids given by the following two parties were the highest:

Name of the Bidder	Team Name	Winning Bid Amount
Rendezvous Sports World (Consortium)	Kochi	\$333.35 Mn.
Sahara Adventure Sports Ltd.	Pune	\$370.00 Mn

### **Successful biddings**

Questioned on the investments made by various entities whose bids were successful in 2008 and 2010, the Ministry of Finance (Department of Revenue) in their written submission stated as follows :-

S. No	IPL Team	Entity owning the team	Source of Investment	Amount of Investment (Share Capital + unsecured loans)
1	Mumbai Indians	Indiawin Sports Pvt. Ltd.	Reliance Industrial Investments and Holdings Ltd.(RIIHL)	Rs. 123,03,00,000
2	Rajasthan Royals	Jaipur IPL Cricket Pvt. Ltd.	EM Sporting Holdings Ltd., Mauritius	Rs. 33,19,20,826
3	Kolkatta Knight Riders	Knight Riders Cricket Pvt. Ltd.	Shah Rukh Khan and Gauri Khan The Sea Island Investment Ltd	Rs. 30,90,81,764
4	Kings XI Punjab	KPH Dream Cricket Pvt. Ltd.	Preity Zinta Ness Wadia Colway Investment Ltd Karan Paul M B Finmart Investment Corporation Ltd. Windy Investment Pvt. Ltd. Root Invest Pvt. Ltd.	Rs. 21,89,82,234
5	Chennai Superkings	India Cements Limited	India Cements Limited	Rs. 40,89,00,000
6	Deccan Chargers	Deccan Sporting Ventures Limited	Deccan Chronicle Holdings Limited	Rs.50,00,00,000
7	Royal Challengers	Royal Challengers Sports Pvt. Ltd.	Royal Challengers Sports Pvt. Ltd.	Rs.91,02,00,000
8	Delhi Daredevils	GMR Sports Pvt. Ltd	GMR Holdings Pvt Ltd G. M. Rao G. B. S. Raju G. Kiran Kumar Srinivas Bommidala	Equity shares Rs. 1,00,00,000 Preference Shares (GMR Holdings) Rs. 53,21,00,000
9	Pune Team	Sahara Adventure Sports. Ltd.	Shri Subrata Roy	Rs. 46,00,00,000
10	Kochi Team	Rendezvous Sports World (Consortium)	Rendezvous Sports World Pvt. Ltd.	Rs. 46,00,00,000

S. No	IPL Team	Entity owning the team	Source of Investment	Amount of Investment (Share Capital + unsecured loans)
			Anchor Earth Private Limited	
			Parinee Developers and Properties Private Limited	
			Film Waves Combines Private Limited	
			Anand Shyam Estates & Developers Pvt. Ltd.	
			Mr. Vivek Venugopal	

### **Details of ownership of teams :**

Name of the team	Owners as intimated at the time of bid (shareholding)
Rajasthan Royals	The owner is Jaipur IPL Cricket Pvt. Ltd. which is 99.90% owned by Emerging Media Limited, Mauritius and 0.10% by Emerging Media IPL Ltd. The Emerging Media Limited was owned by Tresco International Ltd., Nigeria (50%), Emerging Media IPL Ltd., UK (36.70%), Blue Water Estate Ltd., Australia (13.30%).
Kings XI Punjab	Dabur Investment Corporation Ltd (11.5%), Windy Investments Pvt. Ltd. (11.5%), Preity Zinta (23%) ,Ness Wadia (23%), Colway Investments Ltd. (23%) ,Karan Paul (4%),Root Investment Pvt. Ltd. (4%)
Kolkatta Knight Riders	Red Chillies Entertainments Pvt. Ltd. (55%), The Sea Island Investment Ltd., Mauritius (25%), Mrs. Juhi Chawla (Mehta) (20%)
Mumbai Indians	Rathipriya Trading Pvt. Ltd. – belonging to RIL
Deccan Chargers	Deccan Chronicle Holdings Ltd.
Chennai Super Kings	The India Cements Ltd.
Royal Challengers	United Spirits Ltd
Delhi Daredevils	GMR Infrastructure Ltd.

It has been pointed out by the Committee that in case of Rajasthan Royals, Kings XI Punjab and Kolkata Knight Riders, the teams are predominantly owned by different companies in order to mobilize greater amount of funds from different sources both domestically as well as internationally and at the same time to get the shelter of corporate veil.

### **III. Funding pattern of the IPL and the Franchisees**

Entire Expenses of running the IPL tournament are met by BCCI. The Franchisees are responsible to meet the expenses of the players in the team,

travel, marketing and all costs associated with staging costs for the matches. The income derived from Media Right and sponsorships are shared with the Franchisees as envisaged in the franchise agreement. The Franchisees have to pay the BCCI an annual franchisee fee which BCCI distributes to the Associations as subvention. Apart from this, the income generated towards sale of tickets and local advertisement goes to the franchisees to meet the costs. It is the responsibility of the franchisee to pay for their players whether Indian or foreign as per the agreement with the players.

#### **IV. Violation of Tax Laws**

Investigations by the various Sections of the Income Tax Department are underway in the case of BCCI-IPL and the franchisees to ascertain the source of investments by the teams, taxability of the income earned by them, taxability of the award of media rights and to detect violation of Direct Tax Laws. In this regard, searches and surveys have been conducted at various places. Information has been gathered from BCCI, respective teams, public domain and the other entities involved with IPL. Investigations have so far revealed that most of the investments have been 'layered' through a number of intermediaries. Investments have also been routed from outside India through entities located in countries such as Mauritius, Bahamas, British Virgin Island etc. Verification of these investments is in progress and references have been made to the concerned tax authorities of the countries through FT & TR Division of CBDT.

##### **(a) Tax Exemptions to BCCI**

In the past, tax exemptions were granted to BCCI on the ground that promoting cricket was a 'charitable' activity. However, BCCI amended its objects in 2006 to enable it to award sponsorship to sportspersons in games other than cricket and for contribution to other sports institutions such as National Sports Development Fund (NSDF) etc. Exemption to BCCI was being provided under Section 11 of the Income Tax Act since promotion of sports was being treated as a charitable activity under Section 2 (15) of the Income Tax Act. Further, the

BCCI was registered under Section 12A with the Director of Income Tax (Exemption) Mumbai. Before granting exemption, objects of any body/trust seeking exemption are enquired into by the DIT (E) and only on satisfaction that such objects are bona fide and charitable, the exemption is granted. It was also implied in the approval that the registration granted was only for the objects which had been submitted to the Director of Income Tax.

It has been stated in the Background Note furnished to the Committee by the Ministry of Finance (Department of Revenue) that BCCI was granted exemption of income tax in respect of the following assessment years :-

A.Y. 2004-05	Rs. 56.00 Crore
A.Y. 2005-06	Rs. 33.64 Crore
A.Y. 2006-07	Rs. 125.64 Crore

This exemption has been granted by virtue of CBDT Circular of 1984, wherein it was clarified that promotion of sports is covered by the definition of a charitable activity. However, the registration granted to BCCI for being involved in “charitable activity” has been withdrawn from assessment year 2007-08 with consequent dis-entitlement of exemption originally granted to BCCI.

The breakup of the taxable income of BCCI during the last three years is given as under :-

**A.Y.2007-08**

Returned Income. Nil

Assessed Income Rs.274,86,30,505/-

**A.Y.2008-09**

Returned Income. Nil

(after claiming exemption of Rs. 377,33,97,273/- u/s 11 of the Income Tax Act)

**A.Y.2009-10**

Returned Income. Rs.(-) 57,71,81,762

(after claiming Exemption of Rs.216,64,24,924/- u/s 11 of the Income Tax Act)

On being asked by the Committee as to when the process for withdrawing the exemption was initiated and what was the genesis for initiating these proceedings, the Ministry of Finance (Department of Revenue) in their written replies submitted as follows :

“The genesis or the trigger for initiating the proceeding of withdrawal of exemption was a proposal dated 12.11.2009 from Addl. DIT(E), Range -1, Mumbai to the Director of Income Tax (Exemptions), Mumbai . This proposal, for withdrawal of registration u/s 12A, was based on the information, received during the assessment proceedings for A.Y. 2007-08, that there were changes in the objects of BCCI. On 28.12.2009 the Department came to the conclusion that the registration granted to BCCI u/s 12A of the Income tax Act, 1961 did not survive from the date on which the objects were changed i.e. 01.06.2006”.

The Committee further desired to know as to when the BCCI intimated the changes in its objects to the Ministry and why did Department not initiate the action immediately thereafter. In this regard, in their written information furnished to the Committee, the Ministry of Finance (Department of Revenue) replied as under :

“BCCI did not intimate the changes in its objects in 2006 or 2007. These changes were detected during the course of assessment proceedings for the A.Y. 2007-2008 which were finalised in December 2009. It was only after issue of a show cause notice dated 30.11.2009 for withdrawal of registration granted u/s 12A to the BCCI, that the Honorary Secretary of BCCI submitted letters dated 2.12.2009 and 14.12.2009 stating that there were amendments in the objects of BCCI and inadvertently these amendments were not informed to the office of DIT (E), Mumbai”.

Intimating about the chronology of the withdrawal proceedings, the Ministry further submitted as follows :

“Chronology of the withdrawal proceeding by Director of Exemptions (Mumbai).

**12.11.2009** A proposal for withdrawal of registration u/s 12A of the I.T Act is received from Addl. DIT (E), Range -1, Mumbai

**30.11.2009** A show cause for withdrawal of registration u/s 12A of the Act is issued.

**2.12.2009** A letter is received from Sri. N. Srinivasan, Honorary Secretary, intimating the amendment in Memorandum of Association made on 1/06/2006

**3.12.2009** A second show cause for withdrawal of registration u/s 12A of the Income Tax Act due to amendment in objects is sent to BCCI

**15.12.2009 & 16.12.09** Written submissions dated 14/12/2009, signed by Sri. N. Srinivasan, Hon. Secretary is filed before the DIT (Exemptions).

**28/12/2009** The registration granted to the BCCI u/s.12A of the Income Tax Act is withdrawn w.e.f. 1.6.2006."

Having observed that registration U/s 12 to BCCI has been withdrawn in 2009 with retrospective effect, the Committee desired to know about the justification for the same. In response, the Ministry of Finance (Department of Revenue) in their written information replied as under :

"The communication to the BCCI, that the registration granted u/s 12A of the Act did not survive from the date on which the objects were changed i.e. 01.06.2006, was based on the basic principle of law that registration u/s. 12A of the Act is granted on the basis of the objects mentioned in the deed submitted at the time of registration. In a case where the assessee changes its objects after registration, such changes are required to be intimated to the Director of Income Tax, (the authority granting registration) so that the changed object can be examined. However, where the objects of the trust or institution, which were the basis of grant of registration, are altered and not intimated to the registering authority, the registration would not survive since the very foundation of the registration had been removed by a voluntary act of the assessee. This is based on the decision of Hon'ble Allahabad High Court in the case of Allahabad Agricultural Institute and Another v. Union of India and Others, 291 ITR 116".

During the evidence of the representatives of BCCI/IPL held on 12.01.2011, the Committee sought to know as to why were the amendments to BCCI's objects not filed with the Income Tax Department. In response, the BCCI in their written submission stated as follows :

"BCCI amended its objects in 2006 to contribute to other sports. Contribution to other sports is also charitable as per the CBDT circular of 1984. It was never the intention of the BCCI to conceal the amendment from the Department. As a matter of fact, every year during the course of assessment, the latest copy of the constitution of BCCI containing the



amendments have been filed with the Assessing officer. The Department was in possession of amended constitution at all times. The Department has withdrawn the exemption for the reason that the amendments were not filed. The BCCI has been legally advised that the exemption cannot be withdrawn for non filing of amendment of objects. The BCCI is in appeal against the withdrawal of exemption before the Income Tax Tribunal”.

On being asked as to whether the exemption granted to BCCI during the A.Y. 2007-08 has been withdrawn, the Ministry of Finance (Department of Revenue) in their written information stated as under :

“While finalizing the assessment for A.Y. 2007-08, due cognizance of withdrawal of registration u/s 12A was taken, which resulted in denial of exemption u/s 11 and raising of demand of Rs. 118 crore which otherwise would have been exempt u/s 11 of the Income Tax Act. It was also held that BCCI is no longer promoting cricket as a ‘charitable’ activity. It was held that major income arises not from the game of cricket but from the business of cricket. In this assessment, the claim of exemption was denied and demand of Rs.118.00 crore was raised. Out of such demand, Rs. 92.00 crore had already been recovered during the FY 2009-10”.

In response to a query as to whether BCCI was really involved in charitable activities during the year 2008-09 and 2009-10 and whether exemption is being allowed to it for these years, the Ministry of Finance (Department of Revenue) in their replies stated that for A.Y. 2007-08 it has already been held by the Department that BCCI is not eligible for any exemption of Income as it is carrying on a commercial activity. However, BCCI has claimed exemption from tax for the A.Y.2008-09 and 2009-10. The case of A.Y. 2008-09 has been selected for scrutiny assessment. The scrutiny assessment for A.Y. 08-09 is in progress, and the activities of BCCI during this year will be examined in these proceedings.

Asked during evidence as to whether the CBDT analysed the tax exemptions to BCCI/IPL on the basis of some complaint or it was suo-motu, the Chairman, CBDT in his deposition stated that “No, they have filed their Memorandum”.

During evidence, the Committee expressed the view that the Ministry of Finance (Department of Revenue) did not analyze the aims and objects of the

BCCI annually. They only analyze their balance-sheets annually. Replying to this, the representative of the Ministry of Finance (Department of Revenue) deposed before the Committee that

“What happened in this case is that during the assessment stage, the change in the objects was detected and then a notice was issued”.

**(b) Tax exemptions to ICC**

News Reports suggested that tax exemption of about Rs. 45 crore was granted to the International Cricket Council (ICC) for the World Cup Cricket Tournament held in 2011.

Specifying the reasons for granting tax exemptions to ICC, the Ministry of Finance (Department of Revenue) in their written replies stated as under :

“The Cricket World Cup, 2011, in respect of which ICC has made an application now, has a participation of 14 countries. The ICC has stated that the event is approved by the International Cricket Council which is the governing body for cricket around the world. As the ICC Cricket World Cup fulfills the conditions laid down in section 10(39), income arising to ICC from this event was prima facie eligible for exemption. However an examination of the agreements entered into by the IDI (the commercial arm and subsidiary of ICC) with various companies in respect of the transfer of sponsorship and telecasting rights, shows that in most of the cases the payments are to be made to IDI on a net of tax basis. In other words, those companies to which the sponsorship or telecasting rights are transferred will bear the tax liability on behalf of IDI, if any such tax liability arises on the payments made to IDI by them. Seen from this perspective, if Cricket World Cup, 2011 was to be notified under section 10(39), the benefit of tax exemption will flow not to ICC/IDI but to the companies to which such sponsorship or telecasting rights have been transferred by IDI.

Since there is no provision in the Section 10(39) to restrict the exemption, the approval of the Cabinet was sought to grant exemption from income-tax under Section 10(39) of the Income-tax Act, 1961 in respect of the income which was arising in India from the ICC World Cup, 2011 to the subsidiaries of the ICC only where the contractual obligation to bear the income-tax liability is on these entities. The Cabinet has considered the matter in its meeting on 31.3.2011 and approved the exemption of Income to be granted only on the income on which the tax burden is required to be borne by the subsidiaries of the ICC and not contracted to be paid by a third party. The total tax effect of the proposed exemption after such restriction would be approximately Rs. 45 crore as against a tax effect of

Rs. 443 crore that would have been forgone if the exemption was granted on the total projected revenue to these subsidiaries of Rs. 1476 crore”.

### **Taxability of IPL income**

On being asked about the details of action taken by the Income tax Department as regards source of investments and taxability of income from IPL, the Ministry of Finance (Department of Revenue) stated that :

“Investigation is currently in progress on various issues involved in IPL in respect of individual teams, BCCI-IPL and other entities associated with IPL. The source of foreign investments in individual teams is being investigated and references through Foreign Tax Division, CBDT have been sent to various countries for obtaining information on these investments. The income and expenditure shown by the BCCI-IPL, the IPL teams and the related entities are being examined by the Investigation Directorate of Income Tax Department and also by the assessing officers during scrutiny assessments. Investigation is under progress.”

On being asked as to when the Income tax Department came to know of the irregularities regarding bidding, investments and taxability of income from IPL, the Ministry of Finance (Department of Revenue) stated as under :

“The matter relating to TDS has been under examination since IPL-1 in April 2008. Enquiries were made by Investigation Directorates in September 2009 from BCCI about the various agreements in respect of media rights, especially fresh agreement that was signed by BCCI with WSG, Mauritius. The first survey action in respect of IPL was conducted on 15.04.2010 and subsequently, survey actions were also conducted on the various IPL teams in order to investigate the source of investment and taxability of income.”

### **(c) Income/loss of BCCI/IPL**

The income /loss declared by the BCCI and owners of the teams in their returns of income for the IPL activity during the A.Y. 2008-09 and 2009-10 are as follows :

(Rs. in crore)

	A.Y.	Income/Profit
BCCI-IPL	2008-09	Nil
	2009-10	14.86

S. No.	Name of the Team/(Owner)	Returned Income/Loss	
		A.Y. 2008-09	A.Y.2009-10
1	Rajasthan Royals	Loss of Rs. 0.06 Cr.	Loss of Rs. 35.50 Cr.
2	Kings XI Punjab	Loss of Rs. 0.14 Cr.	Loss of Rs.65.68 Cr.
3	Kolkata Knight Riders	Loss of Rs. 0.50 Cr.	Loss of Rs.11.85 Cr.
4	Mumbai Indians	Nil	Loss of Rs.42.89 Cr.
5	Chennai Superkings	Nil	Loss of Rs.19.30 Cr.
6	Royal Challengers Bangalore	Loss of Rs. 0.79 Cr.	Loss of Rs. 5.58 Cr.
7	Deccan Chargers	Nil	Loss of Rs. 87.09 Cr.
8	Delhi Daredevils	Loss Rs. 2.92 Cr.	Loss Rs. 47.11 Cr.
9	Pune Team	Not Applicable since the teams have been formed recently in March, 2010	

It is seen from the above table that loss of crores of rupees ranging from Rs. 5 crore in case of Royal Challengers Bangalore to more than Rs. 87 crore in case of Deccan Chargers has occurred during the year 2009-10. Similarly, the teams such as Mumbai Indians, Chennai Super Kings and Deccan Chargers which incurred zero losses during the year 2008-09 have come out with a figure of hefty losses during the year 2009-10.

The details of Income tax Returns filed by these franchises for A.Y. 2010-11 and taxes paid by them are as under :

(Rs. in crore)

Sl. No.	NAME OF THE FRANCHISEE	CURRENT YEAR'S INCOME/LOSS	ADVANCE TAX	TDS	TCS	DATE OF FILING RETURN
1.	M/s. THE INDIA CEMENTS LTD.	443.39	105.60	12.91	1.39	15.10.10
2.	M/s. JAIPUR IPL CRICKET PRIVATE LIMITED	(-) 29.31	0	4.53	0	05.10.10
3	M/s. DECCAN CHARGERS SPORTING VENTURE LIMITED	(-) 82.15	0	5.53	0	30.09.10
4.	M/s. KPH DREAM CRICKET P LTD.	(-) 14.18	0	4.25	0	15.10.10

5.	M/s. KINGHT RIDERS SPORTS PRIVATE LTD.	(-) 0.87	0	5.00	0	29.12.10
6.	M/s. GMR SPORTS PRIVATE LTD	0.16	0.10	2.44	0	29.09.10
7.	M/s. INDIA WIN SPORTS PRIVATE LTD.	(-) 31.11	0	5.28	0	24.09.10
8.	M/s. ROYAL CHALLENGERS SPORTS PVT. LTD.	(-) 91.11	0	5.92	0	01.10.10

Further, as regards the losses shown by the franchisees, the Committee desired to know about the steps taken by the Government to verify such losses. The Ministry of Finance (Department of Revenue) in their written replies submitted as under :

“The cases for scrutiny assessment for AY 2009-10 have not yet been completed. The time barring date for completion of assessments for A.Y. 2009-10 is 31<sup>st</sup> December, 2011. At this stage it is therefore not possible to determine as to what is the reason for the loss arising to franchisees. This would be determined only after the completion of the assessments in these cases. However, as the matter is important, the CBDT has constituted a Committee comprising of Chief Commissioners of Income Tax concerned with such cases and headed by CCIT, Central-II, Mumbai for co-ordinated investigation and to ensure that uniform view is taken by the assessing officers on common issues such as the treatment of the franchisee fees to be paid by these franchises to the BCCI, treatment of receipts from the IPL Tournaments, treatment of claim of other expenses such as payment of fees to players etc”.

The Committee desired to know about the break-up of income earned by the teams and BCCI/IPL during each financial year from various sources i.e. ticket sales, sharing of revenue relating to media rights, advertisements etc. In

their post-evidence replies, the Ministry of Finance (Department of Revenue) furnished the following details :

(Rs. in crore)

	Gross Revenues earned → Teams ↓	Realisation from Prize Money	Franchisee Share of Central Rights	Sponsorship Rights	Sale Tickets of	Other Income	Total
1	Rajasthan Royals	28.50	30.92	13.53	2.91	0.14	76.01
2	Kings XI Punjab	1.20	30.31	20.51	46.94	0.15	56.87
3	Kolkata Knight Riders	0.70	26.61	29.91	11.94	1.68	70.85
4	Mumbai Indians	0.80	28.47	5.34	24.31	3.16	62.09
5	Chennai Super Kings	12.80	28.00	14.15	10.28	3.23	68.45
6	Royal Challengers Bangalore	0.50	27.75	8.20	13.63	0.08	50.16
7	Deccan Chargers	0.40	24.00	15.80	16.40	0	56.60
8	Delhi Daredevils	1.20	29.09	20.23	15.22	2.04	67.78
9	Pune Team	Not Applicable since the teams have been formed recently in March, 2010					

The break-up of Gross revenue earned by BCCI-IPL during FY 2008-09 is as follows:

(Rs. in crore)

	Gross Revenues earned	F.Y. 2008-09 (A.Y.2009-10)
1	Media Rights Income	242.22
2	Franchisee Consideration	289.44
3	Sponsorship Income	111.00
4	Income from Pouring Rights	10.17
5	Franchisee Share Transfer Fees	1.83
6	Franchisee Licensing Income	0.08
7	Tender Receipts	2.82
8	Player Fee (Reserve Sum) from Franchisee	1.85
9	Gain on Exchange Fluctuation (Net)	0.82
10	Interest Income	1.49
11	Other Income	0.07
	<b>Total</b>	<b>661.79</b>

During evidence, the Committee sought to know as to whether everybody who are involved in this game, including organizers, players etc. furnish their income tax returns. In their post-evidence replies, the Ministry of Finance (Department of Revenue) stated as under :

“The list of all the persons including organizers, players etc. involved with IPL is not centrally available with the Government as the number of

persons involved may run into hundreds. It is neither possible to have all such cases at one place because shareholders of IPL franchises/players/organizers may not be the same for every IPL. It is also not desirable because the profile of every person is different and connection with IPL may be only one of his/her activities. The main issue under discussion is whether the sources of funds deployed in IPL by the franchisees are genuine or not. For this purpose, the CBDT has constituted a committee comprising of Chief Commissioners of Income Tax concerned with the cases of IPL franchises and headed by CCIT, Central-II, Mumbai. This committee has been specifically directed to ensure that the sources of funds deployed by the franchisees, especially in the cases in which funds have been routed from outside India, are properly examined”.

During evidence the Committee desired to furnish details of the action taken by the Income Tax Department with regard to the source of investments and taxability of income from IPL in the hands of the individual teams and BCCI. In response, the Ministry of Finance (Department of Revenue) in their post-evidence information stated as under :

“Investigation is currently in progress on various issues involved in IPL in respect of individual teams, BCCI-IPL and other entities associated with IPL. The source of foreign investments in individual teams is being investigated and references through Foreign Tax Division, CBDT have been sent to various countries for obtaining information on these investments. The income and expenditure shown by the BCCI-IPL, the IPL teams and the related entities are being examined by the Investigation Directorate of Income Tax Department and also by the assessing officers during scrutiny assessments. Investigation is under progress”.

**(d) Tax Assessment of IPL**

On being asked as to whether IPL is a part of BCCI and how is IPL being treated for the purpose of Income tax assessment, the Ministry of Finance (Department of Revenue) in their written replies stated that since IPL is a part of BCCI and has no separate existence, there would be no separate assessment for IPL.

On being asked during evidence as to whether IPL is a separate legal entity for the taxation purpose, the representatives of the Ministry of Finance

(Department of Revenue) stated that :

“IPL is not a separate entity. Whatever income IPL is to pay to the BCCI will be shown by the BCCI as its receipt, and the BCCI shows it in its balance sheet”.

During evidence, the Committee sought to know as to when the assessments for the last three IPLs will be completed, the representatives of the Ministry of Finance (Department of Revenue) stated that these are all under scrutiny. For 2007-08, that is over and for 2008-09 we have 21 months time.

On being asked as to why 21 months time was given for tax assessment, the representative of the Ministry deposed before the Committee that :

“21 months is the statutory time given for making an assessment. Once the returns are filed, the Department may call for details, they may have certain queries and in the process, the Department cannot go beyond 21 months.

In this regard, Secretary revenue in his deposition before the Committee further added that :

“When we say that assessment will take 21 months, we do not really mean that we will take 21 months. What we mean is that we cannot take any action under the law until that period is allowed to be lapsed. We are not really meaning that we will take that much time. I would only like to assure you that we will do everything that is possible to bring the investigation to a conclusion”.

**(e) TDS Details**

The Ministry of Finance (Department of Revenue) submitted the following information with regard to the Tax Deducted at Source (TDS) of the BCCI and IPL franchisees :

The incidence of TDS occurs on the following activities:-

Payments made by the franchisees to the BCCI. (Tax is required to be deducted u/s. 194J)

Payments made by the franchisees to foreign players. (Tax is required to be deducted u/s. 194E)

Payments made by the franchisees to Indian players. (Tax is required to be deducted u/s. 194J)



Payments made by the franchisees to Coach, Assistant Coach, Physiotherapist. (Tax is required to be deducted u/s. 194E and 194J)

Payments made by the franchisees to celebrities/Brand Ambassadors (Tax is required to be deducted u/s. 194J)

Payments made by the franchisees to Consultants and Professionals. (Tax is required to be deducted u/s. 194C, 194E & 194J)

Payments made by the franchisees for Event Management. (Tax is required to be deducted u/s. 194J)

Payments made by the franchisees to other vendors for activities like website development and maintenance, media management. (Tax is required to be deducted u/s. 194C & 194J)

Payments made for rent of the Playground. (Tax is required to be deducted u/s. 94-I)

Section 195 is case of payments to foreign entities/NRIs.

TDS compliance is required to be made on following receipts by the franchisees –

Money to be received from BCCI (Central Rights Income i.e. Media rights, the umpires sponsorship rights, title sponsorship rights, officials sponsorship rights, right to sale stadium advertising and games rights)

Money received from sponsors/co-sponsors.

Money received from Ticket sales.

On the receipt side of BCCI, there is TDS and so is the case on the expenditure side. BCCI, being the bigger body, not all their incomes and expenditures relate to IPL. So is the case with the amounts on which TDS is made. Hence, noted below are facts about TDS relating to BCCI and IPL-3 -

- (i) By its own structure, the T-20 games are spread across Financial Year limits and therefore a particular T-20 game falls in two financial years. Thus, for IPL-3 some payments and receipts would be accounted for in F.Y.2009-10 and F.Y. 2010-11. Therefore, the figures relating to IPL-3 are not necessarily complete until the game is finally over in the F.Y. 2010-11. Further details are still likely to come, including the TDS component.
- (ii) Data as collected from BCCI sources upto 07/03/2010 is as under :

**TDS relating to BCCI:**

TDS paid to the Government Treasury during the F.Y. 2009-10 (upto 07.03.2010) in respect of Income and Expenditure of BCCI is as follows:

TDS made by BCCI on total expenditure incurred Rs. 45.42 Crore

TDS made on total receipts of BCCI Rs. 121.65 Crore

Total TDS made Rs. 167.07 Crore

Details of TDS collection for the BCCI and IPL Franchises are given below:

**(a) (i) Detail of TDS by BCCI on expenditure incurred by it:**

Name of the Assessee	(Rs. In Crores)		
	IPL-1	IPL-2	IPL-3 (upto 30 <sup>th</sup> June, 2010)
The Board of Control for Cricket in India (BCCI)	39.88	36.58	12.68

**(ii) Detail of TDS by various parties on income of BCCI is as under:**

Name of the Assessee	(Rs. In Crores)		
	IPL-1	IPL-2	IPL-3 (upto 30 <sup>th</sup> June, 2010)
The Board of Control for Cricket in India (BCCI)	69.86	81.70	38.58

**(b)(i) TDS collection (IPL wise) in respect of expenditure by four franchisee teams of IPL**

S. No.	Name of the Franchisees	Total TDS on expenditure (Rs. In Crores)		
		IPL-1	IPL-2	IPL-3 (upto 30 <sup>th</sup> June, 2010)
1	Jaipur IPL Cricket Pvt. Ltd. (Jaipur)	6.32	6.72	4.3
2.	GMR Sports Pvt. Ltd. (Delhi Daredevils)	11.76	9.04	6.44
3.	India Cements Ltd. (Chennai Super Kings)	3.55	2.36	1.36
4.	Deccan Chargers Sporting Ventures Ltd. (Hyderabad)	8.17	10.00	8.40
	<b>TOTAL</b>	<b>29.8</b>	<b>28.12</b>	<b>20.50</b>

**(b)(ii) TDS collection (financial year wise) in respect of expenditure by remaining four franchisees is given hereunder:-**

S. No.	Name of the Franchisees	Total TDS on expenditure (Rs. In Crores)		
		F.Y. 2008-09 (IPL-1&2)	F.Y. 2009-10 (IPL-2&3)	F.Y. 2010-11 (upto 30 <sup>th</sup> June, 2010) (IPL-3)

1	K.P.H. Dream Cricket Pvt. Ltd. (Mohali)	8.96	8.40	0.46
2	Knight Riders Sports Pvt. Ltd. (Kolkata)	9.28	8.71	1.43
3	IndiaWin Sports Pvt. Ltd. (Mumbai)	11.54	8.45	7.93
4	Royal Challengers Sports Pvt. Ltd. (Bangalore)	10.48	14.55	1.05
	<b>Total</b>	<b>40.26</b>	<b>40.11</b>	<b>10.87</b>

**(c)(i) TDS collection (IPL wise) in respect of income earned by the franchisee teams of IPL-**

S. No.	Name of the Franchisees	Total TDS on income (Rs. In Crores)		
		IPL-1	IPL-2	IPL-3(upto 30 <sup>th</sup> June, 2010)
1	IndiaWin Sports Pvt. Ltd. (Mumbai)	2.75	4.37	0.32
2	Jaipur IPL Cricket Pvt. Ltd. (Jaipur)	6.26	4.52	1.03
3	GMR Sports Pvt. Ltd. (Delhi Daredevils)	0.61	2.03	0.82
4	India Cements Ltd. (Chennai Super Kings)	6.46	3.72	0.35
5	Deccan Challengers Sporting Ventures Ltd. (Hyderabad)	3.10	4.80	1.77
	<b>TOTAL</b>	<b>19.18</b>	<b>19.44</b>	<b>4.29</b>

**(c) (ii) TDS collection (financial year wise) in respect of income of the remaining franchisees is given hereunder:**

S. No.	Name of the Franchisees	Total TDS on expenditure (Rs. In Crores)		
		F.Y. 2008-09 (IPL-1&2)	F.Y. 2009-10 (IPL-2&3)	F.Y. 2010-11 (upto 30 <sup>th</sup> June, 2010) (IPL-3)
1.	K.P.H. Dream Cricket Pvt. Ltd. (Mohali)	3.80	2.17	1.88
2.	Knight Riders Sports Pvt. Ltd. (Kolkata)	3.69	4.65	2.62
3.	Royal Challengers Sports Pvt. Ltd. (Bangalore)	3.26	5.00	2.13
	<b>Total</b>	<b>10.75</b>	<b>11.82</b>	<b>6.63</b>

**(f) Award of Media rights**

Ministry of Finance (Department of Revenue) in their written replies submitted the chronology of events for awarding the media rights along with the contracted amounts for which media rights were awarded, which is given as under :

Date	Event	Details	Amount
14 Jan 08	Tender submissions	3 bidders. MSM India withdraws before submission of tender. ESS's conditional bid is rejected and they are asked to leave the room. Sole bidder left, WSG India win rights for 10 years 2008-17 & partners with MSM India for 5 year India broadcast with call option for next 5 years. WSG India retains rest of the world TV rights & mobile and internet rights. MSM wants direct contract with IPL. Termination with MSM means all rights revert back to WSG India.	MSM Rs.1288 Cr. WSG Rs. 2568 Cr.
14Mar 09	Termination	MSM India contracted terminated vide notice from Mr. Lalit Modi.	
15Mar 09	Termination Agreement	Mutual Termination Agreement signed with WSG India for the entire rights stating new agreement to be entered with WSG Mauritius	
15Mar 09	Indian Subcontinent Agreement	IPL - WSG Mauritius sign agreement for Indian Sub-continent Rights for a period of 9 years. One of the clauses mentions that if WSG Mauritius fails to bring a broadcaster within 72 hours from the date of signature, the agreement is terminated and rights revert back to IPL. The deadline was then extended twice till 24 Mar	Rs. 4791.89 Crore
25Mar 09	Termination of WSG Mauritius	Agreement with WSG Mauritius terminated due to WSG Mauritius' failure to bring a broadcaster for Indian Sub continent	
25Mar 09	New Agreements with MSM & WSG India	IPL signs new agreement with MSM signed for Indian Subcontinent rights for 9 years. WSG India signs the agreement for 9 years for international rights.	WSG INR 348.8 Crore MSM INR 3949.40 Crore (2009-16) INR 4791.89 Crore (2009-17, if extended)
25 Jun 10	Addendum Agreement with MSM India	Amended Agreement with MSM India signed for 9 years	INR 3914.40 Crore (2010-16) INR 4756.89 Crore (2010-17, if extended)
29 Jun 10	Termination of WSG (India)	Termination of WSG (India) Agreement dated 25th March 2009 for Rest of the World	

The Ministry have further stated that :

“Reference has been made to the Ministry of Youth Affairs & Sports, the administrative Ministry for BCCI, to consider making reference to Competition Commission as regards possible violation of Competition Act, 2002”.

It is seen from the above details that most of the events for awarding the media rights took place on 14<sup>th</sup> and 15<sup>th</sup> March, 2009. The contract with MSM India, which was terminated on 14<sup>th</sup> march, 2009, was revoked on 25<sup>th</sup> June, 2009. The matter is under investigation by the Directorate of Enforcement.

## **V. Service Tax Evasion**

CBEC is concerned with the evasion of service tax in relation to the IPL. Service tax can be broadly categorized into three types, namely – Franchise services, telecasting rights and sponsorship services. There is no dispute with regard to the franchise services as they have been paying the service tax. The Franchisees have to pay service tax in respect of telecasting rights and sponsorship service as well.

It has been stated in the Background Note that with regard to indirect taxes, no tax exemptions and deductions are extended to specific corporates registered bodies including high profile bodies like BCCI/IPL etc.

Apprising the Committee of the main services involved with the IPL on which Service tax is leviable, the CBEC in their written submission stated as follows :

- (a) Franchise Service – BCCI-IPL are liable to pay service tax on the Franchise fees received from the eight Franchisees in respect of the Franchise service provided by them.
- (b) Management / Business Consultancy services – BCCI-IPL are liable to pay service tax (under reverse charge basis) on the payments remitted to M/s IMG-UK as consultancy fees in respect of service received from them
- (c) Sale of space for advertisement –Teams are liable to pay service tax on payments received in respect of the sale of space for advertisement during a match.

- (d) The Game Right – The BCCI-IPL are liable to pay service tax on the income from the sale of Game Rights, i.e. rights of any kind in relation to any toy or game of any kind which is based on the IPL League or the team competing the League.

As regards the details of service tax realized so far in connection with IPL, the CBEC furnished the following figures :

(Rs. in lakh)

YEAR	Service Tax	INTEREST
2007-08	81	0.80
2008-09	6417	90.8
2009-10	2934	0.03
<b>TOTAL</b>	<b>9432</b>	<b>91.63</b>

On being asked about the amount of service tax collected so far, the CBEC in their post-evidence replies stated as follows :

“In the year 2007-08, even before any IPL tournament had been held, a service tax of Rs. 33 lakh was collected. In the year 2008-09, in which the first IPL tournament was held, service tax of Rs. 68.75 crore was collected. Three Show Cause Notices demanding a duty of Rs.5.81 crore were also issued. A fewer number of notices got issued in 2008-09 as IPL involved several technical issues that needed to be investigated and resolved. Also a complete service tax payment scrutiny is possible only once the audited financial statements become available. For the year 2008-09 this had to be towards the end of the calendar year 2009.

In 2009-10 a service tax of Rs. 71.90 crore was collected. Further, for the year 2010-11 upto December, 2010, Rs.20.36 crore of service tax has been deposited. On 14.10.2009 Commissioner of Service Tax, Mumbai issued a Show Cause Notice to BCCI demanding Rs. 36.53 crore from BCCI on telecasting services. In the period April 2009 to Dec 2009, a total of 24 Show Cause Notices were issued demanding Rs. 70.62 crore.

It is to further add that while a total of 42 Show Cause Notices were issued as on 30.6.2010, as on 1.2.2011, a total of 102 Show Cause Notices demanding a duty of Rs.160.28 crore have been issued, out of which Rs.5 crore has been recovered as well. A total of 20 SCNs out of these have been adjudicated”.

Having observed that service tax paid for the year 2007-08 was only Rs. 33 lakh whereas in subsequent financial years it was quite substantial, the

Committee sought to know the reasons thereof. In their post-evidence reply, the CBEC stated as under :

“Rule 6 (1) provides that service tax is payable by the 5<sup>th</sup> day of the month (6<sup>th</sup> day in case of electronic payment) immediately following the calendar month in **which the payments are received** towards the value of taxable service. The first session of IPL was held during April-June, 2008. The payment of service tax in 2007-08 was less due to the reason that the service tax is payable only after the receipt of payment against the taxable service provided. Hence revenue in 2008-09 has shown substantial increase in comparison to that of 2007-08”.

On being enquired during evidence that as to whether the department had been pro-active in ensuring that service taxes were collected in time, the CBEC in their written replies submitted that :

“CBEC had been vigilant about the service tax implications of IPL from the very time of its inception and had already taken several concrete steps in the period from 2007 – 2010 even before there was an inkling of this problem. “

The CBEC in their post-evidence information further clarified as under :

“The major services related to the IPL are transacted through comprehensive written contracts in which the services to be provided and the consideration being paid are clearly described. Hence, surreptitious activity by the participants in the IPL is extremely difficult. These agreements have been closely scrutinized by the department, and based on the analysis, notices have been issued in cases where the opinion of the department on taxability differs from that of the assesses”.

## **VI. Violation of FEMA Provisions**

Alleged violations of FEMA are under Enforcement Directorate's investigation. The Directorate of Enforcement had taken up for investigation, contravention of FEMA suspected to have been indulged in by M/s. Jaipur IPL Pvt. Ltd. in May, 2008 with respect to irregularity in acquisition of Franchise of Rajasthan Royals cricket team. The allegation is that the remittances received from abroad with respect to such acquisition are not in accordance with FEMA.

On being asked by the Committee as to when the investigations of the IPL related issues by the Directorate of Enforcement (DoE) started, the DoE in their written information stated as under :

“The investigation was initiated by the Directorate of Enforcement in May 2008. The investigation was limited to foreign investments received by M/s Jaipur IPL Cricket Pvt. Ltd. The scope of investigation was expanded after April, 2010”.

On being asked about the other areas where violation of FEMA regulations took place during the last three IPLs, the Directorate of Enforcement in their written submission stated as follows :

“The Directorate has since expanded investigation into suspected FEMA violations relating to the ownership of the franchises, nature of foreign investment and valuation of shares and transfer thereof in respect of a few franchisees. Besides, the Directorate is also examining contracts for media rights, foreign exchange payments guarantees given by BCCI-IPL for auction of foreign players and foreign exchange component in digital and website rights. The investigations are also examining the foreign exchange transactions which were undertaken during the course of IPL-II held in South Africa”.

The following suspected contravention of FEMA are being looked into by the Enforcement Directorate.

- (a) “Remittances received from abroad being not in accordance with the regulations contained in para 8&9 of Schedule 1 to Notification No. 20/2000-RB dated 3/5/2000.
- (b) Shares of franchisee company being transferred in contravention of Schedule 1 of Regulation 5(1) of Foreign Exchange Management (Transfer or Issue of Security by a person resident outside India) Regulation, 2000.
- (c) Guarantees for payment in foreign exchange being extended to the foreign players in contravention of section 6(3)(j) of FEMA r/w Notification No. FEMA-8/RB/2000 dated 3/5/2000.
- (d) Payments made overseas, as facilitation fee, for transfer of media rights apparently in contravention of section 3 of FEMA.
- (e) Payments made abroad for conducting IPL-2 in South Africa apparently in contravention of Foreign Exchange Management (Current Account Transaction) Regulation, 2000 and Foreign



Exchange Management- (Realisation, Repatriation & Surrender of Foreign Exchange) Regulations, 2000”.

The above said violations have been discussed in detail in the succeeding paragraphs.

**(a) Remittances received from abroad**

It is noticed from the Ministry of Finance (Department of Revenue) written submission that investment by Rajasthan Royals, Kolkata Knight Riders, Kings XI Punjab and Mumbai Indians have also been routed from outside India through entities located in countries such as Mauritius, Bahamas, British Virgin island etc. In all these cases no approval from RBI, FIPB and other agencies concerned were taken before the receipt of the amounts. The details of these cases are given as below :

<b>IPL Team owner</b>	<b>Name of the Foreign shareholder</b>	<b>Nature of investment</b>	<b>Amount</b>
Rajasthan Royals (Jaipur IPL Cricket Private Limited)	EM Sporting Holdings Ltd, Mauritius	Share Capital	Rs. 0.01 crore
		Share Application Money	Rs 33.18 crore
		Total	Rs 33.19crore
Kolkata Knight Riders (Knight Riders Sports Pvt Ltd)	The Sea Island Investments Limited, Mauritius (100% held by Mehta International Limited, Bermuda - a Jay Mehta group company)	Share Capital	Rs. 9.00 crore
Kings XI Punjab (KPH Dream Cricket Private Limited)	The Colway Investments Limited, Mauritius (100% held by Bantree International Limited, British Virgin Islands – a Gaurav Burman company)	Share Capital	Rs. 5.12 crore
Mumbai Indians (Indiawin Sports Private Limited)	Shri Anshu Jain, director of Deutsche bank, UK	Share Capital	Rs. 1.5 lakh
Royal Challengers Bangalore	No foreign investments reported.		
Chennai Superkings			
Deccan Chargers			
Delhi Daredevils			
Pune Team			
Kochi Team			

As regards the investigation of these cases, the Ministry of Finance (Department of Revenue) in their written replies stated that verification of these

investments is in progress and references have been made to the concerned tax authorities of the countries through FT & TR Division of CBDT.

On being asked as to whether the BCCI was aware of these investments, the BCCI in their post-evidence information stated as under :

“It has to be noted that all the original agreements of the Franchisees including the bid documents were in the possession of Mr. Lalit Modi. The BCCI have no way of knowing the beneficial owners of these entities. In fact, even today BCCI has no proof of beneficial owner of all such foreign entities who have invested in the Franchisees. The reason is that BCCI does not have the machinery to investigate for such information”.

**(b) Changes in shareholding pattern**

Clause 10.1 of the Franchisee agreement provides that changes in shareholding pattern can be effected with the permission of BCCI. The Franchisee agreement with BCCI-IPL does not permit any major change in shareholding pattern for the first three years. It has been noticed from the Ministry's replies that some changes have taken place without BCCI-IPL approval. The details of which are given as under :

“In the case of Rajasthan Royals, during F.Y.2009-10, 7.37% of the shares of the existing shareholders were transferred to Kuki Investments Ltd. (Raj Kundra group) and fresh shares of 3.63% were allotted to it by EM Sporting Holding Ltd., Mauritius. In the case of Mumbai Indians, Kolkata Knight Riders and Kings XI Punjab, either shares were transferred at face value or share capital was raised and fresh shares were allotted to the new shareholders”.

As regards the action taken by the BCCI against those franchisees, BCCI has reported to the Ministry that the matter is being examined by them with a view to decide on action to be taken.

It is also noticed that in certain cases the investments have been made by some persons /entities but shares for corresponding moneys have been issued in the name of some other persons/entities. On being asked about the possible reasons and legal validity thereof, BCCI has submitted that the Ministry of Corporate Affairs has inspected the Franchisees records and sent a report to the Government of India.

**(c) Issuance of guarantee**

In terms of FEMA Notification No. 8, issuance of guarantee by the BCCI would require prior approval of the Reserve Bank. Investigation conducted by the Directorate of Enforcement indicate that certain assurance of guarantee of minimum return has been given to overseas entity/players related to management of IPL without specific approval from Reserve Bank. Therefore, such assurance or guarantee would be deemed as FEMA violation.

Apprising the Committee about the factual position in this regard, the RBI in their written submission stated as under :

“The extension of guarantee by the BCCI, in the form of base fee, was brought to the notice of the DoE by the Reserve Bank on April 27,2010 for investigation. We have also provided technical inputs to the DoE in interpreting the extant FEMA provisions and in crystallizing the violations in this regard. The DoE has now apprised us that the BCCI has extended 72 guarantees aggregating USD 13,437,143, assuring to pay base fee to the foreign players, irrespective of the outcome of the bids”.

**(d) Expenses incurred in holding IPL Season-II in South Africa**

The IPL-2 was held in April-May, 2009 in South Africa. Certain expenses like travel, hotel expenses, hospitality charges etc. in South Africa were borne by the Franchisees and other expenses of hosting the tournament were borne by BCCI. Funds were transferred to Cricket South Africa (CSA) and expenses were incurred by Cricket South Africa. It has been seen from the Ministry's replies that the BCCI had not taken permission from the Reserve Bank of India and Income Tax Department for opening or/and operating Foreign Currency account in South Africa.

The BCCI has not opened the account directly in its name, the opening and operating of the account through an explicit agreement with the CSA could be construed as a FEMA violation, as the operations of the account were controlled by BCCI.

As per the Enforcement Directorate's submission it was provided for in the agreement with South Africa that no sums shall be released from said bank account without explicit written authorisation from BCCI/IPL.

It has been observed that Reserve Bank of India has not given any permission to BCCI to open a foreign currency account with a bank in South Africa for the IPL-2 session. Therefore, the opening and maintenance of a foreign currency account with a bank in South Africa by the BCCI without the approval of the Reserve Bank would be a violation of Notification No. FEMA 10/2000-RB dated May 03, 2000.

On being asked as to whether these expenses were allowed under the Income tax laws, the Ministry of Finance (Department of Revenue) in their written replies stated that the allowability of these expenses under the Income Tax Law will be examined by the Assessing Officer at the time of scrutiny of assessment after the return is filed.

RBI has admitted that there were three violations with regard to (1) opening of new account; (2) FDI investment and (3) sending of money.

On being asked as to how does RBI come to know about these violations and what enquiry has been conducted by the RBI in this regard, the RBI in their post-evidence information submitted as under :

"The DoE informed during the high level meeting held on September 30, 2010 that they are in the process of identifying the banks involved in the cross-border transactions and will share their findings with the Reserve Bank. As of now, they had identified three banks – Axis Bank, HDFC Bank and State Bank of Travancore, Jaipur branch involved in various IPL related transactions. It was decided in the meeting that the Reserve Bank may undertake inspection of these banks in order to verify whether the banks have complied with the obligations as required under FEMA. Accordingly, Reserve Bank has carried out inspection of these banks in October 2010. The inspection of the State Bank of Travancore, Jaipur branch has revealed that out of the remittances made by the BCCI to the account of the CSA, the necessary declarations and documentation (form A2 and CA certificate) were not obtained from the BCCI by the State Bank of Travancore, Jaipur branch before allowing the remittances of USD 39.5 million to South Africa. Further, the CA certificate was not taken by

the bank from the BCCI for the remittance of USD 10.36 million. However, since no explicit prohibition for remittances towards organizing games outside India has been placed under the Current Rules, any specific violations on the part of the bank in allowing the remittance to the CSA cannot be established now until the investigations by the DoE are completed to ascertain if there has been any misuse of funds remitted to the account of CSA. The inspection of the Yes Bank, Axis Bank and HDFC Bank, Mumbai in connection with the reporting of the FDI and the acceptance of performance deposit have revealed that the banks have not complied fully with the extant FEMA provisions and have not exercised due diligence while scrutinizing and forwarding the inward remittance forms for FDI and FC-GPR forms to the Reserve Bank. It is observed that the AD banks have not ensured the timely reporting of the inward remittance for the FDI as well as the issue of shares under the FDI scheme and have not exercised due diligence in checking KYC report including variance in the address of the remitter. Show cause notices under section 11 of FEMA are being issued to these banks. The DoE has confirmed to us that no AD banks have been involved in opening of the bank account in South Africa and in extension of guarantees in favour of the foreign players by the BCCI”.

In this connection, the BCCI in their post-evidence information submitted the following :-

**DETAILS OF PAYMENTS RECEIVED FROM CRICKET SOUTH AFRICA FOR IPL, 09**

NAME	MODE/DATE/ RECEIVED ON	RECEIVED IN	CONVERSION RATE	AMT IN INR
CRICKET SOUTH AFRICA PTY LTD	RTGS/8/9/2010	USD 8934040.08	46.97	417,219,672

**DETAILS OF AMOUNTS RECEIVED FROM CRICKET SOUTH AFRICA**

Particulars	Amount (in ZAR)
Sale of Tickets	38,285,677
VAT Refund	26,978,923
Total	65,264,600
Less-Bank charges for transfer	475
Net amount	65,264,125
Conversion rate USD/ZAR	7
Amount in USD	8,934,172
Bank charges in USD	132
Amount received in bank account	8,934,040

On being asked as to whether opening/operating of foreign currency account in South Africa is a violation of FEMA regulations, the RBI in their written replies submitted as follows :

“The BCCI had not taken permission from the Reserve Bank for opening or/and operating foreign currency account in South Africa. The Directorate of Enforcement (DoE) has now informed us that the BCCI has entered in to an agreement with the Cricket South Africa (CSA) for opening and operating a foreign currency account in South Africa for the conduct of IPL 2. The agreement, inter alia, provided that the CSA shall not release any funds from the account without explicit written authorization by the BCCI. Accordingly, the CSA incorporated a Wholly Owned Subsidiary (WoS) in the name of IPL SA (PTY) and an account was opened in the name of the WoS with Standard Bank, Standon, Marshall Town for the purpose of depositing gate collections and for meeting the expenses of IPL 2. The BCCI remitted foreign exchange to the bank account of the CSA and thereafter CSA used to transfer the amount to the bank account of IPL SA (PTY) under the instructions of the BCCI.

Even though, BCCI has not opened the account directly in its name, the opening and operating of the account through an explicit agreement with the CSA could be construed as a FEMA violation, as the operations of the account were controlled by the BCCI”.

Explaining about the factual position in this regard, the RBI in their post-evidence replies stated as follows :

“The DoE has informed that the BCCI is maintaining two EEFC accounts with State Bank of Travancore, Jaipur branch and a remittance of ZAR 76,148,959 (USD equivalent 10,362,799) was made from the EEFC account to the CSA on August 27, 2010 and a remittance of USD 39.5 million out of funds held in the Rupee SB account during the period March 2009 to August 2009. If the expenditure of current account in nature was incurred out of such remittances to South Africa, there may not be any violations of Schedule II of FEM (CAT) Rules, 2000. However, it needs further investigation by the DoE to ascertain if there has been any misuse of the funds remitted to the account of the CSA.

A scrutiny of the books of State Bank of Travancore, Jaipur conducted by us in October 2010 has also revealed that BCCI has remitted an amount of USD 39.5 million during the period March 31, 2009 to August 10, 2009 (a total of 7 remittances) from BCCI's SB account to the CSA and ZAR 76,148,959 (USD equivalent 10,362,799) from the EEFC account to the CSA on August 27, 2010 for meeting the expenses relating to IPL 2. Out of these remittances, the necessary declarations and documentation (form

A2 and CA certificate) were not obtained from the BCCI by the State Bank of Travancore, Jaipur branch before allowing the remittances of USD 39.5 million to South Africa. Further, the CA certificate was not taken by the bank from the BCCI for the remittance of USD 10.36 million. A show cause notice is being issued to the bank for non compliance with the regulatory framework under FEMA, 1999”.

On being asked during evidence, as to whether the amount remained after the expenditure incurred in South Africa has been remitted back to India, representative of Enforcement Directorate deposed before the Committee :

“That is not being done, for which we are looking into the details”.

On being asked as to whether the Accounts of IPL-2 have been finalized, the representative of Enforcement Directorate stated during evidence that ‘it is still not finalized’.

**(e) FEMA violations observed in respect of FDI Policy**

The RBI in their background note submitted to the Committee stated that a reference was received in November 2009, seeking approval on behalf of Jaipur IPL Pvt. Ltd. (Rajasthan Royals) to issue shares favouring EM Sporting Holdings Ltd., Mauritius against the payment/remittance of USD 5 million and USD 0.7 million made by Sh. Manoj Badale towards earnest money and franchisee fee to the BCCI. Since the expenses were in the nature of pre-incorporation expenses, the capitalization of the same was not under the automatic route of foreign direct investment. RBI has advised them to obtain post-facto approval of FIPB.

The Committee desired to know as to whether Rajasthan Royals have obtained post-facto approval of the FIPB, the RBI in their written replies informed as under :

“As the FIPB has already rejected the initial foreign investment and declined to grant post-facto FDI status, the subsequent foreign investments were also not treated as in compliance with the FDI policy and accordingly the Reserve Bank has referred the FDI proposals to the DoE for investigation”.

It has been informed by RBI in their background note that the foreign investment in KPH Dream Cricket Private Limited (owners of Kings XI Punjab) from M/s Colway Investment Limited, Mauritius has not been taken on record for non-compliance with the KYC norms and want of clarification on issues like variance in address of the investor, purpose mentioned in the reporting forms, CA certificate on fair valuation etc. The Company has been advised to comply with the requirements.

On being asked as to when did this matter come to the notice of RBI and what action has been taken by them in the matter, the RBI in their post-evidence replies stated as follows :

“K. P. H. Dream Cricket Private Ltd., owners of Kings XI Punjab has reported the receipt of foreign investment to the tune of Rs. 5.12 crore from M/s. Colway Investment Ltd., Mauritius. The FDI has not been taken on record for want of clarification on variance in address of the foreign investor and the investee company in Advance Reporting Form, FIRC, KYC report and incorrect purpose of remittance given in FIRC. Further, the shares were issued at different prices within a few days interval. Since the nature of transactions is sensitive, we have referred the matter to the DoE in April 2010. We have since received clarification from the company vide letter dated September 27, 2010, which will be processed only with the NOC of the DoE in view of the ongoing investigations”

Asked about the present status of investigations are being done in this case, the RBI in their written information stated that :

“In the case of IPL, the Reserve bank has been coordinating very closely with the DoE. In the high level meeting held on September 30, 2010 it was reiterated that the highly coordinated approach being followed by the Reserve Bank and the DoE should continue. It was also agreed in the meeting that both the authorities continue to coordinate very closely in the ongoing investigations”.

### **Role of RBI in investigations of FEMA violations**

Asked about the role of RBI for investigations of the FEMA violations took place in the BCCI/IPL, the RBI in their written reply submitted as under:

“Under FEMA, 1999 the powers of investigation and adjudication are vested with the Directorate of Enforcement (DoE) and RBI has no investigative power. The powers of RBI are restricted to compounding of contraventions/FEMA violations.”



On being asked as to whether RBI have any such mechanism where it can look into the matters like irregularities in BCCI and IPL, the RBI in their written replies submitted that :

“Reserve Bank does not have the powers of investigation and our powers are limited to compounding of the contraventions. Under FEMA, the investigation and adjudication powers are vested with the DoE. Most of the IPL related transactions are classified by the Reserve Bank as sensitive. The high level meeting held on September 30, 2010 has decided that the Reserve Bank may not compound any offence without reference to the DoE in view of the ongoing investigations”.

Apprising the Committee of the action taken by the RBI with regard to the IPL transactions, the RBI in their written submission stated as follows :

“i) Reserve Bank shared all the details of FEMA violations which came to its notice to the DoE and MoF on April 27, 2010. Subsequent developments have also been notified to the DoE.

ii) The FDI violations have been brought to the notice of the companies and they were advised to seek post-facto approval of the FIPB and comply with the KYC, etc norms. Pending compliance with the norms, the FDIs have not been regularised.

iii) As desired by the Chairman of the Standing Committee on Finance, a high level meeting was held between the Revenue Secretary, Director, DoE and Deputy Governor, Reserve Bank, along with senior officials from the Reserve Bank and Revenue Department on September 30, 2010. In this high level meeting, it was decided to continue the highly coordinated approach that is being pursued by the Reserve Bank and the DoE and all relevant details should continue to be regularly shared between the Reserve Bank and the DoE.

iv) Technical assistance is being extended to the DoE in their investigations and in fixing the FEMA violations.

v) In the high level meeting held on September 30, 2010, it was agreed that the Reserve Bank may not compound any offence without reference to the DoE in view of the ongoing investigation by the DoE. It was also decided that the Reserve Bank may undertake inspection of the banks involved in IPL transactions in order to verify whether the banks have complied with the obligations as required under FEMA.

vi) Reserve Bank has since conducted the scrutiny of four banks and show cause notices are being issued to the AD banks, for non-compliance with FEMA regulations”.

**(f) FEMA violations in case of Performance Deposit**

(i) Bidders to the IPL (including non-residents) were required to make a Performance Deposit of USD 5 million (Rs. 20 crore) on repatriation basis. In case of successful bidders, the deposit would be adjusted against the franchisees fee. Technically, since the BCCI is a society and not a company incorporated in India or a firm or proprietorship in India, it therefore required the prior approval of Reserve Bank of India for acceptance of performance deposit from a person resident outside India. However, no such permission from the Reserve Bank was sought by the BCCI. Therefore, prima facie, this transaction is a violation of FEMA Notification No.5.

(ii) In a specific instance (Jaipur IPL Cricket Pvt. Ltd), Shri Manoj Badale, a UK resident had remitted performance deposits directly to the account of BCCI-IPL on behalf of one of the bidders M/s. Emerging Media IPL Ltd. UK.

On being asked as to whether this is a case of FEMA violation, the RBI in their post-evidence replies stated as under :

“Technically at least, the BCCI required the prior approval of the Reserve Bank for acceptance of performance deposit from a person resident outside India. However, no such permission from the Reserve Bank was sought by the BCCI. Therefore, prima facie this transaction is a violation of FEMA Notification No. 5”.

It has further been stated in the RBI reply that :

“In a specific instance (Jaipur IPL Cricket Pvt. Ltd.), pending incorporation of the Jaipur IPL Cricket Pvt. Ltd., direct remittances were made by Mr. Manoj Badale a UK resident, towards the performance deposit, to BCCI-IPL on behalf of a consortium comprising M/s. Emerging Media IPL Ltd., UK, Tresco International Limited, UK, Blue Water Estate Limited, Australia and Kuki Investments Limited, who bid for the franchise of Rajasthan Royals. Normally, such performance deposits would be deposited by the resident Indian companies, owning the IPL franchises directly to the BCCI. The amount was proposed to be capitalised initially in favour of M/s. Emerging Media IPL Ltd., UK and M/s. EM Sporting Holding, Mauritius. Since the remittance was deemed to be in the nature of pre-incorporation expenses, its capitalization was not under the automatic route of the FDI policy. The franchisee first approached the FIPB for approval, and the request was rejected in November 2009 on the ground that the company

could not provide satisfactory proof of receipt of foreign exchange despite ample opportunities. Subsequently, JIPL approached the Reserve Bank (vide their application dated November 24, 2009, through Axis Bank) for approval for capitalization of the expenses in favour of M/s. EM Sporting Holding, Mauritius. The company was advised by the Reserve Bank on December 23, 2009 to approach the FIPB for approval for reasons cited above. FIPB rejected the proposal again on May 24, 2010 for the reasons that the transaction involved issuance of shares for other than cash consideration, over and beyond the items allowed under the scheme of FEMA 20 and the proposal was also not supported by the Administrative Ministry in the Government”.

On being asked as to what steps have been taken by RBI against BCCI/IPL for violation of provisions of FEMA in this case, the RBI in their post evidence replies stated as under :

“Since the transactions have cross-border implications and are sensitive in nature, the violation was referred by the Reserve Bank to the DoE in April 2010 for investigation. The issue of taking actions against the Jaipur IPL Cricket Pvt. Ltd. for the violation of the FEMA by the Reserve Bank was discussed in the high level meeting held on September 30, 2010. The DoE has conveyed in the meeting that the transaction being irregular, the DoE started investigation of the case. Accordingly, it was agreed that the Reserve Bank may not compound any offence without reference to the DoE. It was also decided that the Reserve Bank may undertake inspection of the banks involved in IPL transactions in order to verify whether the banks have complied with the obligations as required under FEMA”.

Apprising the Committee of the action taken against the banks involved in this transaction, the RBI in its post-evidence information stated that the Reserve Bank had conducted a scrutiny of Axis Bank and show cause notice was being issued to the AD bank for its failure to comply with the FEMA regulations.

**(g) Cases of hawala transactions and round tripping**

It is also observed that scope of IPL scrutiny has been broadened to include strong possibilities of money having been moved illegally through the hawala channel.

On being asked about the present status of enquiries conducted by the Enforcement Directorate in this regard, the representatives of Enforcement Directorate during evidence deposed before the Committee that :

“We are in the process of on-going investigations which are of a sensitive nature and we would crave indulgence of the Committee that we do not immediately reveal very specifics of some of these trails which we are following”.

**(h) Investment in IPL franchisees by benami companies**

It has been observed from a press report that Enforcement Directorate's probe into suspected money laundering and FEMA Violations in the IPL has zeroed in on benami companies based out of India who have made huge investments in some IPL Franchisees. The money may have been moved illegally, in a circuitous route, from India, in establishing these companies and routed back by these companies into the IPL clubs.

**Present status of the enquiry being conducted by the Enforcement Directorate**

Apprising the Committee of the present status of the enquiries being conducted by the Directorate of Enforcement in this case, the DoE in their post-evidence information stated as under :

“As a result of investigation conducted so far into M/s Jaipur IPL Cricket Pvt. Ltd. (owners of Rajasthan Royals), four Show Cause Notices have been issued as per details below:

To M/s Jaipur IPL Cricket Pvt. Ltd. and its Directors S/Shri Ranjit Bhartakur, Raghuram Iyer and Fraser Castelino for contravention of :

(i) Section 6(3)(b) of FEMA, 1999 r/w Regulation 5(1) of Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and para 8 of Schedule 1 thereto and also read with Regulation 5 of Foreign Exchange Management (Permissible Capital Account Transactions) Regulation 2000 issued under Section 6(2) of Foreign Exchange Management Act, 1999 involving an amount of Rs. 23,49,27,410.23/- ;

(ii) Section 6(3)(b) of FEMA, 1999 r/w Regulation 5(1) of Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and para 8 of Schedule 1 thereto and also read with Regulation 5 of Foreign Exchange Management (Permissible Capital Account Transactions) Regulation 2000 issued under

Section 6(2) of Foreign Exchange Management Act, 1999 involving an amount of Rs. 9,73,18,034/-;

(iii) Section 6(3)(b) of FEMA, 1999 r/w Regulation 5(1) of Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 and also r/w Para 9(1)(A) of Schedule 1 thereto involving amounts of Rs. 23,49,27,410.23/- and Rs. 9,73,18,034/-; To M/s EM Sporting Holdings Ltd., Mauritius and its Directors S/Shri Bishwarnath Bachun, Suresh Chellaram and Manoj Badale and Smt. Samila Sivaramen and Smt. Barbara Jacqueline Haldi for contravention of Section 6(2) of FEMA, 1999 read with Regulation 5 of Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 and also r/w Para 8 of Schedule 1 Regulation 5(1) of Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulations, 2000 involving amounts of Rs. 23,49,27,410/- and Rs. 9,73,18,034/- totaling Rs.33,22,45,444/-;

To Shri Manoj Badale, UK for contravention of Section (3)(b) of FEMA, 1999 for amounts involving Rs.20,19,87,410/- and Rs.5,07,25,000/- totaling Rs. 25,27,12,410/-;

To M/s N.D. Investments Ltd., UK and Shri Manoj Badale, UK for contravention of Section (3)(b) of FEMA, 1999 for amounts involving Rs.4,65,93,034/-.

Investigation into other suspected contraventions by Jaipur IPL Cricket Pvt. Ltd. are in progress. Other franchisees, viz., M/s Knight Riders Sports Pvt. Ltd. (franchisee of Kolkata Knight Riders), M/s Indiawin Sports Pvt. Ltd. (franchisee of Mumbai Indians), M/s K.P.H. Dream Cricket Pvt. Ltd. (franchisee of Kings XI Punjab), M/s Rendezvous Sports World Ltd. (franchisee of Kochi Tuskers) are also being investigated for suspected contraventions of FEMA. Investigations also cover the suspected contravention of FEMA by BCCI.

The issues relating to source of funds raised by franchisees from overseas destinations and suspected round tripping of funds are being investigated”

Responding to the query of the Committee as to whether BCCI was aware of FEMA and other Regulatory violations committed by the franchises, the BCCI in their post-evidence information submitted the following :

“If any laws have been violated and brought to the notice of BCCI, then the BCCI takes appropriate action immediately. The BCCI has noticed that changes in the shareholding have taken place in the case of Jaipur IPL Cricket Pt. Ltd. (Jaipur Franchise) and K P H Dream Cricket Pvt. Ltd. (Mohali Franchise) amounting to change of control without the prior

approval of BCCI. After taking Legal Opinions, BCCI terminated the two franchises. However, the matter is now before the courts who have allowed the two franchises to participate in the IPL pending final outcome of the arbitration.

The BCCI has no machinery to determine whether there has been any regulatory violation including FEMA or money laundering. BCCI has written to the Enforcement Directorate enquiring whether the Franchisees had violated any of the provisions of FEMA or other laws. In the event such violation being detected, it is likely that the Hon'ble High Court may vacate the injunction enjoyed by the respective franchise when the BCCI brings such violations to the notice of the court".

## **VII. Violations of Companies Act, 1956**

It is, noticed from the background note submitted by the Ministry of Corporate Affairs that based on the press/media reports, this Ministry asked the concerned Registrars of Companies to scrutinize the documents of companies having franchise rights of IPL teams under Section 234 of the Companies Act, 1956. In this process, Registrars of Companies have observed the violation of following provisions of the Companies Act, 1956 for which necessary instructions have been issued to the Concerned Registrars of Companies to take penal action:-

- (a) Section 383A – For non-appointment of Whole Time Company Secretary.
- (b) Section 211 read with Schedule VI as the balances of sundry debtors, creditors and Loans and Advances are subject to the confirmation from respective parties.
- (c) Section 159 for non-filing of Annual Returns.
- (d) Section 220 for non-filing of Balance Sheets.

The following omissions have been pointed out by the ROCs during their investigation of the Franchise companies :

- (i) Change of name of the company;
- (ii) Charging of depreciation;
- (iii) Change of object clause;

- (iv) Non-filing of annual return and balance sheets;
- (v) Non-appointment of wholetime Company Secretaries;
- (vi) Non-confirmation of balances of sundry debtors, creditors, loans and advances;
- (vii) Private placement of shares;
- (viii) Transfer of shares;
- (ix) Non-changing the object clause before executing the franchisee agreement.

In addition to above, certain other issues/contraventions, as indicated below, are under examination by the concerned Registrars of Companies :-

- (a) Compliance of Accounting Standard-11 of the Companies (Accounting Standards) Rules, 2006;
- (b) Compliance of Section 67 relating to private placement of shares;
- (c) Section 108 in regard to transfer of shares.

As regards the action taken by the Ministry of Corporate Affairs in respect of the above said omissions, it has been informed that ROCs have been asked to issue show cause notices to the franchisees in some cases or file prosecution against them in some other cases.

#### **VIII. Decision making process prevailing in the BCCI/IPL**

The system that appears to have been followed in the IPL was that all contracts were signed by Shri Lalit Modi and subsequently ratified by the Governing Council of IPL and the Working Committee and General Body of the BCCI.

As regards the decision making process prevailing in the BCCI/IPL, the BCCI in the post-evidence information stated as under :

“IPL Governing Council is a subcommittee of the BCCI. Therefore, all the procedures followed in the BCCI would apply to IPL like any other subcommittee. However, when Mr. Lalit Modi was the Chairman of IPL, he did not follow the procedure and regulatory process of BCCI. Most items were finalized by him and placed subsequently at the Governing Council for ratification. Mr. Modi signed contracts on behalf of BCCI

without taking any member of the Governing Council (GC) into confidence and such contracts used to be placed before the GC after work had either commenced or completed under those contracts and as such there was no option but to grant post facto sanction. The Governing Council in good faith trusting the integrity of Mr. Modi ratified many decisions of Mr. Modi as well as contracts executed by him. It was only later that the Governing Council and the BCCI, detected irregularities and illegalities of serious nature. It was also found that in certain contracts the approval of the Governing Council was not taken at all. The BCCI has since acted to ensure strict compliance by the IPL of BCCI procedures and has simultaneously taken action against Mr. Lalit Modi”.

However, the BCCI in their post-evidence information have stated that as per the Constitution of the BCCI no specific power was given to Chairman IPL and all decisions are to be taken by majority vote. Moreover, as per the Enforcement Directorate’s submission the minutes of the Governing Council meetings also do not reveal any specific powers granted to the Chairman and the Members of the Governing Council.

On being asked during evidence as to why so much powers have been given to the then Chairman Shri Lalit Modi, the representative of BCCI deposed before the Committee that :

“He was appointed for 5 years period. The resolution at that time, and we would read when we give the Minutes of the Meeting, said, ‘this council is appointed for five years and that they will place a report to the AGM’. In other words, the resolution that appointed him asked him only to submit a report every year to the AGM. So, he said, ‘I do not report to you people, I do not report to the Working Committee’. It was a five-year term.

He drew his power from the fact that he was appointed for a fixed term of five years”.

As regards the steps taken by the BCCI to cut short the fixed term of five years, the representative of BCCI during evidence stated as follows :

“What we have done now is that we have cut it. We have said that the governing council of the IPL will be appointed every year like every other sub-committee. Every decision of the governing council has to be approved by the working committee, otherwise, it cannot be implemented. So, we have immediately taken all the corrective steps”.



During evidence, the Committee pointed out that all contracts were signed by Shri Lalit Modi and subsequently ratified by the Governing Council of the IPL. In response, representative of Enforcement Directorate during evidence stated as follows :

“From what we have looked at, it does appear that some of those contracts have been ratified subsequently by the Governing Council as well. But who had a key role in terms of executive decisions and day-to-day decision-making is what we are looking at”.

Informing about the present status of investigation of the role of Shri Lalit Modi, the Enforcement Directorate in their written replies submitted as under :

“Investigations into the alleged proxy holding of Shri Lalit Modi in some of the franchisees are also in progress. Shri Lalit Modi has been avoiding summons of the Directorate of Enforcement. A Show Cause Notice for non-compliance of summons has been issued to him under FEMA. Further, a Light Blue Alert has been issued to all entry/exit points in the country against him. On the basis of a reference made by the Directorate, RPO Mumbai has revoked his passport”.

## **IX. Other Connected Issues**

### **Social impact of IPL**

During evidence of the representatives of BCCI/IPL, the Committee drew the attention of the witnesses to the fact that IPL was not creating a good social impact, particularly on the younger generation. It was also alleged that the facilities provided to a class of spectators during the matches were of five star nature with luxurious facilities of food and beverages. The Committee sought to know whether such facilities were provided within the ticket amount and whether receipts for providing such facilities have been accounted for in the income. The Ministry of Finance (Department of Revenue) in their written replies submitted as under:

“The tickets sold for the IPL matches were of various denominations ranging from Rs. 200, 300, 500 etc. upto Rs. 10,000, 20,000 and Rs.1,00,000/- depending upon the City in which the matches were held and the importance of matches. In some matches, luxurious facilities of food and beverages were also provided to the spectators. The franchisee

teams have submitted that no donations/on-money etc. were collected for tickets with such luxurious facilities of foods and beverages. The high denomination ticket prices are stated to include provisions for food and beverages. The IPL franchisees are stated to have included these ticket receipts in their total income. Some of the companies who were allotted a large bulk of tickets are the various State Cricket Associations, Nike, Idea Cellular, Coca Cola, United Spirits Limited, Kingfisher, Jaiprakash Associates, Apollo Hospitals etc”.

On being specifically asked by the Committee about the social impact of IPL, the BCCI in their post-evidence information stated as under :

“In a very short period, IPL has generated significant interest back in cricket. IPL is also now seen as a global sporting event with interest from across the world. Fans from over 200 countries watched IPL bears testimony to the interest shown by the people from across the world. BCCI has undertaken extensive research to understand the impact of IPL on the game. Some of the salient features include :

1. Nearly 200 talented Indian cricketers get an opportunity to be part of the IPL. This has resulted in renewed interest at grass root level.
2. Each player gets an opportunity to earn a minimum of Rs. 10 lakh and cricket is now seen as a viable career for youngsters.
3. With IPL being played in 15 venues each year, it generates short term employment opportunity for the people of the city.
4. IPL provides an opportunity to showcase India. In each match, the city where IPL is played is showcased to the global audience through live television, projecting the progressive face along with are and culture of India.

In 2010, BCCI partnered with United Nations Environment Program (UNEP) to launch the Green IPL program. At every game spectators and viewers are given social messages to keep our planet Green at the time of the toss. In addition with the assistance of UNEP, BCCI calculated the carbon footprint of IPL and developed a program to neutralize the same.”

\*\*\*\*

**PART-II**  
**RECOMMENDATIONS / OBSERVATIONS**

1. The Committee decided to engage with and examine in detail this subject, as behind the veneer of surging popularity of a sport, the Board of Control for Cricket in India (BCCI) sponsored Indian Premier League (IPL) drew strong criticism on account of allegations of economic and financial wrong-doing, involving contravention of tax laws, foreign exchange law, anti-money laundering law, company law and RBI regulations. With a view to securing inputs and insights on the various acts of omission and commission reported to have been committed during the conduct of the IPL tournament and related matters concerning the functioning of the BCCI, the Committee took oral evidence of the Department of Revenue (CBDT & CBEC), Enforcement Directorate, the RBI and finally the representatives of the BCCI and IPL Governing Council. Written submissions were made by the Ministry of Corporate Affairs regarding company law violations. On the basis of such an extensive scrutiny, the Committee are inclined to conclude that the fair name of a much-loved sport in the country, which is known as a 'gentlemen's game' should not have been allowed to get sullied and embroiled in transgressions of law 'off the field'. This Report discusses and comments upon the specific issues in the succeeding paragraphs.

2. The Committee note that the BCCI was granted exemption of income tax in respect of the assessment years 2004-05 to 2006-07 to the tune of Rs. 225.28 crore on the basis of CBDT circular of 1984, which clarified that

promotion of sports is covered by the definition of a 'charitable' activity. The Committee have, however, been informed that the registration granted to BCCI for being involved in 'charitable activity' has since been withdrawn on 28 December, 2009 with retrospective effect from the assessment year 2007-08. Consequently, BCCI was assessed by the Income Tax Department for an income of Rs. 274.86 crore for the assessment year 2007-08, while for the subsequent assessment years, 2008-09 and 2009-10, the BCCI has claimed exemption from tax to the tune of Rs. 377.33 crore and 216.64 crore respectively on the ground of promoting cricket as a 'charitable' activity. According to the Income Tax Department, the scrutiny assessment for the assessment year 2008-09 is in progress and the activities of BCCI during this year will be examined in these proceedings. The tax assessment for subsequent years is also thus pending. The Committee are astonished that the Income Tax Department could not finalise the assessment of income of BCCI for the last three years and more, even as a decision was taken to withdraw tax exemption with effect from 1<sup>st</sup> June, 2006. For the assessment year 2007-08, although due cognizance of withdrawal of exemption was taken, resulting in a tax demand of Rs. 118 crore, only an amount of Rs. 92 crore has been realized from BCCI so far. The Committee are thus constrained to conclude that the Income Tax Department has been very lenient on BCCI, allowing them to enrich their coffers at the expense of the exchequer. The Committee would therefore like this matter to be thoroughly probed and an action taken report furnished to the Committee

within one month of the presentation of this Report. In the meantime, the Committee desire that all the pending tax assessments in respect of BCCI should be finalized on the strength of the Department's decision to withdraw exemption originally granted to BCCI.

3. According to the Department of Revenue, the basis for withdrawal of registration of BCCI under Section 12 A of the Income Tax Act and consequent disentitlement of exemption was the information received during the assessment proceedings for the assessment year 2007-08 that changes were made in the objects of BCCI constitution in 2006 to award sponsorship to sportspersons in games other than cricket and for contribution to others sports institutions such as National Sports Development Fund (NSDF) etc. The Committee note with regret that this decision to withdraw exemption to BCCI was taken as late as December, 2009, that is, three years after the objects of BCCI constitution were amended. Further, the ground on which the tax exemption was withdrawn also seems to be purely 'technical' and specious rather than invoking the determining substantive issue of commercialization of cricket, which has over the years been turned into a money-spinning business involving lucrative sponsorships, media rights and advertisement contracts, endorsements etc. It is a matter of surprise that when the crass commercialization of cricket was visible to the entire world, the Income Tax Department chose to ignore it. When they finally woke up from their slumber and decided to withdraw the tax exemption, it was on a mere

**‘technical’ ground of promoting other sports. The Committee have also been informed that the BCCI has also distributed large funds to its Member State Associations and has taken care of ex-cricketers and their families by giving monthly pension on a graded basis. Against this backdrop, the enigmatic inaction followed by subsequent lukewarm action of the Income Tax Department is further compounded by the claim of BCCI during their deposition before the Committee that the Department was in possession of amended constitution of BCCI at all times. It is thus quite evident that the Income Tax Department has been rather inconsistent in bringing BCCI into the taxability net. The inordinate delay and gross inaction in finalizing assessments cannot but reinforce the Committee’s desire seeking a thorough probe into the whole gamut of this issue, bringing out clearly the culpability of the tax officials concerned with granting exemptions and finalizing assessments in this case.**

**4. The Committee gather that for the IPL tournament, the BCCI have filed returns to the Income tax Department showing ‘nil’ income for the year 2008-09 and an income of Rs. 14.86 crore for the year 2009-10, whereas their gross revenue earned from IPL during the assessment year 2009-10, as furnished by the Department of Revenue, works out to an amount of Rs. 661.78 crore. The revenue figures for 2010-11 have not been made available to the Committee. On the other hand, the IPL franchisees have returned huge losses for the assessment years 2008-09 and 2009-10. Most of them have returned losses for the year 2010-11 as well. In this regard,**

the Committee have been informed that the CBDT has constituted a committee comprising of the concerned Chief Commissioners of Income Tax to ensure that uniform view is taken by the assessing officers on different aspects of assessment of IPL revenues. The Committee would expect that the income tax assessments relating to BCCI-IPL as well as the franchisees and other entities connected with IPL for all the relevant assessment years are taken up on priority and finalized in a coordinated manner after taking necessary inputs from the investigating agencies as well. The Committee should be apprised of the assessments thus made and the quantum of taxes realized therefrom.

5. The Committee find that the Central Board of Excise and Customs (CBEC) have realized an amount of Rs. 94.32 crore by way of service tax together with interest of Rs. 91.63 lakh from IPL during the period 2007 to 2010. Further, as the BCCI-IPL were liable to pay service tax on franchisee fees, Business Consultancy Services, sale of space for advertisement, game right etc. a total of 102 show cause notices (as on 1 February, 2011) demanding service tax of Rs. 160.28 crore have been issued to them, out of which only Rs. 5 crore has been paid. The Committee are not able to understand why such a paltry sum of Rs. 5 crore has been deposited against the demand of Rs. 160.28 crore in view of the fact that this service tax would have been realized by BCCI from the concerned agencies such as franchisees, vendors and media etc. The Committee desire that the adjudication of the service tax demands should be made expeditiously and

they be apprised of the quantum of tax realized therefrom as well as the amount of interest and penalty levied thereupon.

6. The Committee note that the Directorate of Enforcement has been investigating suspected Foreign Exchange Management Act (FEMA) violations relating to the ownership of the IPL franchisees, nature of foreign investment and valuation of shares and transfer thereof in respect of some franchisees. Besides, during the course of examination of the subject, the Directorate has also expanded the scope of investigation to include execution of contracts for media rights, foreign exchange payments guarantees given by BCCI-IPL for auction of foreign players and foreign exchange component in digital and website rights; the foreign exchange transactions undertaken during the course of IPL-II held in South Africa have also been brought within the ambit of investigation. The Committee would like the enquiries/investigations to be expedited and brought to their logical end within a period of six months from the presentation of the Report and the action taken submitted to the Committee.

7. The Committee gather that the investments made by certain IPL franchisees, namely Rajasthan Royals, Kolkata Knight Riders, Kings XI Punjab and Mumbai Indians have been routed from outside India through entities located in countries such as Mauritius, Bahamas, British Virgin Island etc. Strangely enough, it was not thought fit by these entities to seek approval from RBI, FIPB or other agencies concerned. According to



the Department of Revenue, investigation of these cases and verification of investments made is in progress through the FT & TR Division of the CBDT. Further, no permission was taken from the RBI or the Income Tax Department for opening and operating foreign currency account in South Africa during the IPL Season-II held there. Further, bidders to the IPL (including non-residents) were required to make a Performance Deposit of USD 5 million (Rs. 20 crore) on repatriation basis, for which prior approval of RBI was not taken by BCCI in violation of FEMA. The foreign investments made in the IPL franchisee, Rajasthan Royals, were also rejected by the FIPB as not being in compliance with the FDI policy. The Committee would like the Government to thoroughly investigate the aforementioned violations committed by BCCI and other specified IPL franchisees. The Committee should be apprised of the specific action taken in this regard.

8. The Committee have also been informed that three banks have been identified – Axis Bank, HDFC Bank and State Bank of Travancore, Jaipur Branch – which were involved in various IPL related transactions. RBI inspection of these banks has revealed that these banks have not complied with extant FEMA provisions and have not exercised due diligence in obtaining necessary declarations and documentation, scrutinizing inward remittance forms for FDI and their timely reporting, checking of KYC report including variance in the addresses etc. The Committee have been assured by RBI that show cause notices under Section 11 of FEMA are

being issued to these defaulting banks. The Committee would like to be apprised of the follow-up penal action taken by RBI against the banks in question for non-compliance with the regulatory framework under FEMA.

9. The Committee note that the RBI has shared with the Enforcement Directorate all the details of FEMA violations which came to their notice. As desired by the Committee during the course of examination of the subject, a high-level meeting was held between the Revenue Secretary, Director Enforcement and Deputy Governor, RBI on September 30, 2010, wherein as suggested by the Committee, it was decided to have 'highly coordinated' approach in the matter. The Committee expect that such an approach followed-up by rigorous investigations both by the Enforcement Directorate and the Income Tax Department would yield concrete outcomes.

10. The Committee further observe that investigation carried out by the Registrars of Companies (ROCs) reveal several omissions by the IPL franchise companies in matters such as change of name of company, charging of depreciation, change of object clause, non-filing of annual return and balance sheets, private placement of shares, transfer of shares etc. The Committee desire that the ROCs and the Ministry of Corporate Affairs should take deterrent action against the defaulting franchises as per the provisions of the Companies Act and report compliance to the Committee within three months.

11. Keeping in view the mis-management of the administrative and commercial aspects of IPL, the Committee are of the view that the BCCI as the apex body should look inward and set the affairs of the BCCI right. They should improve their procedures and practices so that controversies such as in the conduct of IPL are pre-empted and avoided and do not bring a bad name to the game of cricket.

Since the issue of conflict of interest involved in the office-bearers of BCCI simultaneously owning and running IPL teams is sub-judice, the Committee would refrain from commenting on the matter.

12. Irregularities in award of media rights and commercial contracts executed in the course of the IPL have also been brought to the notice of the Committee. Some of the franchises appeared to have flouted rules and norms with impunity. Facts made available to the Committee clearly indicate that the IPL Governing Council, which was responsible for the conduct of the IPL, allowed itself to be relegated to the position of a mere rubber stamp of the then Chairman, IPL. It has to be noted that neither the BCCI nor the IPL Governing Council formally delegated any specific decision making powers to the Chairman and yet allowed him to take all the decisions. The Committee also note that most of the decisions taken by the Chairman were ratified post facto by the IPL Council. When closely questioned, Shri Shashank Manohar, President, BCCI admitted before the Committee that the cheques were not signed by Shri Lalit Modi but were

signed by the treasurer Shri N. Srinivasan and subsequently by Shri Pandove who took over from him as treasurer. Shri Srinivasan admitted before the Committee in the following words-

‘We were taken for a ride. I know we cannot plead before you that we did not know all this was happening. Your question would be, were you not vigilant; what did you do? I am sorry, Sir, unfortunately, there was too much of power given to him. Sir, answer to one question, was he above the IPL at that time? The powers given to him were like that and that is how he acted. It is no defense for me to say that some of us objected to it. What defense? No defense in front of you. So, I am not pleading that at all. We just put our heads down’.

The Committee regret to note that the IPL Council and the BCCI failed to discipline and bring the then Chairman under control. In fact, the Council meekly endorsed and approved the decisions taken by the then Chairman. Considering the serious irregularities and offences reported to have been committed in the conduct of IPL, presently under investigation, the Committee would like the investigating agencies to look into all matters relating to breach of law and identify and punish all those persons responsible for the same without further loss of time.

13. The Committee note that tax exemption of about Rs. 45 crore was granted to the International Cricket Council (ICC) on the revenues generated from the recently concluded World Cup Cricket tournament. The Ministry have informed in this regard that the Government had considered the matter on 31<sup>st</sup> December, 2010 and had approved the exemption of income to be granted only on the income, of which tax burden is required

to be borne by the subsidiaries of the ICC and not contracted to be paid by a third party. The Committee are not convinced about the tenability of the tax exemptions given to ICC, as the World Cup received huge sponsorships and was patronized by the corporate sector in a big way. Therefore, the Committee are of the considered view that the tax exemption granted to ICC using discretionary powers under the provision of general exemption for international sporting events was unjustified and devoid of merit. They would thus recommend that the same be reviewed by the Department of Revenue.

14. In the larger context, the Committee would like the Ministry of Finance (Department of Revenue) to not only expedite finalisation of assessments and investigations on a fast track basis in this particular case but also devise a coherent and consistent policy for the future, whereby high profile money-spinning events such as the IPL are not kept out of the ambit of taxability.

New Delhi  
22 July, 2011  
01 Sravana, 1933 (Saka)

YASHWANT SINHA  
Chairman,  
Standing Committee on Finance

## **Minutes of the Twentieth sitting of the Standing Committee on Finance**

The Committee sat on Tuesday, the 15<sup>th</sup> June, 2010 from 1100 hrs. to 1615 hrs.

PRESENT

**Shri Yashwant Sinha - Chairman**

### **MEMBERS**

#### **LOK SABHA**

2. Shri Sudip Bandyopadhyay
3. Shri C.M. Chang
4. Shri Harishchandra Chavan
5. Shri Gurudas Dasgupta
6. Shri Khagen Das
7. Shri Mangani Lal Mandal
8. Shri Rayapati Sambasiva Rao
9. Dr. M. Thamibidurai

#### **RAJYA SABHA**

10. Shri Raashid Alvi
11. Dr. K.V.P. Ramachandra Rao
12. Shri Vijay Jawaharlal Darda
13. Shri Moinul Hassan
14. Shri Mahendra Mohan
15. Shri S. Anbalagan
16. Dr. Mahendra Prasad
17. Shri Y.P. Trivedi

### **SECRETARIAT**

- |                                 |   |                  |
|---------------------------------|---|------------------|
| 1. Shri A.K. Singh              | - | Joint Secretary  |
| 2. Shri Ramkumar Suryanarayanan | - | Deputy Secretary |
| 3. Smt. B. Visala               | - | Deputy Secretary |

### **Part I**

**(1100 to 1230 hrs.)**

#### **WITNESSES**

2.	XX	XX	XX	XX
	XX	XX	XX	XX

The witnesses then withdrew.

A verbatim record of proceedings was kept.

**Part II**

**(1330 to 1430 hrs.)**

**WITNESSES**

3.	XX	XX	XX	XX
	XX	XX	XX	XX

The witnesses then withdrew.

A verbatim record of proceedings was kept.

**Part III**

**(1530 to 1615 hrs.)**

**WITNESSES**

**Ministry of Finance (Department of Revenue)**

1. Shri Sunil Mitra, Secretary
2. Shri K. Jose Cyriac, Additional Secretary
3. Shri A.K. Srivastava, Joint Secretary

**Central Board of Direct Taxes (CBDT)**

4. Shri S.S. N. Moorthy, Chairman
5. Shri Sudhir Chandra, Member (Investigation)
6. Shri Durgesh Shankar, Member (R)
7. Shri Prakash Chandra, Member (IT)
8. Shri B.P. Gaur, DGIT (Investigation), Mumbai
9. Smt. M. Sailo, DGIT (Intelligence), Delhi
10. Shri S.P. Swain, DGIT (Exemptions)

**Central Board of Excise and Customs (CBEC)**

11. Shri V. Sridhar, Chairman
12. Shri Y.G. Parande, Member (Budget)
13. Shri Vijai Lakshmi Sharma, Member (Service Tax)
14. Shri Gautam Bhattacharya, Joint Secretary (TRU-II)

4. The Secretary, Ministry of Finance (Department of Revenue) sought to brief the Committee on the subject 'Tax assessment/exemptions and related matters

concerning IPL/BCCI'. However, the Committee could not deliberate further in the matter due to the absence of Shri Arun Mathur, Director (Enforcement) who was also invited to appear before the Committee in connection with examination of the subject. Since the Director (Enforcement) failed to seek any prior permission of the Chairman for his absence, the Committee while conveying their displeasure on the issue decided to adjourn the sitting for the next date when all the officials concerned with the subject will be present.

The witnesses then withdrew.

The Committee then adjourned.



## **Minutes of the Twenty Second sitting of the Standing Committee on Finance**

The Committee sat on Wednesday, the 14<sup>th</sup> July, 2010 from 1100 hrs. to 1630 hrs.

### **PRESENT**

**Shri Yashwant Sinha - Chairman**

### **MEMBERS**

#### **LOK SABHA**

2. Dr. Baliram (Lalganj)
3. Shri C.M. Chang
4. Shri Harishchandra Chavan
5. Shri Bhakta Charan Das
6. Shri Nishikant Dubey
7. Shri Bhatruhari Mahtab
8. Shri Mangani Lal Mandal
9. Shri Magunta Sreenivasulu Reddy
10. Shri Manicka Tagore
11. Shri Anjankumar M. Yadav

#### **RAJYA SABHA**

12. Shri Raashid Alvi
13. Shri S. S. Ahluwalia
14. Shri Moinul Hassan
15. Shri Mahendra Mohan
16. Dr. Mahendra Prasad
17. Shri Y.P. Trivedi

### **SECRETARIAT**

- |                                 |   |                     |
|---------------------------------|---|---------------------|
| 1. Shri A.K. Singh              | - | Joint Secretary     |
| 2. Shri T. G. Chandrasekhar     | - | Additional Director |
| 3. Shri Ramkumar Suryanarayanan | - | Deputy Secretary    |
| 4. Smt. B. Visala               | - | Deputy Secretary    |

### **Part I**

**(1100 to 1200 hrs.)**

### **WITNESSES**

2.	XX	XX	XX	XX
	XX	XX	XX	XX

The witnesses then withdrew.

A verbatim record of proceedings was kept.

### **Part III**

**(1500 to 1630 hrs.)**

### **WITNESSES**

#### **Ministry of Finance (Department of Revenue)**

1. Shri Sunil Mitra, Secretary
2. Shri S.S.N. Moorthy, Chairman, CBDT
3. Shri V. Sridhar, Chairman, CBEC
4. Shri Arun Mathur, Director, Enforcement Directorate

3. The Committee heard the views of the representatives of the Ministry of Finance (Department of Revenue) in connection with examination of the subject 'Tax assessment/exemptions and related matters concerning IPL/BCCI'. The major issues discussed with the representatives included, basis for granting tax exemptions to BCCI/IPL, taxable income of BCCI and IPL franchises and the amount of tax evaded by them, TDS deposited by the franchises of all the IPLs, source of funds flowing into IPL, evasion of service tax and violation of FEMA regulations etc. The Chairman directed the representatives to furnish written replies to the queries raised by Members at an early date.

The witnesses then withdrew.

A verbatim record of proceedings was kept.

The Committee then adjourned.

## **MINUTES OF THE FIRST SITTING OF THE STANDING COMMITTEE ON FINANCE (2010-11)**

The Committee sat on Wednesday, the 22<sup>nd</sup> September, 2010 from 1100 hrs to 1330 hrs.

### **PRESENT**

**Shri Yashwant Sinha – Chairman**

### **MEMBERS**

#### **LOK SABHA**

2. Shri C. M. Chang
3. Shri Bhakta Charan Das
4. Shri Khagen Das
5. Shri Gurudas Dasgupta
6. Shri Nishikant Dubey
7. Shri Bhartruhari Mahtab
8. Shri Mangani Lal Mandal
9. Shri Magunta Sreenivasulu Reddy
10. Shri G. M. Siddeshwara
11. Shri N. Dharam Singh
12. Shri Manicka Tagore
13. Dr. M. Thambidurai

#### **RAJYA SABHA**

14. Shri S. S. Ahluwalia
15. Shri Raashid Alvi
16. Shri Satish Chandra Misra
17. Shri Mahendra Mohan
18. Dr. K. V. P. Ramachandra Rao
19. Shri Y. P. Trivedi

#### **SECRETARIAT**

1. Shri A. K. Singh – Joint Secretary
2. Shri T. G. Chandrasekhar – Additional Director
3. Shri R. K. Suryanarayanan – Deputy Secretary

**PART- I**  
**(1100 to 1215 hrs)**

2.	XX	XX	XX	XX
	XX	XX	XX	XX
.				
3.	XX	XX	XX	XX
	XX	XX	XX	XX
.				
4.	XX	XX	XX	XX
	XX	XX	XX	XX
.				
5.	XX	XX	XX	XX
	XX	XX	XX	XX
.				

**PART – II**  
**(1230 TO 1330)**

**WITNESSES**

**Reserve Bank of India (RBI)**

1. Smt. Shyamala Gopinath – Deputy Governor
2. Shri Salim Gangadhar – CGM
3. Shri Harsha Gautam – AGM

6. The Committee took evidence of the representatives of Reserve Bank of India in connection with examination of the subject, ‘Foreign exchange and remittances related offences and connected issues concerning IPL/BCCI.’ In the absence of Governor, RBI, who sought prior permission of the Chairman for exemption from appearing before the Committee owing to pre-scheduled commitments, the Deputy Governor, RBI led the discussions.

7. Members, raised some questions relating to the subject. As the replies of the representatives of RBI were not found to be satisfactory, the Committee decided to hold another sitting for taking evidence of the representatives when the Governor, RBI would lead the discussions on behalf of the RBI.
8. The Chairman directed the representatives to furnish written replies to the points raised by the Members at an early date.
9. The witnesses then withdrew.
10. The Committee decided to defer hearing the representatives of the Ministry of Corporate Affairs on the subject 'Company Law related offences concerning IPL/BCCI' to a later date.

The Committee then adjourned.

A Verbatim record of proceedings was kept.

## **MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2010-11)**

The Committee sat on Tuesday, the 21<sup>st</sup> December, 2010 from 1115 hrs to 1715 hrs.

### **PRESENT**

**Shri Yashwant Sinha – Chairman**

### **MEMBERS**

#### **LOK SABHA**

2. Shri Sudip Bandyopadhyay
3. Shri Khagen Das
4. Shru Gurudas Dasgupta
5. Shri Nishikant Dubey
6. Shri Bhartruhari Mahtab
1. Shri Magunta Sreenivasulu Reddy
2. Shri Sarvey Sathyanarayana
3. Shri Manicka Tagore
4. Dr. M. Thambidurai
5. Shri Anjan Kumar M. Yadav

#### **RAJYA SABHA**

6. Shri Raashid Alvi
7. Shri Vijay Jawaharlal Darda
8. Shri Piyush Goyal
9. Shri Moinul Hassan
10. Shri Mahendra Mohan
11. Dr. Mahendra Prasad
12. Dr. K.V.P. Ramachandra Rao

#### **SECRETARIAT**

- |                                      |   |                     |
|--------------------------------------|---|---------------------|
| 1. Shri A. K. Singh                  | – | Joint Secretary     |
| 2. Shri T. G. Chandrasekhar          | – | Additional Director |
| 3. Shri Shri Ramkumar Suryanarayanan | – | Deputy Secretary    |

**PART- I**  
**(1115 to 1345 hrs.)**

## **WITNESSES**

2.	XX	XX	XX	XX
	XX	XX	XX	XX

## **PART – II**

**(1445 TO 1715)**

3.	XX	XX	XX	XX
	XX	XX	XX	XX

## **WITNESSES**

### **Ministry of Finance (Department of Revenue)**

1. Shri Sunil Mitra, Secretary
2. Shri K. Jose Cyriac, Addl. Secretary

### **Central Board of Direct Taxes (CBDT)**

3. Shri S.S. N. Moorthy, Chairman
4. Shri Sudhir Chandra, Member (Investigation)
5. Smt. Hardeep Srivastava, Member (IT)
6. Shri S.P. Swain, DGIT (Exemption)

### **Central Board of Excise and Customs (CBEC)**

7. Shri S. Dutt Majumder, Chairman
8. Smt. Vijay Lakshmi Sharma, Member (Service Tax)

### **Enforcement Directorate**

9. Shri Arun Mathur, Director

4. The Committee heard the representatives of the Ministry of Finance (Department of Revenue) CBDT, CBEC and the Directorate of Enforcement on the subject 'Tax assessment/exemptions and related matters concerning IPL/BCCI'. The

major issues discussed with the representatives included, assessment of BCCI as an entity, assessment of franchisees, nature and source of domestic/foreign funds and the investigations connected therewith, evasion of service tax, violation of income tax laws, Money Laundering Act and Foreign Exchange Management Act, present status and outcome of the investigations initiated in the matter by the CBDT and the Directorate of Enforcement Etc. The Chairman directed the representatives to furnish written replies to the questions posed by Members within seven days.

The witnesses then withdrew

A verbatim record of the proceedings was kept

The Committee then adjourned.



## **MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON FINANCE (2010-11)**

The Committee sat on Wednesday, the 12<sup>th</sup> January, 2011 from 1130 hrs to 1630 hrs.

### **PRESENT**

**Shri Yashwant Sinha – Chairman**

### **MEMBERS**

#### **LOK SABHA**

2. Dr. Baliram (Lalganj)
1. Shri Harishchandra Chavan
2. Shri Bhakta Charan Das
3. Shri Khagen Das
4. Shri Gurudas Dasgupta
5. Shri Nishikant Dubey
6. Shri Bhartruhari Mahtab
7. Shri Mangani Lal Mandal
8. Shri Rayapati Sambasiva Rao
9. Shri G.M. Siddeshwara
10. Shri Manicka Tagore
11. Dr. M. Thambidurai
12. Shri Anjan Kumar M. Yadav

#### **RAJYA SABHA**

13. Shri Raashid Alvi
14. Shri Vijay Jawaharlal Darda
15. Shri Moinul Hassan
16. Shri Mahendra Mohan
17. Dr. Mahendra Prasad
18. Shri Y.P. Trivedi

#### **SECRETARIAT**

- |                             |   |                     |
|-----------------------------|---|---------------------|
| 1. Shri A. K. Singh         | – | Joint Secretary     |
| 2. Shri T. G. Chandrasekhar | – | Additional Director |

**PART- I**  
**(1130 to 1400 hrs.)**

#### **WITNESSES**

### **The Board of Control for Cricket in India (BCCI)**

1. Shri Shashank Manohar, President BCCI
2. Shri N. Srinivasan, Hon. Secretary, BCCI
3. Shri Chirayu Amin, Chairman, IPL
4. Shri M.P. Pandovo, Hon. Treasurer, BCCI

2. The Committee heard the representatives of the Board of Control for Cricket in India (BCCI) and Indian Premier League (IPL) in connection with examination of the subject "Tax assessment/exemptions and related matters concerning IPL/BCCI". The major issues discussed with the representatives included, formation of IPL and its objectives, decision making process in the BCCI/IPL and the role of the then Chairman, IPL, funding pattern as sources of investment of the IPL and the franchisees, violation of FEMA regulations by the IPL franchisees and their associates, income and expenditure of BCCI during last three IPLs, expenses incurred in holding IPL season-2 in South Africa, exemptions availed by BCCI, irregularities in awarding the media rights etc. The Chairman directed the representatives to furnish written replies to the questions posed by the Members within seven days.

The witnesses then withdrew.

A verbatim record of proceedings was kept.

### **PART- II**

**(1500hrs. to 1630 hrs.)**

### **WITNESSES**

3.	XX	XX	XX	XX
	XX	XX	XX	XX

The witnesses then withdrew.

A verbatim record of proceedings was kept.

The Committee then adjourned.

## **MINUTES OF THE TWENTIETH SITTING OF THE STANDING COMMITTEE ON FINANCE (2010-11)**

The Committee sat on Thursday, the 14<sup>th</sup> July, 2011 from 1100 hrs to 1530 hrs.

### **PRESENT**

**Shri Yashwant Sinha – Chairman**

### **MEMBERS**

#### **LOK SABHA**

2. Shri C.M. Chang
3. Shri Harishchandra Chavan
4. Shri Nishikant Dubey
5. Shri Bhartruhari Mahtab
6. Shri Mangani Lal Mandal
7. Shri G.M. Siddeshwara

#### **RAJYA SABHA**

8. Shri S.S. Ahluwalia
9. Shri Raashid Alvi
10. Shri Vijay Jawaharlal Darda
11. Shri Piyush Goyal
12. Shri Moinul Hassan
13. Shri Satish Chandra Misra
14. Shri Mahendra Mohan
15. Dr. Mahendra Prasad
16. Dr. K.V.P. Ramachandra Rao

#### **SECRETARIAT**

- |                                 |   |                  |
|---------------------------------|---|------------------|
| 1. Shri A. K. Singh             | – | Joint Secretary  |
| 2. Shri R.K. Jain               | – | Director         |
| 3. Shri Ramkumar Suryanarayanan | – | Deputy Secretary |
| 4. Shri Kulmohan Singh Arora    | – | Under Secretary  |

### **Part I**

**(1100 hrs. to 1145 hrs.)**

2. The Committee took up the draft report on the subject 'Tax assessment/exemptions and related matters concerning IPL/BCCI' for

consideration and adoption. Members of the Committee suggested some changes which were accepted. The Secretariat was asked to redraft a couple of paragraphs and the Chairman was authorised to finalise the report and present the same to Parliament.

**Part II**  
**(1200 hrs. to 1330 hrs.)**  
**WITNESSES**

3.	XX	XX	XX	XX
	XX	XX	XX	XX.

The witnesses then withdrew.

**Part III**  
**(1400 hrs. to 1530 hrs.)**  
**WITNESSES**

4.	XX	XX	XX	XX
	XX	XX	XX	XX.

A verbatim record of the proceedings was kept.

The witnesses then withdrew

The Committee then adjourned at 1530 hours.