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**STANDING COMMITTEE ON FINANCE
(2014-15)**

SIXTEENTH LOK SABHA

**MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)**

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

FIRST REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

November, 2014, Agrahayana, 1936 (Saka)

FIRST REPORT

STANDING COMMITTEE ON FINANCE
(2014-2015)

(SIXTEENTH LOK SABHA)

MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

***[Action taken by the Government on the recommendations contained in
Thirty-Eighth Report of the Committee on Finance on 'Tax Assessment / Exemptions
and related matters concerning IPL/ BCCI']***

Presented to Lok Sabha on 16 December, 2014

Laid in Rajya Sabha on 16 December, 2014



LOK SABHA SECRETARIAT
NEW DELHI

November, 2014, Agrahayana, 1936 (Saka)

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* Not appended in the cyclostyled copy

COMPOSITION OF COMMITTEE ON FINANCE – 2014-15

Dr. M. Veerappa Moily - Chairperson

MEMBERS

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2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Sudip Bandyopadhyay
5. Shri Nishikant Dubey
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7. Dr. Gopalakrishnan C.
8. Shri Shyama Charan Gupta
9. Shri Prataprao Jadhav
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11. Shri Bhartruhari Mahtab
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13. Shri Rayapati Sambasiva Rao
14. Prof. Saugata Roy
15. Shri Jyotiraditya M. Scindia
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17. Shri Gopal Shetty
18. Shri Anil Shirole
19. Vacant *
20. Dr. Kiritbhai Solanki
21. Dr. Kirit Somaiya

RAJYA SABHA

22. Shri Naresh Agrawal
23. Shri Naresh Gujral
24. Shri A. Navaneethakrishnan
25. Vacant **
26. Dr. Mahendra Prasad
27. Shri P. Rajeeve
28. Shri C.M. Ramesh
29. Shri Ajay Sancheti
30. Shri Digvijaya Singh
31. Dr. Manmohan Singh

SECRETARIAT

- | | | | |
|----|------------------------------|---|---------------------|
| 1. | Shri R.K. Jain | - | Joint Secretary |
| 2. | Shri P.C. Koul | - | Director |
| 3. | Shri Ramkumar Suryanarayanan | - | Additional Director |
| 4. | Shri Kulmohan Singh Arora | - | Deputy Secretary |

* Shri Jayant Sinha, MP ceased to be Member of the Committee w.e.f. 09.11.2014 consequent upon his induction to the Union Council of Ministers

** Shri Brajesh Pathak, MP ceased to be the Member of the Committee w.e.f. 25.11.2014 consequent upon his retirement from Rajya Sabha

INTRODUCTION

I, the Chairman of the Committee on Finance, having been authorised by the Committee, present this First Report on action taken by the Government on the Observations / Recommendations contained in the Thirty-eighth Report of the Committee (Fifteenth Lok Sabha) on 'Tax Assessment / Exemptions and Related Matters Concerning IPL/ BCCI' of the Ministry of Finance (Department of Revenue).

2. The Thirty-eighth Report was presented to Lok Sabha / laid on the Table of Rajya Sabha on 02 August, 2011. Action Taken Note on Recommendation No.2 was, as per the direction of the Committee, furnished by the Government vide their communication dated 7 September, 2011. The Action Taken Notes on the remaining Recommendations were received from the Government vide their communication dated 1/8 November, 2011. Subsequently, updated Action Taken Notes were received on 2/7 May, 2012, 25 June, 2013 and 5 December, 2013 respectively.

3. The Committee considered and adopted this Report at their Sitting held on 30 October, 2014.

4. An analysis of action taken by Government on the Recommendations contained in the Thirty-eighth Report of the Committee is given in the Appendix.

5. For facility of reference, the Observations/Recommendations of the Committee have been printed in bold in the body of the Report.

**New Delhi;
05 November, 2014
14 Kartika, 1936 (Saka)**

**DR. M. VEERAPPA MOILY,
Chairperson,
Committee on Finance.**

REPORT

CHAPTER – 1

This Report of the Standing Committee on Finance (Fifteenth Lok Sabha) deals with action taken by the Government on the Observations/Recommendations contained in their Thirty-eighth Report on the subject “Tax Assessment/Exemptions & Related Matters concerning IPL/BCCI” which was presented to Lok Sabha and laid on the Table of Rajya Sabha on 2 August, 2011.

2. The Report altogether contained 14 Observations/Recommendations. Action Taken Notes on Recommendation No.2 was as per the direction of the Committee furnished by the Government vide their communication dated 7 September, 2011. On the Action Taken Notes on the remaining Recommendations were received from the Government vide their communication dated 1/8 November, 2011. Subsequently, updated Action Taken Notes were received on 2/7 May, 2012, 25 June, 2013 and 5 December, 2013 respectively. These have broadly been categorized as follows :

- (i) Observations/Recommendations that have been accepted by the Government :

Recommendation Nos. 1,5,7,8,9,10,11,12 and 14
(Total 09) (Chapter-II)

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government’s replies :

Recommendation Nos. 13
(Total 1) (Chapter-III)

- (iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee :

Recommendation Nos. 2,3,4 and 6
(Total 4) (Chapter-IV)

- (iv) Observations/Recommendations in respect of which final reply of the Government is still awaited :

Recommendation No. NIL
(Total 0) (Chapter-V)

3. **The Committee desire that the replies to the comments contained in Chapter-I is required to be furnished to them expeditiously.**

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

Tax exemption to BCCI)
Recommendation (SL. No. 2)

5. The Committee had noticed that exemption of income tax in respect of the assessment years 2004-05 to 2006-07 to the tune of Rs. 225.28 crore was granted to BCCI on the basis of a CBDT circular of 1984, which clarified that promotion of sports is covered by the definition of a 'charitable' activity. This registration regarding charitable activity had 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 was in progress. The tax assessment for subsequent years was also thus pending. 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 1st June, 2006 and noting that for Assessment Year 2007-08 against a demand for Rs. 118 crore a sum of Rs. 92 crore only had been realized, the Committee had been 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 and had recommended that this matter be thoroughly probed and an action taken report furnished to the Committee within one month of the presentation of this Report. They had also desired that in the meantime, 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.

6. The Government in their Action Taken Note have stated that as a result of withdrawal of registration under section 12A, the BCCI was treated as an association of persons not eligible to any tax exemption and its income brought to tax for Assessment Years (AYs) 2007-08 and 2008-09. Consequent to withdrawal of exemption, tax demand amounting to Rs. 118.04 crore and Rs. 257.12 crore has been raised in AYs 2007-08 and 2008-09 respectively. Out of these, an amount of Rs. 249 crores has already been recovered from BCCI.

Year-wise summary of returned income, assessed income, tax demand raised and recovery status thereof is as follows :

TABLE INDICATING YEAR-WISE ASSESSMENT & RECOVERY STATUS

A.Y.	RETURNED INCOME/ (LOSS)	ASSESSED INCOME	TAX DEMAND RAISED	TAX RECOVERED
2007-08	NIL	Rs.274.86 cr	Rs. 118.03 cr	Rs.118.03 cr (fully recovered)
2008-09	NIL	Rs 608.3 cr	Rs. 257.12 cr	Rs 131 cr recovered
2009-10	(-) Rs. 57.72 cr	ASSESSMENT PENDING	ASSESSMENT PENDING	

7. It is also submitted that according to the assessment procedure prescribed under the Income Tax Act, 1961, return of income is filed after the completion of the relevant Financial Year i.e. in the relevant assessment year. The time limit for completion of assessment is 21 months from the end of the assessment year. The limitation date for completion of assessment for A.Y. 2008-09 was 31st December, 2010. Separate assessments are finalized for each Assessment Year and each of the assessment may involve a number of issues which may not be identical to the issues in the earlier years. The assessments are quasi-judicial proceedings and require independent exercise of judicial mind. The assessments are completed after taking into consideration various issues involved, collection of necessary evidence, examination of material on record and giving adequate opportunity to the assessee in the interest of natural justice. As

a result, the completion of assessments does take some time. However, all the assessments are invariably completed within the statutory time limits prescribed in the law. Assessment for AY 2009-10 is pending. The limitation date for completion of assessment for A.Y. 2009-10 is 31st December, 2011.

8. In the updated reply seek in April, 2012 the government further stated that the assessment of BCCI for the Assessment year 2009-10 (FY2008-09) has been completed. The income of BCCI has been assessed at Rs. 964.18 crore against a returned income of NIL.

9. *Vide* the reply dated 25th June, 2013 the government informed the Committee that the assessment of BCCI for the Assessment year 2010-11 (FY 2009-10) has been completed. The income of BCCI has been assessed at R 874.18 crore against a returned income NIL.

10. In there further updated reply dated 6 December, 2013 the government informed the Committee that during FY 2012-13, Six assessment of BCCI for AYs 2004-05 to 2008-09 and 2010-11 have been completed raising demand of Rs. 930 crore. It is submitted that effort are being made to complete the pending scrutiny assessment for AY 2011-12 and AY 2012-13 in the case of BCCI and IPL franchises with the current financial year.

11. The updated status furnished in the successive replies of the government are indicative of a marked absence of seriousness in the approach towards this crucial case. Even going by the submission of the government that a period of 21 months from the end of the Assessment Year in question one can see that things are yet to culminate fully in the context of even AY 2009-10, 2010-11 and 2011-12. While strongly deprecating this state of affairs the Committee desire focused and conclusive action in the matter with utmost promptitude.

Tax exemptions to BCCI
Recommendation (Sl. No. 3)

12. The Committee found that the Income Tax Department could not finalise the assessment of income in respect of BCCI for the assessment years 2007-08

to 2009-10 despite the fact that a decision had been taken to withdraw tax exemption with effect from 1st June, 2006. Moreover, for the assessment year 2007-08, though a formal decision for withdrawal of exemption was taken, resulting in a huge tax demand of Rs.118 crore, however, only an amount of Rs. 92 crore had been realized from BCCI.

While observing that the Income Tax Department had been lenient on BCCI, the Committee in their 38th Report had desired that the matter should be thoroughly probed and all the pending assessments in respect of BCCI be finalized, while bringing out the culpability of concerned tax officials.

13. In their Action Taken Note to the above-said recommendation, the Ministry of Finance (Department of Revenue) have stated as under :

- (i) BCCI was granted registration under section 12A of the Income Tax Act vide order dated 12/02/1996 as a charitable organization. The registration was granted to BCCI on the basis of its rules / regulations, and details of its activities for promotion of the game of cricket in India, submitted before the Income Tax authorities at that point of time.
- (ii) After news appeared about auctions to be held for the Indian Premier League in March 2008, it became public knowledge that BCCI was planning to hold Twenty-20 cricket tournaments on purely commercial lines patterned on the English / European football leagues / clubs. In order to achieve this objective, BCCI amended its Memorandum of Association – Clause (e) enabling it to conduct Twenty-20 cricket matches, and Clause (I) to provide for awarding of sponsorship to sportspersons in other sports for the development of their individual skills. Amendment was also made enabling BCCI to donate for any charitable cause.
- (iii) “Although BCCI amended its rules and regulations, as above, much earlier on 1/6/2006 and 21/8/2007, information regarding these changes was not brought to the notice of Income Tax Department. It was only after the Income Tax authorities started conducting enquiries, commencing March-April 2008, that BCCI furnished the relevant information and documents to the department. For the reason of failure of BCCI to apply afresh for registration under the Income Tax Act on the basis of its changed objects, the BCCI was informed that the basis on which registration was granted u/s 12A in 1996 did not survive in view of the judicial ruling of Hon'ble Allahabad High Court in the case of Allahabad Agricultural

Institution Vs. Union of India [291 ITR 116]. The BCCI was intimated of this position in October 2009, and tax demand was raised on completion of the ongoing scrutiny assessment for AY 2007-08 in December 2009. Further tax demand was raised for AY 2008-09, and scrutiny proceeding for AY 2009-10 is pending.

Details of tax demands raised and realized are given in the table below:-

TABLE INDICATING YEAR-WISE ASSESSMENT & RECOVERY STATUS

A.Y.	RETURNED INCOME/ (LOSS)	ASSESSED INCOME	TAX DEMAND RAISED	TAX RECOVERED
2007-08	NIL	Rs.274.86 cr	Rs. 118.03 cr	Rs.118.03 cr (fully recovered)
2008-09	NIL	Rs 608.3 cr	Rs. 257.12 cr	Rs 131 cr recovered
2009-10	(-) Rs. 57.72 cr	ASSESSMENT PENDING	ASSESSMENT PENDING	

- (iv) As a result of prompt action on part of the Income Tax department, the income of BCCI was brought to the taxation. As the changed objects of BCCI came to knowledge only after March 2008, the question of any action prior to that date did not arise in view of the registration already granted. Therefore, the observations of the Hon'ble Committee appear to be founded on incomplete facts. It is submitted that on the facts now brought out for perusal of the Committee, it can be appreciated that no fault can be attributed to the Income Tax department and, therefore, no enquiry or probe or action shall lie against its officials".

14. In their updated Action Taken Notes, the Ministry further informed the Committee that the outstanding tax demand including interest amounting to Rs.140.23 crores for the Assessment Year 2009-10 (FY 2008-09) in the case of BCCI has been collected. A demand of Rs. 337.11 crore has been created for AY 2010-11 and out of which demand of Rs. 170 crore has been collected. It is submitted that efforts are being made to complete all the pending assessments in the case of BCCI and IPL franchisees within the current financial year. It is further submitted that a consistent stand on the issue of treatment to the franchisee payments made to the BCCI – IPL by IPL franchisees, has been taken while completing the assessments in the cases of IPL franchisees.

15. The Committee are surprised to note that Income Tax Department was unaware of the amendments made by the BCCI in their rules and

regulations on 1.6.2006 and 21.8.2007 and the Department came to know about it only after March, 2008, when the news about commercial auction of IPL franchise and related issues including tax evasion became public and authorities started conducting enquiries. Undoubtedly, this clearly shows laxity on the part of Income Tax Department, as they should have kept themselves abreast of the changes made by a high-profile body such as the BCCI for organizing IPL matches. The Committee, therefore, reiterate their earlier Recommendation on the possible culpability of officials and the need to bring them to book so that taxability of cash-rich organizations like BCCI is not overlooked.

Income / loss to BCCI / IPL
Recommendation (Sl. No. 4)

16. The Committee observed that for the IPL tournament, the BCCI in their returns filed had shown '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, worked out to Rs. 661.78 crore. Similarly, the IPL franchisees, too, have shown huge losses in their returns for the assessment years 2008-09 and 2009-10. Most of them have returned losses for the year 2010-11 as well.

17. While noting that the CBDT had 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 revenue, the Committee had recommended that the income tax assessments relating to BCCI-IPL and the franchisees of IPL including other entities connected with IPL for all the relevant assessment years should be taken up on priority and be finalized in a coordinated manner after taking necessary inputs from the investigating agencies as well. Further, the Committee had also desired to be apprised of the assessments so made, and the quantum of taxes realized therefrom.

18. The Ministry, in their Action Taken Notes have stated as under :
- (i) “Investigation 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, taxability of the income earned, taxability of the award of the media rights and to detect violation of Direct Tax Laws. The cases for scrutiny assessments for A.Y. 2009-10 (F.Y. 2008-09) are underway. Therefore, at this stage, it is not possible to determine as to what are the reasons for the loss arising to the franchisees. This would be determined only after the completion of the assessment for which the time barring date is 31st December, 2011. It is further stated that in the cases in which a reference for exchange of information has been made to a foreign country, the limitation of completing the assessment shall be extended by a period commencing from the date on which such reference was made and ending with the date on which the information so requested is processed by the Commissioner or a period of six months, whichever is less. However, as the matter is important, the CBDT has constituted a Committee for coordinated investigation and to ensure that uniform view is taken by the Assessing Officers on common issues such as treatment of franchises fees to be paid by these franchisees to the BCCI, treatment of receipts from the IPL tournament, claim of other expenses such as payment of fees to players etc.
 - (ii) Income tax assessments are quasi-judicial proceedings and require independent exercise of judicial mind. The assessments are completed after taking into consideration various issues involved, collection of necessary evidence, examination of material on record etc. The scope of investigation is different for every case and the Assessing Officer, who is a quasi judicial authority, can decide the nature and extent of enquiries in a particular case. Further the A.O. is required to follow the due process of law and provide sufficient opportunity to a tax payer in the interest of natural justice. As the Income Tax Act has laid down certain specific time limits for completion of assessment under Section 143(3), these provisions cannot be changed by an order of the Board. However, keeping in view the importance of the matter, directions have already been issued to complete the pending assessments in the cases relating to IPL/BCCI expeditiously”.

19. In their updated Action Taken Notes, the Ministry furnished the following information :

“The updated position regarding the completion of scrutiny assessments for the Assessment Year 2009-10 (FY 2008-09) and Assessment Year 2010-11 (FY 2009-10) is as below:

A.Y. 2009-10

Sl. No.	Name of the entity	Returned income (In Rupees Crore)	Assessed income (In Rupees Crore)	Tax Demand Raised (In Rupees Crore)	Tax Demand Collected as on 27.09.2013 (In Rupees Crore)	Remarks (as on 27.09.2013)
1.	BCCI	Nil	964.18	413.59	307.06	Balance demand stayed till disposal of first appeal
2.	Deccan Chargers Sporting Ventures Limited (DCSVL)	(-)22.88	14.58	6.60	NIL	All additions deleted by CIT(A). Departmental appeal pending with ITAT
3.	Royal Challengers Sports Pvt. Ltd.	(-)121.84	(-) 9.65	NIL	NIL	N.A.
4.	GMR Sports Pvt. Ltd.	(-)45.58	(-)17.27	NIL	NIL	N.A.
5.	M/s KPH Dream Cricket Pvt. Ltd.	(-) 66.59	8.14	3.24	3.24	N.A.
6.	Knight Riders Sports Pvt. Ltd.	(-)11.20	22.85	5.67	5.67	N.A.
7.	Jaipur IPL Cricket Pvt. Ltd.	(-)35.55	31.76	5.97	4.76	Stayed till the disposal of first appeal
8.	Indiawin Sports Pvt.Ltd.	(-)42.89	(-)7.90	NIL	NIL	N.A.
9.	India Cements Limited	513.63 (Normal)/ 641.54 (MAT)	595.85 (Normal)/ 641.54 (MAT)	92.12	54.91	Appeals of assessee and department pending in ITAT
10.	Sahara Adventure	N.A.	N.A.	N.A.	N.A.	Pune team

Sl. No.	Name of the entity	Returned income (In Rupees Crore)	Assessed income (In Rupees Crore)	Tax Demand Raised (In Rupees Crore)	Tax Demand Collected as on 27.09.2013 (In Rupees Crore)	Remarks (as on 27.09.2013)
	Sports Ltd.					was formed in March, 2010
11.	Rendezvous Sports World (Consortium)	N.A.	N.A.	N.A.	N.A.	Kochi team was formed in March , 2010

AY 2010-11

Sl. No.	Name of the entity	Returned income (In Rupees Crore)	Assessed income (In Rupees Crore)	Tax Demand Raised (In Rupees Crore)	Tax Demand Collected (In Rupees Crore)(As on 27.09.2013)	Remarks
1	BCCI	NIL	874.18	337.11	170	Balance demand stayed till disposal of first appeal.
2	Deccan Chargers Sporting Ventures Limited (DCSVL)	(-) 43.66	(-)16.26	NIL	NIL	N.A.
3	Royal Challengers Sports Pvt. Ltd.	(-) 26.55	(-)25.59	NIL	NIL	N.A.
4	GMR Sports Pvt. Ltd.	0.43	44.27	7.02	NIL	N.A.
5	M/s KPH Dream Cricket Pvt. Ltd.	(-)13.15	29.23	13.02	6.07	Installment of Rs 50 lakh each has been granted by CIT(C)-II, starting from September, 2013 to December, 2013 for Rs 2 crore and balance demand is stayed.
6	Knight Riders Sports Pvt.	(-)0.87	26.70	11.50	0.50	Stay Petition filed by assessee rejected and

Sl. No.	Name of the entity	Returned income (In Rupees Crore)	Assessed income (In Rupees Crore)	Tax Demand Raised (In Rupees Crore)	Tax Demand Collected (In Rupees Crore)(As on 27.09.2013)	Remarks
	Ltd.					communicated to the assessee.
7	Jaipur IPL Cricket Pvt. Ltd.	(-) 29.31	12.33	4.44	3.83	Balance demand is being recovered.
8	Indiawin Sports Pvt. Ltd.	(-) 31.11	(-) 4.57	NIL	NIL	N.A.
9	India Cements Limited	432.2 (Normal)/ 528.05 (MAT)	519.49 (Normal)/ 543.20 (MAT)	38.24	7.8	Stay granted in respect of issues covered in assessee's favour in earlier years. Order u/s 220(6) passed directing payment of Rs. 5 Crores, after considering the issues already decided in assessee's favour by appellate authorities in earlier years. Rs.5 Cr paid. Balance stayed till 31/12/13 or receipt of order of CIT (A) whichever is earlier
10	Sahara Adventure Sports Ltd.	0.16	0.18	0.01	0.01	The assessee made bid for IPL Franchisee for Rs. 168 crores in the month of March, 2010 which has been received as Loan & Advances from M/s. Aamby Valley Ltd. This issue was

Sl. No.	Name of the entity	Returned income (In Rupees Crore)	Assessed income (In Rupees Crore)	Tax Demand Raised (In Rupees Crore)	Tax Demand Collected (In Rupees Crore)(As on 27.09.2013)	Remarks
						examined but ultimately no adverse inference could be drawn.
11	Rendezvous Sports World (Consortium)	NIL	NIL	NIL	NIL	Team formed in March, 2010. No activity during the year.

20. From the details of the returns and the assessed income of BCCI and other franchisees for Financial Years 2008-09 & 2009-10 (AY 2009-10 & 2010-11) furnished to the Committee, the Committee are constrained to observe that there is a vast mis-match between the declared income and that assessed by the Income Tax Department. In some cases, the tax demand raised has been stayed by appellate authority. Tax revenue has thus not been realized from some of the franchisees. This situation of non-realisation of tax due coupled with tax avoidance thus only reinforces the Committee's view that such revenue-spinning events and the entities associated with them should not be allowed to escape taxability and the taxes which can be potentially collected from them should be realized promptly. Loopholes or lacunae in law, if any, also require to be plugged so that tax demands are not set aside by appellate bodies and are rendered infructuous.

Service Tax Evasion
Recommendation (Sl. No. 5)

21. Having noticed that the Income Tax Department have altogether issued 102 Notices to the BCCI-IPL (as on 1 February, 2011) who have failed to pay service tax on franchisee fees, Business Consultancy Services, Sale of space for advertisement, game right etc. owed to them, the Committee had desired that the adjudication of the service tax demands 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.

22. In their Action Taken Notes, the Ministry of Finance (Department of Revenue) stated that an amount of Rs. 238.79 crore by way of service tax alongwith interest of Rs. 26 lakh has been realised from IPL during the period 2007-08 to 2010-11. Further a total of 111 show cause notices (as on 31.03.2011) demanding service tax of Rs. 164.38 crore have been issued to BCCI-IPL. Out of these 36 notices have been adjudicated and the assessee has filed appeal against the said orders. An amount of Rs. 5.72 crore has been recovered in these cases. The reason for the recovery not being so high is that in most of the cases, appeal has been filed or the cases are within appeal period. As such, as per law recovery cannot be done, till the cases attain finality. In a number of cases personal hearing has been fixed and these cases will be adjudicated soon. As such, it is hoped that these cases would attain finality soon.

23. In their updated Action Taken Notes submitted to the Committee on 02 May, 2012, the Ministry further stated that Out of the total of 111 show cause notices (for the period 2005-06 to 2011-12) demanding service tax of Rs. 164.38 crore in connection with BCCI-IPL matches, 109 show cause notices have been adjudicated. An amount of Rs. 5.77 crore has been recovered so far.

24. The Committee note that for the period 2005-06 to 2011-12, a total of 111 show cause notices have been issued by the Income Tax Department to the BCCI for recovery of service tax amounting to Rs. 164.38 crore in connection with BCCI-IPL matches. Out of these, 111 Show Cause Notices, 109 Show Cause Notices have been adjudicated, resulting in a recovery of a paltry amount of Rs. 5.77 crore. Regarding the slow pace of recovery of service tax, the Committee have been informed that in most cases, appeals have been filed in the courts and recoveries cannot be effected till the judgment is pronounced or a decree made by the respective court. Since most of the service tax due is still pending for realization even after lapse of considerable period of time, the Committee desire that vigorous efforts

need to be made so that the cases pending in appeals are processed / reviewed expeditiously in a time-bound manner, and the recovery made at the earliest.

Violation of FEMA Provisions
Recommendation (Sl. No. 6)

25. The Committee noted that the Directorate of Enforcement has been investigating suspected FEMA violations relating to the ownership of the IPL franchisees, nature of foreign investment and valuation of shares, transfer thereof in respect of some franchisees, execution of contracts for media rights, foreign exchange execution payments guarantees given by BCCI-IPL for auction of foreign players and foreign exchange component in digital and website rights and the foreign exchange transactions undertaken during the course of IPL-II held in South Africa. The Committee have emphasized that those enquiries / investigations should be expedited and must be brought to their logical end within a period of six months from the presentation of the Report.

26. The Government in their Action Taken Notes provided the following information in this regard :-

Enforcement Directorate (ED)

Issues identified by the Standing Committee on Finance	Action taken
(i) FEMA Violations relating to ownership of IPL franchises, nature of foreign investments and valuation of shares and transfer thereof in respect of some franchises.	Investigations have revealed that M/s Jaipur IPL Cricket Pvt. Ltd. (JIPL) had received remittances equivalent to Rs.23,49,27,410 and Rs. 9,73,18,034 from overseas investors in contravention of the provisions of FEMA. Based on investigations conducted, following four Show Cause Notices have been issued for FEMA contraventions :- 1. SCN – I. Issued on 13.04.2011 to M/s Jaipur IPL Cricket Pvt. Ltd. and its Directors, S/Shri Ranjit Barthakur, Raghuram Iyer and Fraser Castelino, for contravention of Sec. 6(3)(b) of FEMA, 1999 read with Regulation 5(1) of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulation, 2000

	<p>and Para 8 of Schedule I thereof and also read with Regulation 5 of FEM (Permissible Capital Account Transactions) Regulations, 2000, involving an amount of Rs.33,22,45,444/-.</p> <p>2. SCN – II. Issued on 13.04.2011 to M/s EM Sporting Holding Ltd., Mauritius and its Directors, Shri Bishwanath Bachun, Smt. Samila Sivaramen and Smt. Barbara Jacqueline Haldi, Shri Suresh Chellaram, MD of M/s Chellarams PLC, Nigeria and Shri Manoj Badale, UK, for contravention of Sec. 6(2) of FEMA, 1999 read with Regulation 5(1) of Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulation, 2000 and Para 8 of Schedule I thereof and also read with Regulation 5 of FEM (Permissible Capital Account Transactions) Regulations, 2000, involving an amount of Rs.33,22,45,444/-.</p> <p>3. SCN – III. Issued on 13.04.2011 to Shri Manoj Badale of UK for contravention of Sec. 3(b) of FEMA, 1999, involving an amount of Rs.25,27,12,410/-.</p> <p>4. SCN – IV. Issued on 13.04.2011 to M/s ND Investments Ltd., UK, and its Director Shri Manoj Badale for contravention of Sec. 3(b) of FEMA, 1999, involving an amount of Rs.4,65,93,034/-.</p> <p>Adjudication Proceedings in respect of the above four Show Cause Notices are in progress before the Special Director of Enforcement, Mumbai.</p> <p>As regards Kolkata Knight Riders, Kings XI Punjab and Mumbai Indians, investigations are in progress.</p>
(ii) Execution of contracts for media rights.	Investigation is being conducted in respect of award of media rights by the BCCI to World Sports Group and the allegation of payment of facilitation fee by Multi Screen Media Singapore (Pte) Ltd. of an amount equivalent to Rs. 425 crore to World Sports Group, Mauritius under a Deed for the provision of Facilitation Services dated 25.03.2009.

	Investigation is being carried out to identify the actual beneficiary of the facilitation fee.
(iii) Foreign exchange payment guarantees given by BCCI-IPL for auction of foreign players.	<p>Investigations conducted so far, interalia, reveal that BCCI had extended guarantees in favour of foreign players to the tune of US \$ 1,86,02,143 in violation of the provisions of Section 6(3)(j) of FEMA read with FEM(Guarantees) Regulations, 2000.</p> <p>The investigations in this regard are at an advanced stage.</p>
(iv) Foreign exchange components in digital and web site rights.	The investigations in this matter are in progress.
(v) Foreign exchange transaction undertaken during the course of IPL-II held in South Africa.	<p>The IPL-2 was held in April - May 2009 in South Africa. BCCI had not taken permission from the RBI for opening and/or operating Foreign Currency account in South Africa. The BCCI has not opened the account directly in its name but operated the account through the account held in the name of a subsidiary of Cricket South Africa (CSA) and under an explicit agreement with the CSA, the BCCI controlled the said account. The BCCI remitted an amount of US \$ 4,98,62,799.42 to CSA out of which an amount of ZAR 31,02,75,530.61 was transferred by CSA to the account of IPL (SA) (PTY) Ltd. for expenses in connection with the tournament. Opening and maintaining a bank account by the BCCI without permission of RBI appears to be in contravention of the provisions of FEMA.</p> <p>Investigations in respect of contraventions related to remittances made by the BCCI to CSA are at an advanced stage.</p> <p>In respect of the expenses made by BCCI in South Africa, investigation is in progress.</p>

27. Apprising the Committee of the present status of the enquiries/investigations conducted so far, the Ministry in their updated Action Taken Notes stated as under :

(Part-I)

“FEMA Violations relating to ownership of IPL franchises, nature of foreign investments and valuation of shares and transfer thereof in respect of some franchises.

Adjudication proceedings in respect of Show Cause Notices have been concluded and a penalty of Rs 98.37 crores has been imposed on the notices.

Investigation in respect of valuation of shares of Knight Riders Sports Ltd (Owners of Kolkata Knight Riders) was finalized and the report was sent to the RBI for comments. Further, expert opinions are being taken before finalizing the Complaint under FEMA.

Further, investigations in respect of transfer of shares for consideration other than cash to certain NRIs by Rendezvous Sports Pvt. Ltd., who were stake holders in a consortium holding IPL Kochi franchise, are being finalized.

Regarding nature of investments made in IPL franchises from abroad, Letters of Request have been forwarded to Countries abroad.

(Part -II)

Execution of contracts for media rights.

Investigation revealed that in the Media Rights Licensing Agreement dated 25-3-2009 BCCI had undertaken an obligation and guaranteed to pay WSGM an amount of Rs 425 crores in case of default by MSM to make the payment to WSGM.

Investigation in respect of guarantees extended by the BCCI to World Sports Group, Mauritius in the contract dated 25-3-2009 has been concluded and the Investigation Report is under preparation.

However, overseas enquiries are pending.

(Part -III)

Foreign exchange payment guarantees given by BCCI-IPL for auction of foreign players

Adjudication proceedings in respect of the said Notices are in progress.

(Part -IV)

Foreign exchange components in digital and web site rights.

The matter is under investigation.

(Part -V)

Foreign exchange transaction undertaken during the course of IPL-II held in South Africa.

Adjudication proceedings in respect of Show Cause Notices are in progress and Personal Hearing Notices have been issued.

Investigation in this regard has also revealed that the franchises which participated in the IPL-2 tournament in South Africa in the year 2009 had received foreign exchange from BCCI in contravention of the provisions of FEMA. The investigation report has been forwarded to the RBI for its comments”.

28. The Committee had desired the Directorate of Enforcement to expedite the enquiries/investigations of suspected FEMA violations by the IPL franchisees which should be brought to their logical end within a period of six months from the presentation of the Report. From the reply furnished by the Ministry, the Committee find that though Show Cause Notices have been issued for contravention of the provision of FEMA 1999, the investigation has not been concluded even in a single case. The Committee regret to note that even after a lapse of more than 2 years, since the presentation of their Report, the Enforcement Directorate could not finalize any case. While taking into consideration the gravity of the violation of FEMA provisions made by the IPL franchisees, the Committee reiterate their earlier Recommendation and desire that the inquiries / investigations be conducted by the Enforcement Directorate in a time-bound manner, so that suitable penal action could be taken against the persons responsible for such offences without any further delay.

Remittances received from abroad
Recommendation (Sl. No. 7)

29. The Committee had observed that the investments made by certain IPL franchisees, namely Rajasthan Royals, Kolkata Knight Riders, Kings XI Punjab and Mumbai Indians had been routed from outside India through entities located

in countries such as Mauritius, Bahamas, British Virgin Island, etc. No mandatory approval was taken by them from RBI, FIPB or other concerned agencies which is a pre-requisite for such deals. Further, they failed to take any permission from the RBI or the Income Tax Department for opening and operating the foreign currency account during the IPL Season-II held in South Africa. Further, they also failed to take any approval of RBI in the case of Performance Deposit on repatriation basis. The Committee had, therefore, desired the Government to thoroughly investigate such gross violations committed by the BCCI and other specified IPL franchisees and do the needful as per the law of the land.

30. In their Action Taken Notes, submitted to the Committee, the Government has stated that The Action Taken Report, regarding the verification of foreign investments in different franchisees is as follows:-

(i) Jaipur IPL Cricket Private Ltd:

Issues involved in the foreign enquiry of this franchisee was mainly about finding out details of investment made by Shri Manoj Badale, M/s N D Investments LLP, members of Kundra Family and M/s EM Sporting Holdings Pvt. Ltd., Mauritius (also known as 'Emerging Media') in M/s Jaipur IPL Cricket Pvt. Ltd.

The information regarding investments made by Shri Manoj Badale, M/s N D Investments LLP and the members of Kundra Family, was sought from U.K. authorities. However, only part information was received. Some clarifications were sought by UK authorities which have been communicated to them. The final report from UK Tax Authorities is still awaited.

It is further stated that information regarding investments of M/s EM Sporting Holdings Pvt. Ltd., Mauritius, has been received from Mauritius and the same has been forwarded to the field authorities.

(ii) M/s K P H Dream cricket Pvt. Ltd:

Issues involved with the above mentioned franchisee was to find details and source of investments made by M/s Bantree International Ltd. in M/s Colway Investment Ltd. Further issue was to find whether M/s Bantree International Ltd. has advanced or received any loan to/from M/s Colway

Investment Ltd. Information was sought from Mauritius, UK and British Virgin Islands.

In this connection, it is stated that information from Mauritius has been received and the same has been forwarded to the field authorities.

The U. K. Authorities required the “banking information request” in a specific proforma and the same is being acted upon.

The information pertaining to British Virgin Islands could not be forwarded to the Competent Authority as there was no Tax Information Exchange Agreement with British Virgin Islands. However, a request has been made to JS (EW Division), MEA vide letter dated 10th June, 2011 to take up the matter through diplomatic channels. The response is awaited.

(iii) M/s Indiawin Sports Private Ltd.:

Issues involved with the above mentioned franchisee was to find the details of investments of Rs 1.5 lakhs made by Sh. Anshu Jain in above mentioned M/s Indiawin Sports Private Ltd.

In this case information was sought from U.K. Tax Authorities. UK tax authorities have sent the final reply vide letter received on 17th August, 2011.

(iv) M/s Knight Riders Sports Pvt. Ltd.

Issues involved with the above mentioned franchisee was to find the details of investments made by M/s Mehta International Ltd in M/s Sea Island Investment Ltd which in turn was invested in M/s Knight Riders Sports Pvt. Ltd. Information was sought from Mauritius and Bermuda.

It is submitted that information from Mauritius has been received. However, the response of Bermuda is awaited.

It is further submitted that the information received from different countries has been forwarded to respective field authorities for taking appropriate actions. However, final outcome will be known only after completion of assessment proceedings.

Enforcement Directorate (ED)

Issues identified by the Standing Committee on Finance	Action taken
(i) Investments routed through outside India in franchises viz. Rajasthan Royals, Kolkata Knight	Investigation has been concluded in respect of remittances received in the case of M/s Jaipur India Pvt. Ltd. (owners of the

Riders, Kings XI Punjab and Mumbai Indians.	franchise Rajasthan Royals) and four Show Cause Notices were issued on 13.04.2011 as mentioned at Para 6(i) above. Investigations in respect of the other franchises are in progress.
(ii) Acceptance of Performance Deposit from persons resident outside India	The BCCI accepted Performance Deposit in foreign exchange amounting to GBP 26,32,026.72 (equivalent to Rs 20 crore approximately) from Mr. Manoj Badale of UK on behalf of Emerging Media IPL Ltd., UK in contravention of the provisions of section 6(3)(f) of the FEMA, 1999 read with FEM (Deposit) Regulations, 2000. The RBI has opined that the acceptance of deposit by the BCCI without prior approval of RBI appears to be in contravention of Regulation 3 of FEMA Notification No. 5 of 2000. The investigations are being finalized shortly.

31. Updated status in respect of all the above-said cases as submitted by the Ministry in their subsequent reply is as under :

“(i) Jaipur IPL Cricket Private Ltd.

Issues involved in the foreign enquiry of this franchisee was mainly about finding out details of investment made by Shri Manoj Badale, N D Investments LLP and Kundra Family in M/s Jaipur IPL Cricket Pvt. Ltd. Information was sought from U.K.

Updated Status of Action Taken Report:-Part reply to the request for information related to Mr Manoj Badale and Mr Raj Kundra was received on 18-10-2011 and the same was forwarded to Field Authorities. The UK authorities requested for the proforma for banking information. The proforma was received from the field as on 24-10-2011 and was forwarded to UK authorities. UK authorities provided the part reply vide letter dated 05-01-2012 and sought certain clarifications. Field Authority has provided clarification vide letter dated 9.11.2012 which was sent to UK authorities vide letter dated 23.11.2012. UK authorities has sought further clarification vide letter dated 28.2.2013. The clarifications are sought from field authorities vide letter dated 12.3.2013 and their reply which was received on 26.7.2013 was forwarded to UK on 14.8.2013. Reply of UK is awaited.

(ii) M/s K P H Dream cricket Pvt. Ltd.

Issues involved with the above mentioned franchisee was to find details and source of investments made by M/s Bantree International Ltd. in M/s Colway Investment Ltd. Further issue was to find whether M/s Bantree International Lt. has advanced or received any loan to/from M/s Colway Investment Ltd. Information was sought from Mauritius, UK and British Virgin Islands.

Updated Status of Action Taken Report: - The information from Mauritius has already been received and forwarded to Field Authorities. TIEA with BVI has come into force on 22.8.2011 and request for information under IIEA in prescribed proforma still has not been received in this Division from field authority. Reminded the field authorities again on 21st December, 2012 and 21st June, 2013. Field has provided the proforma which was forwarded to BVI on 11.11.2013. BVI has sought some clarification in this matter on 13.11.2013 which was sent by us on 19.11.2013. Now response from BVI is awaited.

(iii) M/s Indiawin Sports Private Ltd.

Issues involved with the above mentioned franchisee was to find the details of investments of Rs 1.5 lakhs made by Sh. Anshu Jain in above mentioned M/s Indiawin Sports Private Ltd.

Updated Status of Action Taken Report:- Enquiries in this case have been closed by the UK authorities as per their letter dated 17.10.2011 and the same has been conveyed to field authorities. Some additional documents have been forwarded to field authority on 26.3.2013 as provided by UK authorities.

(iv) M/s Knight Riders Sports Pvt. Ltd.

Issues involved with the above mentioned franchisee was to find the details of investments made by M/s Mehta International Ltd in M/s Sea Island Investment Ltd which in turn was invested in M/s Knight Riders Sports Pvt. Ltd. Information was sought from Bermuda.

Updated Status of Action Taken Report:- Two replies have been received from Bermuda and the same have been forwarded to the field authorities vide letters dated 27th December, 2011 and 6th March, 2012. There are no further developments in this matter. The information from Mauritius has already been received and forwarded to Field Authorities.

(v) Jaipur IPL Cricket Pvt. Limited

Another reference has been received about holding the share of M/s. Jaipur IPL Cricket Pvt. Ltd. by Shri Manoj Badale through intermediate company M/s. EM Sporting Holding Limited, Mauritius. The funds invested by Mr Manoj Badale are believed to have been routed through his bank account in Jersey.

Update status of Action Taken the reference received from field authorities was forwarded to Jersey on 22nd March, 2013. Jersey has sought some additional clarification vide letter dated 13th May which has been forwarded to field authority vide letter dated 24th May, 2013. Clarification provided by field authority was sent to Jersey on 3.9.2013. The information provided by Jersey has already been forwarded to Field Authority on 18.10.2013”.

32. The Committee note that the investigations in case of franchisees, namely, Jaipur IPL Cricket Private Ltd., M/s. KPH Dream Cricket Private Ltd., M/s Indiawin Sports Private Ltd. and M/s Knight Riders Sports Pvt. Ltd., have been completed / partly completed and the information so obtained has been forwarded to the field authorities for necessary action. The Committee are, however, not satisfied with the progress of investigations in the matter, as already much time has passed without any outcome by way of penal action in these cases. The Committee, therefore, would like the Government to conclude the investigations in the matter expeditiously and apprise the Committee of the outcome thereof.

New Delhi;
05 November, 2014
14 Kartika, 1936 (Saka)

DR. M. VEERAPPA MOILY,
Chairperson,
Committee on Finance.

APPENDIX

(Vide Para 4 of the Introduction)

ANALYSIS OF ACTION TAKEN BY THE GOVERNMENT
ON THE RECOMMENDATIONS CONTAINED IN THE
THIRTY-EIGHTH REPORT OF THE COMMITTEE ON
FINANCE (FIFTEENTH LOK SABHA) ON 'TAX
ASSESSMENT / EXEMPTIONS & RELATED MATTERS
CONCERNING IPL/BCCI' OF THE MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)

		Total	% of total
(i)	Total number of Recommendations	14	
(ii)	Recommendations/Observations which have been accepted by the Government (Vide Recommendation at Sl. Nos.1,5,7,8,9,10,11,12 and 14)	09	64.28%
(iii)	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (Vide Recommendation at Sl. No. 13)	01	7.15%
(iv)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (Vide Recommendations at Sl. Nos. 2, 3,4 and 6)	04	28.57%
(v)	Recommendations/Observations in respect of which final reply of the Government are still awaited	Nil	0%

Minutes of the Ninth Sitting of the Committee on Finance
The Committee sat on Thursday, the 30th October, 2014 from 1100 hrs. to 1400 hrs.
in Room No. '62', First Floor, Parliament House, New Delhi.

PRESENT

Dr. M. Veerappa Moily - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Venkatesh Babu T.G.
4. Shri Nishikant Dubey
5. Shri P.C. Gaddigoudar
6. Dr. Gopalakrishnan C.
7. Shri Shyama Charan Gupta
8. Shri Rattan Lal Kataria
9. Shri Bhartruhari Mahtab
10. Shri Prem Das Rai
11. Shri Rayapati Sambasiva Rao
12. Prof. Saugata Roy
13. Shri Gajendra Singh Sekhawat
14. Shri Gopal Shetty
15. Shri Anil Shirole
16. Shri Jayant Sinha
17. Dr. Kiritbhai Solanki
18. Dr. Kirit Somaiya

RAJYA SABHA

19. Shri Naresh Gujral
20. Shri Brajesh Pathak
21. Dr. Mahendra Prasad
22. Shri C.M. Ramesh
23. Shri Digvijaya Singh
24. Dr. Manmohan Singh

SECRETARIAT

- | | | |
|------------------------------|---|---------------------|
| 1. Shri P.C. Koul | - | Director |
| 2. Shri R.K. Suryanarayanan | - | Additional Director |
| 3. Shri M.L.K. Raja | - | Deputy Secretary |
| 4. Shri Kulmohan Singh Arora | - | Under Secretary |

2.	x	x	x	x	x
3.	x	x	x	x	x
4.	x	x	x	x	x
5.	x	x	x	x	x

6. The Committee thereafter, took up for consideration the Memorandum No. 2 regarding draft Report on Action Taken by the Government on the Observations / Recommendations contained in the Thirty-eighth Report on the Committee on Finance (Fifteenth Lok Sabha) on “Tax Assessment/Exemptions & Related Matters concerning IPL/BCCI”. After some deliberations the Committee adopted the draft Report without any change / modification and authorized the Chairperson to finalise the Report in the light of Factual Verification by the Ministry concerned and present it to Parliament on a convenient date.

A verbatim record of the proceedings has been kept.

The Committee then adjourned.