

**GOVERNMENT OF INDIA
YOUTH AFFAIRS AND SPORTS
LOK SABHA**

STARRED QUESTION NO:104
ANSWERED ON:29.11.2011
ACCOUNTABILITY IN SPORTS BODIES
Gaddigoudar Shri P.C.;Patil Shri A.T. Nana

Will the Minister of YOUTH AFFAIRS AND SPORTS be pleased to state:

- (a) whether the Government has conducted inquiries into the various allegations of irregularities in the Board of Control for Cricket in India (BCCI/Indian Premier League (IPL) in the country;
- (b) if so, the outcome thereof, agency-wise;
- (c) whether requests have been received from various quarters, for bringing BCCI under the ambit of the Right of Information Act, 2005 so as to ensure transparency in its functioning;
- (d) if so, the views of the Government thereto; and
- (e) the other steps taken/proposed to be taken for bringing transparency and accountability in the functioning of sports bodies in the country?

Answer

MINISTER OF THE STATE INDEPENDENT CHARGE FOR YOUTH AFFAIRS AND SPORTS (SHRI AJAY MAKEN)

(a) to (e) A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) To (e) OF THE LOK SABHA STARRED QUESTION NO.104 FOR REPLY ON 29.11.2011 ASKED BY SHRI P.C. GADDIGOUDAR AND SHRI A.T. NANA PATIL REGARDING ACCOUNTABILITY IN SPORTS BODIES

(a) & (b) Various agencies of the Government namely the Enforcement Directorate, Income Tax and Service Tax Departments have conducted inquiries into the allegations of irregularities in the Board of Control for Cricket in India (BCCI/Indian Premier League (IPL) in the country. The Standing Committee on Finance (2010-11) in its Thirty-Eight Report on the subject, as available on the website - 'Tax Assessment/Exemption and Related Matters concerning IPL/BCCI' has also made the following observations/recommendations:-

1. On the basis of such an extensive scrutiny, the Committee are inclined to conclude that the fair name of a much-loved sports 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'.
2. 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 desires 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. 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 assessment 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 would expect that the income tax assessment 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 assessment thus made and the quantum of taxes realized therefrom.
5. The Committee desire that the adjudication of 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 would like the enquiries/investigations relating to suspected Foreign Exchange Management Act violation relating to ownership of the IPL Franchises, nature of the foreign investment and valuation of shares and transfer thereof in respect of some

franchisee 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 would like the Government to thoroughly investigate violations committed by BCCI and other specified IPL franchisees relating to investments made by IPL franchise, which have been routed from outside India through entities located in countries such as Mauritius, Bahamas, British Virgin Island etc. without the permission of RBI or the Income Tax Department for opening and operating foreign currency account in South Africa. The Committee should be apprised of the specific action taken in this regard.

8. The Committee would like to be apprised on the follow-up of penal action taken by RBI against the Axis Bank, HDFC Bank and State Bank of Travancore, Jaipur Branch for not complying to the FEMA provision and not exercising due diligence in obtaining necessary declarations and documents, scrutinizing inward remittance form for FDI and their timely reporting, checking of KYC report including variance in the address etc.

9. The Committee desired that the Registrar of Companies and the Ministry of Corporate Affairs should take deterrent action against the defaulting franchisees as per the provisions of the Companies Act and report compliance to the Committee within three months.

10. The BCCI should look inward the issues relating to mismanagement of the administrative and commercial aspects of IPL and should set the affairs of the BCCI right. BCCI 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 the cricket.

11. Since the issues 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. With regard to reported Irregularities in award of media rights and commercial contracts executed in the course of the IPL, considering the serious irregularities and offences, 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. Regarding tax exemption of about Rs.45.00 crores granted to International Cricket Council (ICC) on the revenue generated from the recently concluded World Cup Cricket Tournament, the Committee are not convinced about the tenability of the tax exemptions given to the 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 provisions of general exemption for international sporting events was unjustified and devoid of merit. The Committee recommend that the tax exemption granted to ICC 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 finalization of assessment and investigation 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.

In the meantime, the action taken so far is as below:-

(i) The Directorate of Enforcement has informed that based on the investigations conducted so far they have issued 19 Show Cause Notices for various FEMA contraventions involving amounts aggregating to Rupees 1077.43 crores approximately.

(ii) The Income Tax Department has informed that they have conducted inquiries into the affairs of BCCI and entities relating to the Indian Premier League, from the tax angle. Inquiries have been conducted as regards the source of investment made, income generated from the IPL activities, allowability of various expenses claimed. BCCI was registered u/s 12A of the Income Tax Act 1961 and therefore entitled to exemption on its income under sections 11 and 12 of the Act. IPL is a part of BCCI and has no separate legal status. BCCI amended its objects from 1 June 2006. During assessment proceedings of BCCI for AY 2007-08, this change in objects was noticed. Allahabad High Court, in the case of Allahabad Agricultural Institute and Another Vs UOI and Others, held that once the objects are changed after registration, fresh registration is required as the earlier registration does not survive. Taking recourse to this ruling, the registration granted to BCCI under section 12A of the Act was withdrawn with effect from 1 June 2006. Consequent to withdrawal of tax exemption in the assessment completed for assessment years 2007-08 and 2008-09, tax demand amounting to Rs.118.04 crores and Rs.257.12 crores has been raised for the two assessment years respectively. Investigation is currently in progress on 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. The matter relating to TDS has been under examination of the Income Tax department since IPL-1 in April 2008. The Income Tax department has also taken necessary action to investigate the allegations involving tax evasion and undisclosed / layered investments. 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 15th April, 2010 and subsequently, survey and search actions were also conducted on the various IPL teams in order to investigate the source of investment and taxability of income.

(iii) So far as evasion of Service-tax is concerned, as per the latest status as on 31.12.2010, show cause notices involving an amount of Rs. 159.12 crore have been issued to various service providers/stakeholders in relation to IPL for recovery of service tax. Details are as follow:-

S.No.	Zone/Directorate Cause Notices issued	Number of Show Cause Notices	Amount involved (Rs. in crore)
1.	Ahmedabad	1	00.05
2.	Banglore	32	22.23
3.	Chandigarh	9	13.76
4.	Chennai	29	21.30
5.	Delhi	14	33.30
6.	Kolkatta	2	00.27
7.	Meerut	1	00.02
8.	Mumbai-1	6	64.58
9.	Shilong	1	00.04
10.	DGCEI	1	03.62
Total		96	159.07

(iv) On the advice of Central Board of Direct Taxes, the matter concerning award of media rights by BCCI/IPL to MSM Group and WSH Group has been referred to the Ministry of Corporate Affairs to enquire into these issues under the provisions of the Competition Act, 2002, as preliminary investigations have shown prima facie evidence of monopolistic nature of working of BCCI and the companies involved in these agreements. Competition Commission of India on 3rd June, 2011 informed that the information has been filed u/s 19(1) of the Competition Act, 2002 and issue is still under investigation with the Commission. Director General, Competition Commission is conducting the investigation.

(c) & (d): The need for bringing National Sports Federations (NSFs) including BCCI under ambit of Right to Information Act, (RTI) 2005 has been voiced from time to time. Accordingly, Government in April, 2010 declared all the NSFs receiving grant of Rs.10.00 lakhs or more as Public Authority under Section 2(h) of the RTI, 2005. In respect of BCCI, the matter is pending before the Central Information Commission (CIC) and Government has been asked to indicate its position in the matter. Although, the Central Government does not extend any direct financial assistance to BCCI but from time to time the Central Government has been granting concessions in income tax, customs duty, etc to BCCI. The State Governments also have provided land in many places of the country for cricket stadiums at concessional rates, much below the market prices. Notwithstanding the above, the Government has proposed to bring all the National Sports Federations including the BCCI under the RTI Act in the proposed National Sports Development Bill, 2011, with provision of exclusion clause protecting personal/confidential information relating to athletes.

(e) In order to bring transparency and accountability in the functioning of NSFs, Government is formulating a regulatory framework with the objective of promoting good governance among sports bodies. The Draft of the National Sports Bill has been placed in the public domain for pre-legislative stakeholders consultations. Following are the salient features of the proposed National Sports Development Bill, 2011:-

a) Central Government support for development and promotion of sports including financial and other support for preparation of National teams, athletes' welfare measures and promoting ethical practices in sports including elimination of doping practices, fraud in age and sexual harassment in sports, Rights and obligations of the Indian Olympic Association and National Sports Federations (including adoption of basic universal principles of good governance and professional management of sports).

b) Participation of athletes in the management/decision making of the concerned National Sports Federation and the Indian Olympic Association through the Athletes Advisory Council.

c) Duties and responsibilities of the Sports Authority of India and the Government of India, which have been clearly defined.

d) Mechanism for sports dispute settlement and establishment of a Dispute Settlement and Appellate Tribunal.

e) Greater autonomy to National Sports Federations and dilution of control of Government over the National Sports Federations.

f) Bring National Sports Federations under Right to Information Act, 2005 with certain exclusion clauses for protecting

personal/confidential information relating to athletes.

g) Specific provision has been inserted in the anti-doping clause to exclude the administering by the National Anti Doping Agency (NADA) of those provisions of the World Anti Doping Agency (WADA) Code to which the International Federation of the Sport is not subject.

h) A duty has been enjoined upon the coaches, guardians and other support personnel to prevent unethical practices in sports such as doping and fraud of age.

i) Specific provisions have also been made to ensure that National Sports Federation, the National Olympic Committee, the Sports Authority of India adopt or undertake measures not only to prohibit sexual harrassment at workplace for sports but also provide appropriate conditions for women in respect of work, leisure, health and hygiene. Other measures have been provided for setting up a complaint mechanism for redressal of complaints with a committee headed by a woman, or a special counselor, whilst adhering to the principle of confidentiality.