

Service tax trouble for BCCI

The service tax department believes the Board of Control for Cricket in India (BCCI) owes it Rs. 368 crore, largely arising from the sale of media rights for matches, including those that are part of the Indian Premier League (IPL). It has written to the Central Board of Excise and Customs (CBEC) seeking guidance on several pending show-cause notices against BCCI, India's top cricket administrative body.

CBEC is the apex body that regulates and administers collection of indirect taxes, and the service tax department is one of its divisions.

Separately, the department has also raised a demand of Rs. 60 crore from BCCI for 2011-12 after assessing the cricket administrator's accounts, according to two people familiar with the matter who did not want to be identified. The assessment was conducted between January and March.

Mint has reviewed the department's 19 March letter to CBEC and the assessment report.

"Why should we discuss with the media on our tax payments?" said Ratnakar Shetty, chief administrative officer of BCCI. "Ask the service tax department, they will give you details."

Queries emailed to Rajeev Shukla, vice-president of BCCI, and Sundar Raman, chief executive officer of IPL, remained unanswered till late Wednesday. BCCI president N. Srinivasan could not be reached over phone.

Recent controversies surrounding cricket in India in general and IPL in particular, including a sting operation by India TV on match fixing, have revived the chorus for some form of control and regulation of BCCI, the world's richest cricket board.

Earlier this week, sports minister Ajay Maken said in the Lok Sabha that his ministry had written to the revenue secretary and sought an expeditious inquiry by the Directorate of Enforcement and the income-tax department into the money laundering cases registered against IPL.

According to the 38th report of the parliamentary standing committee on finance 2010-11 titled *Tax assessment/exemptions and related matters concerning IPL/BCCI*, CBEC has collected Rs. 94.32 crore from BCCI and IPL teams in three fiscal years starting 2007-08.

The report said the department has issued a total of 102 show-cause notices demanding a duty of Rs. 160.28 crore as of February 2011, and recovered Rs. 5 crore. Of this, at least 20 show-cause notices have been adjudicated.

According to the service tax assessment report, a copy of which was sent to BCCI by the department, the cricket board has not paid service tax on revenue earned by awarding exclusive rights to companies to sell products inside the stadium during a cricket match (also called pouring rights), for all matches held in 2011-12 (which includes ties under the aegis of the International Cricket Council, or ICC, that were held in India, IPL games and other international contests held in the country).

The report also said that BCCI has not paid service tax of Rs. 6 crore on money received for conducting the ICC Champions Trophy, a one-day international cricket tournament organized by ICC. The report said that BCCI acted as a service provider while conducting the tournament on behalf of ICC.

Service tax is an indirect tax imposed on certain services, including broadcasting, banking, advertising and intellectual property services. Introduced in July 1994, it covers all service providers in India, except those in Jammu and Kashmir. The current rate of service tax is 12.36% of the cost of services rendered.

In addition, according to the 19 March letter, the cricket board also owes service tax arising from the sale of media rights. The letter said that BCCI had entered into an arrangement with MSM Satellite (Singapore) Pte Ltd (the owner of SET Max channel that airs IPL) and World Sport Group (India) Pvt. Ltd for the exploitation of media rights for IPL matches.

The department has issued three show-cause notices to BCCI between 2007-08 and 2010-11 for the non-payment of service tax of Rs. 115 crore on revenue earned by selling media rights.

In 2008, World Sport Group-Multi Screen Media won the broadcasting rights of IPL tournaments (from 2008 for 10 years) for around \$1.026 billion (around Rs. 5,735 crore today). In a renegotiated deal in 2009, the broadcaster had to pay BCCI Rs. 8,200 crore for IPL 2 to IPL 10. However, in the current broadcast deal signed by MSM Satellite (Singapore) and BCCI in July 2010, the payout to BCCI is fixed on a per match basis, as reported by *Mint* on 19 April.

In addition, the service tax department has issued four show-cause notices to BCCI raising a demand of Rs. 253 crore for 2006-07 to 2009-10 on media rights sold to Nimbus Communications Ltd for telecast of all international cricket matches held in India other than IPL.

BCCI sold the India rights between 2006 and 2010 to Nimbus Communications (which runs sports channels Neo Sports and Neo Cricket) for Rs. 2,191 crore (2006 to 2010), and the non-ICC rights between 2006 and 2011 to the same company for Rs. 876.6 crore.

Last year, BCCI cancelled the deal citing defaults on payments. In April, Star India Pvt. Ltd won the television, Internet and mobile rights for all international cricket played in the country for Rs. 3,851 crore, for six years starting July 2012.

The service tax department also believes BCCI and IPL (which is a part of BCCI) are liable to pay service tax on the franchise fee received from the nine franchisees and income generated from the sale of merchandise rights, media rights and pouring rights.

One of the two persons familiar with the matter cited above said the service tax department has completed its assessment of three IPL teams registered in Mumbai—Rajasthan Royals, Kolkata Knight Riders and Mumbai Indians—for fiscal 2012 and that “the three teams collectively owe about Rs. 70 crore to the department. So far, they have paid Rs. 4 crore”.

Email queries sent on Monday to Rajasthan Royals’s chief executive officer Raghu Iyer, Kolkata Knight Riders’s chief executive officer Venky Mysore and Mumbai Indians’s spokesperson remained unanswered till late Wednesday.

According to the tax department, IPL teams are liable to pay service tax on payments received from sponsorship and television rights revenues that the teams receive from BCCI. According to the franchise agreement, television rights revenue is shared in the ratio of 80 (team owners): 20 (BCCI) in the first five years of the league and 60:40 in the next five. Sponsorship revenue is shared in the ratio 60 (team owners): 40 (BCCI) for 10 years.

(Source: Livemint.com)