IPL

An Innovative Sports

Tinkesh R. Punjabi

Content

Synopsis

- TITLE SPONSOR
- Official Sponsors
- Official Digital Sponsors
- International Broadcasters 2009
- Auction of Players
- Team & Team Composition

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Indian Premier League

I : Indian
P : Paisa
L : League

- **Countries :** India, South Africa
- **Administrator:** Board of Control for Cricket in India (BCCI)
- **Format:** Twenty20
- **Number of teams:** 8
- **Tournament format : Double round-robin & Knockout**
- **Launch Idea: English Premier League** & National Basketball League

IPL (2008) First Season

– **Period** : 18th April – 1st June, 2008

– **Victory**: Rajasthan Royals (1st title)

V/s Chennai Super Kings (runner)

– **Most runs:** Shaun Marsh (616)

– **Most wickets:** Sohail Tanvir (22)

IPL (2009) Second Season

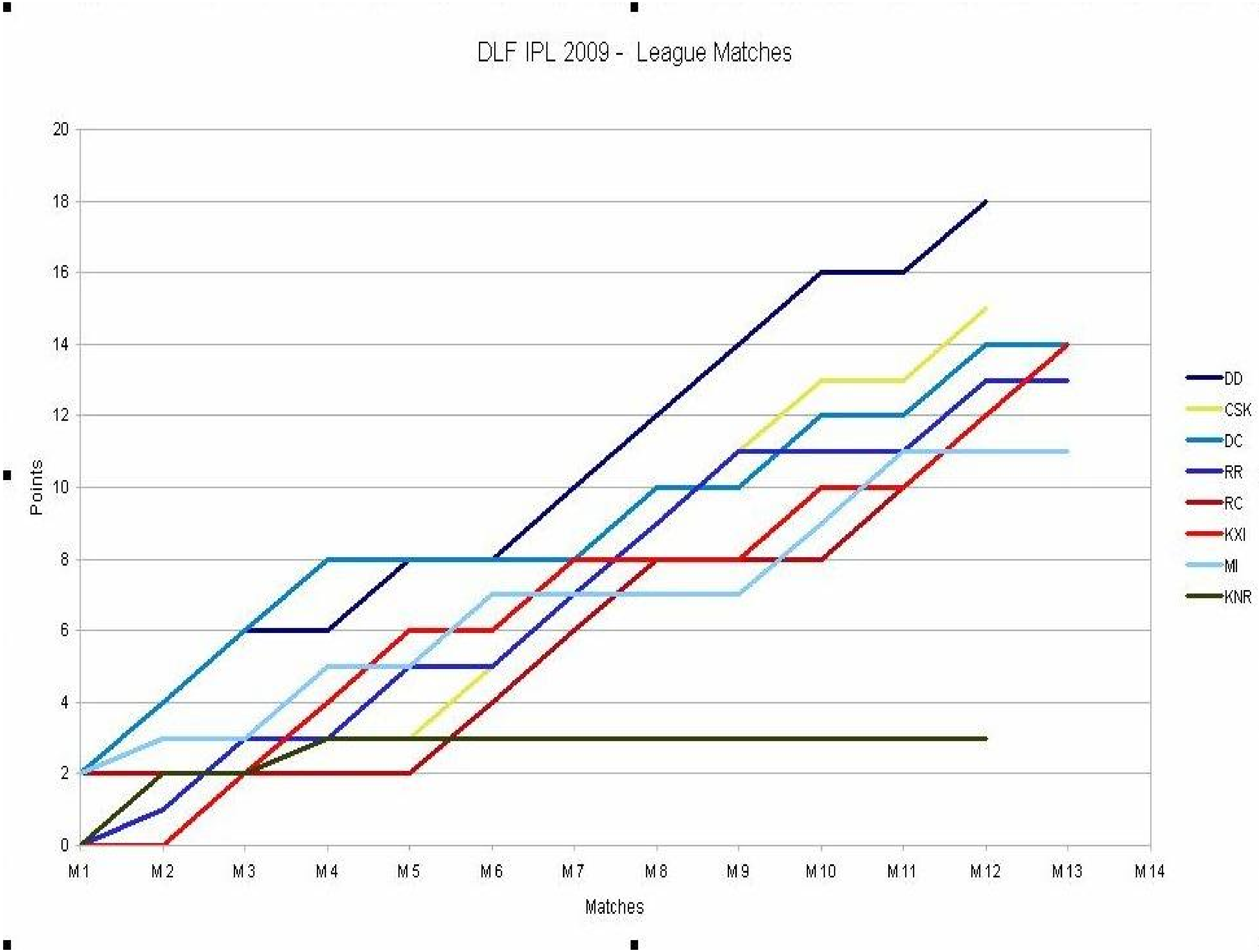
- **Period** :18 April - 24 May 2009

- **Victory**: Deccan Chargers (1st title)

  V/s Bangalore Royal Challengers (runner)

- **Most runs: Matthew Hayden (572)**

- **Most wickets: Rudra Pratap Singh(23)**


DLF IPL 2009 - League Matches
Points
20
18
16
14
12
10
8
6
4
2
0
M 1
M 2
M 3
M 4
M 5
M 6
M 7
M 8
M 9
M 10
M 11
M 12
M 13
M 14
Matches
DD
CSK
DC
RR
RC
KXI
MI
KNR


DLF IPL 2009 CHAMPIONS
3rd
IPL Final
4th
1st Semi Final
2nd Semi Final
5th
6th
7th
8th

Team & Its Composition

Team

- Total 8 Teams
- Each Team will play with other 7 Teams
- The top 4 Teams will qualify for Semi-final
  - **Double round-robin & Knockout**

Team Composition

- At least 4 players from respective area (could be an iconic player or Ranji player or under-22 player)

&

- Four under-22 player
- Each Team can max. buy 8 oversea players (only 4 can be taken to field)

Financial Model (for IPL)

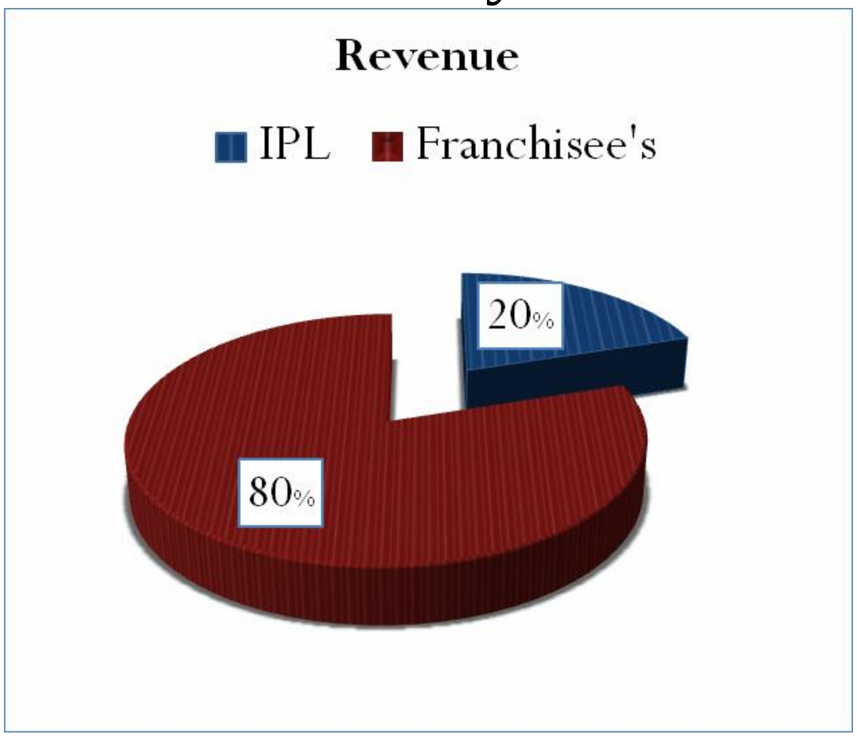
Financial Model (For IPL)

Income		
I) Generation of Income		
i)Revenue from Auction of Broadcasting right		xxx
ii)Revenue from title sponsorship & Co. sponsorship		xxx
iii)Revenue from auction of franchisee rights		xxx
iv)Revenue from offical umpire's sponsorship		xxx
		xxxxx
II) Distribution of Income		
i)Share of Broadcasting money with franchisee/s		xxx
ii)Share of sponsorship money with franchisee/s		xxx
iii)Share of Ticket money with franchisee/s		xxx
iv)Inaugration Expenses		xxx
		xxxx
Total Income	I - II	xxxxx

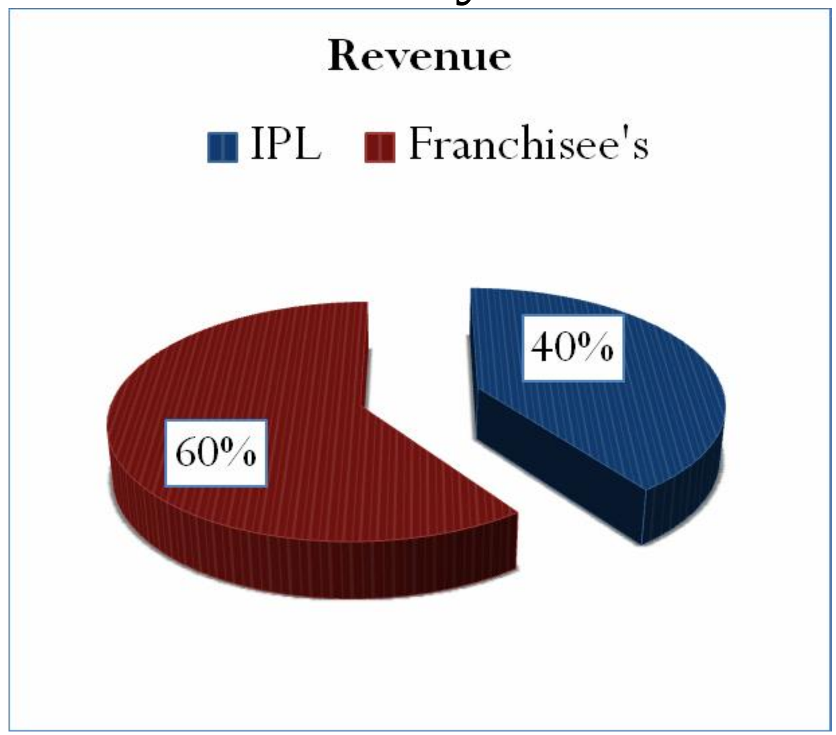
Broadcast Rights

***Rights has been sold by IPL**

– First Five years-



– After fifth year-



International Broadcasters 2009

- INTERNET / MOBILE RIGHTS
- AUSTRALIA
- BANGLADESH
- CANADA
- HONG KONG
- INDIA
- MALAYSIA

- MIDDLE EAST & NORTH AFRICA
- NEW ZEALAND
- PAKISTAN
- SINGAPORE
- SOUTH AFRICA
- SRI LANKA
- UK
- USA

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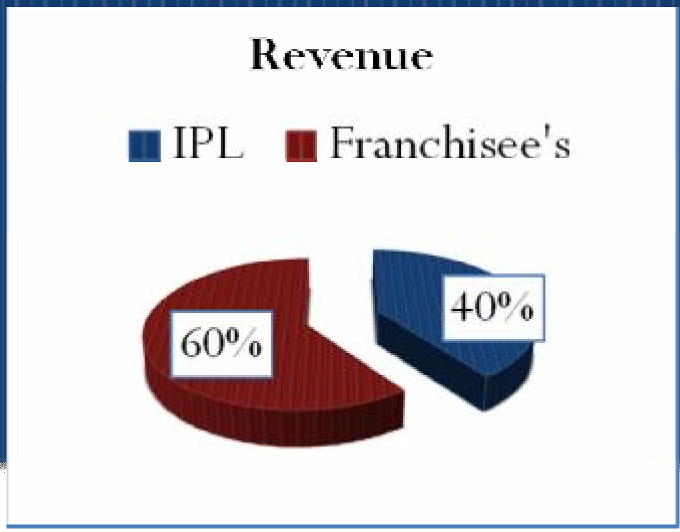
Sponsorship Revenue

- Title Sponsorship revenue of Rs. 40 crore p.a. will be paid by DLF for next 5 years
- Will be shared with franchisee's



- Franchisee's are also eligible to generate their own sponsorship
- Ex. Nokia is the sponsorship of Kolkata knight Riders

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TITLE SPONSOR

- Largest real estate player of India

- DLF is targeting key urban areas with special emphasis on emerging geographies, and is living by its motto of 'Building India'.

- It secured Universal exclusive rights to IPL title sponsorship worth Rs. 200 crore (over $50 million) for 5 years

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Official Sponsors

HERO HONDA

DLF BUILDING INDIA

FLY KINGFISHER

MAX

worldsportgroup

citi

SouthernSun

vodafone

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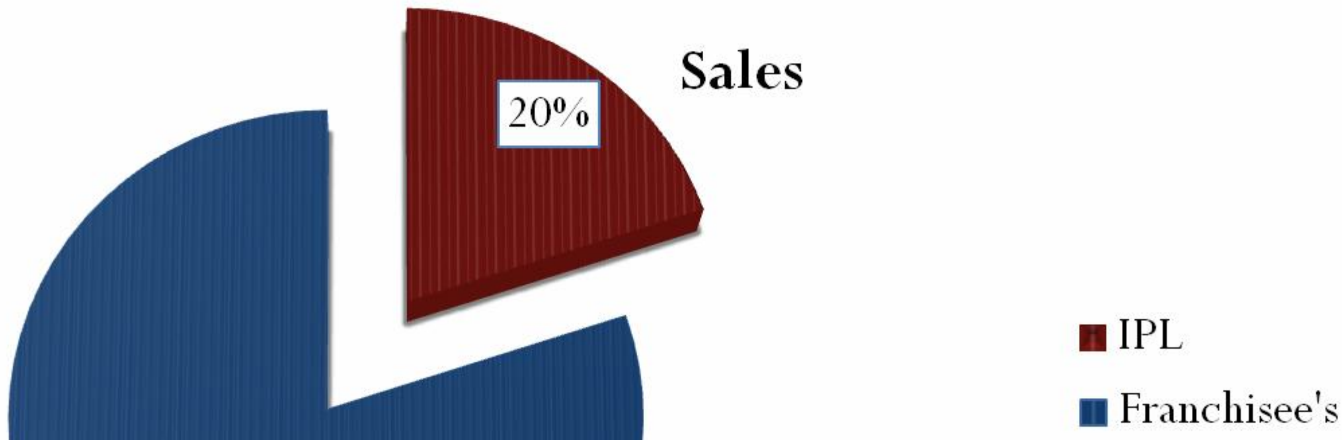
Ticket Sales

– Main Source of Income for Franchisee’s



Financial Model (for Franchisee)

Financial Model (for Franchisee)

Income	
I) Generation of Income	
i)Share in revenue from Broadcast rights	xxx
ii)Share in sponsorship Money	xxx
iii)Share in revenue from sale of tickets	Xxx
iv)Revenue from inside stadium advertisements	Xxx
V)Sale of Players(from one franchisee to another)	Xxx
vi) Revenue from own sponsorship & Co. sponsorship	Xxx
	xxxxx
II) Distribution of Income	
i)Franchisee fees & Player's Cost	xxx
ii) Match Fees to Coaches & supporting staff	xxx
iii)Rent of Stadium & Market / Promotional Cost	Xxx
iv) Inauguration Expenses	Xxx
	Xxx
v) Fees of Coaches & others	
	xxx
vi) Administrative cost	
	xxxx
Total Income I - II	xxxxx

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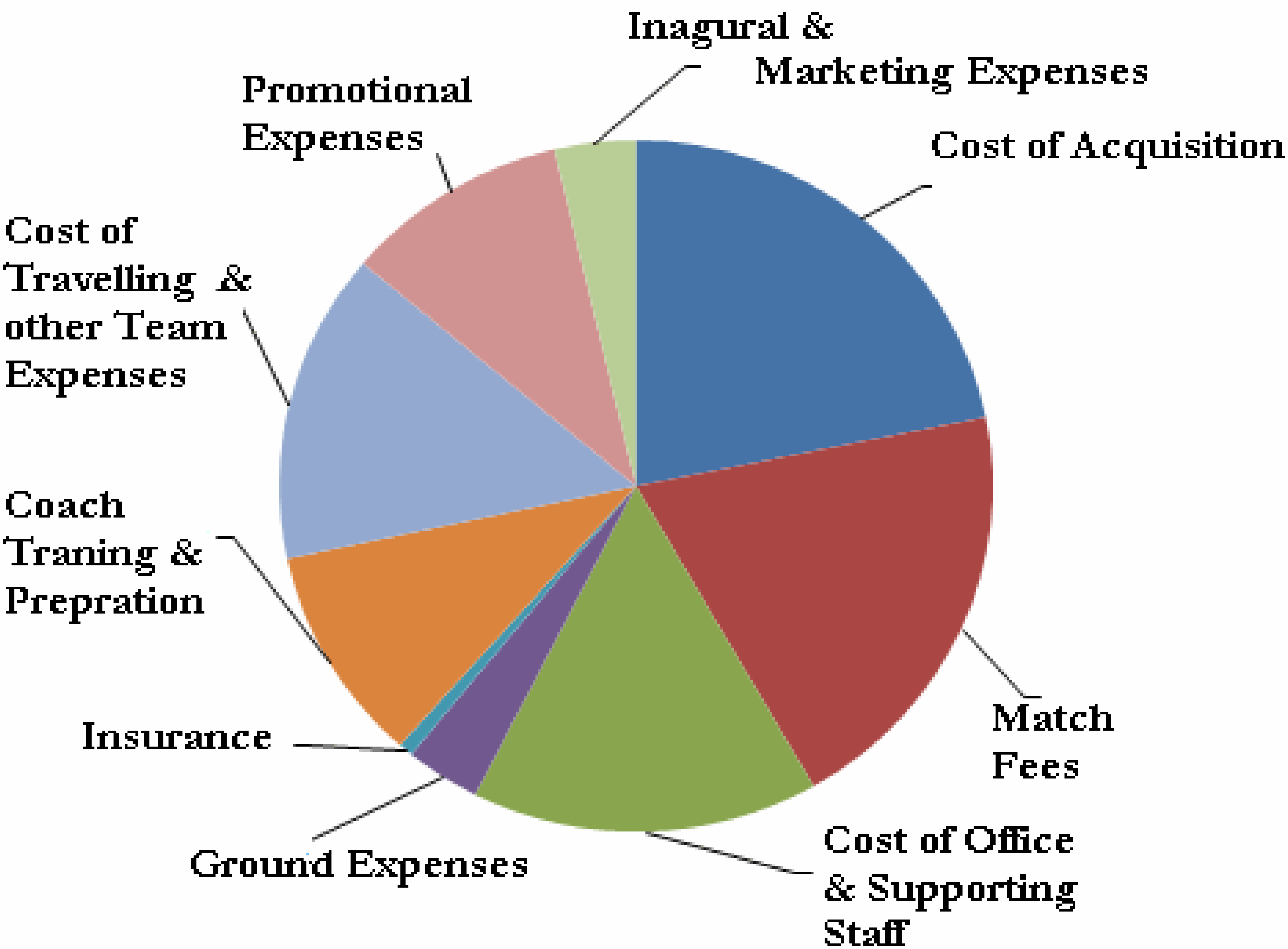
Expenses Summary
(For Franchisee)

- Team & Financial Cost (Cost of Acquisition)
- Payments to Player's & Others (Match Fess)
- Inaugural & Marketing Expenses
- Promotional expenses
- Cost of travelling & accommodation
- Cost of Office & support staff
- Team management
- Coach Training & Preparation
- Insurance
- Ground Expenses
- Floodlights


Inagural &
Marketing Expenses
Cost of Acquisition
Promotional
Expenses
Cost of
Travelling &
other Team
Expenses
Coach
Traning &
Prepration
Insurance
Ground Expenses
Cost of Office
& Supporting
Staff
Match
Fees

Team & Financial Cost (Cost of Acq.)

Franchise	Owner(s)	Price (USD)
Mumbai Indians	Mukesh Ambani (Reliance Industries)	$ 111.9 m
Royal Challengers Bangalore	Vijay Mallya (UB Group)	$ 111.6 m
Hyderabad Deccan Chargers	Deccan Chronicle	$ 107.0 m
Chennai Super Kings	India Cements (N Srinivasan)	$ 91.90 m
Delhi Daredevils	GMR Holdings (Grandhi Mallikarjuna Rao)	$ 84.0 m
Kings XI Punjab	Ness Wadia (Bombay Dyeing), Preity Zinta, Mohit Burman (Dabur) and Karan Paul (Apeejay Surendera Group)	$ 76.0 m
Kolkata Knight Riders	Red Chillies Entertainment (Shah Rukh Khan, Gauri Khan, Juhi Chawla and J Mehta)	$ 75.1 m
Rajasthan Royals	Emerging Media (Lachlan Murdoch, A.R Jha and Suresh Chellaram), Shilpa Shetty, Raj Kundra	$ 67.0 m

Franchise Fees:

- The franchisee's fees is payable to IPL in 10 Equal Installments within 10 years

- Ex. Royal Challengers Bangalore (RCB) cost around 111.6 Million Dollars

RCB have to pay IPL = $111.6 Million ÷ 10 years

= $ 11.16 Million p.a.

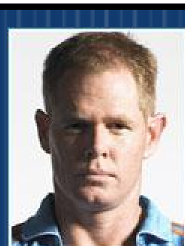
Players Cost

- Before commencement of IPL, players are purchased by individual franchisee's
- Players have 3 years contract with franchisee's but even with end of first year they can be traded between franchisee's which would be subject to Capital Gains
- Ex. Zaheer Khan from Bangalore Royal Challengers to Mumbai Indians

Match Fees

- Fees Payable to players per match other than Lump sum amount paid for acquisition
- Fees payable to coaches & supporting staff

- Mumbai Indians
  - Players
  - Coaches
    - Advisor-cum-Fielding Coach
    - Mentor & Advisor
    - Coach-cum-Analyst
    - Trainer
    - Team Manager
  - Other Supporting Staff


Rent of Stadium

- The franchisees are also expected to pay for the use of the stadiums for which they have to enter into contracts with the local association.

- Revenue received from stadium advertisement is retained by individual franchisee’s

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IPL & Accounting Aspect – Player's (Right to Play)

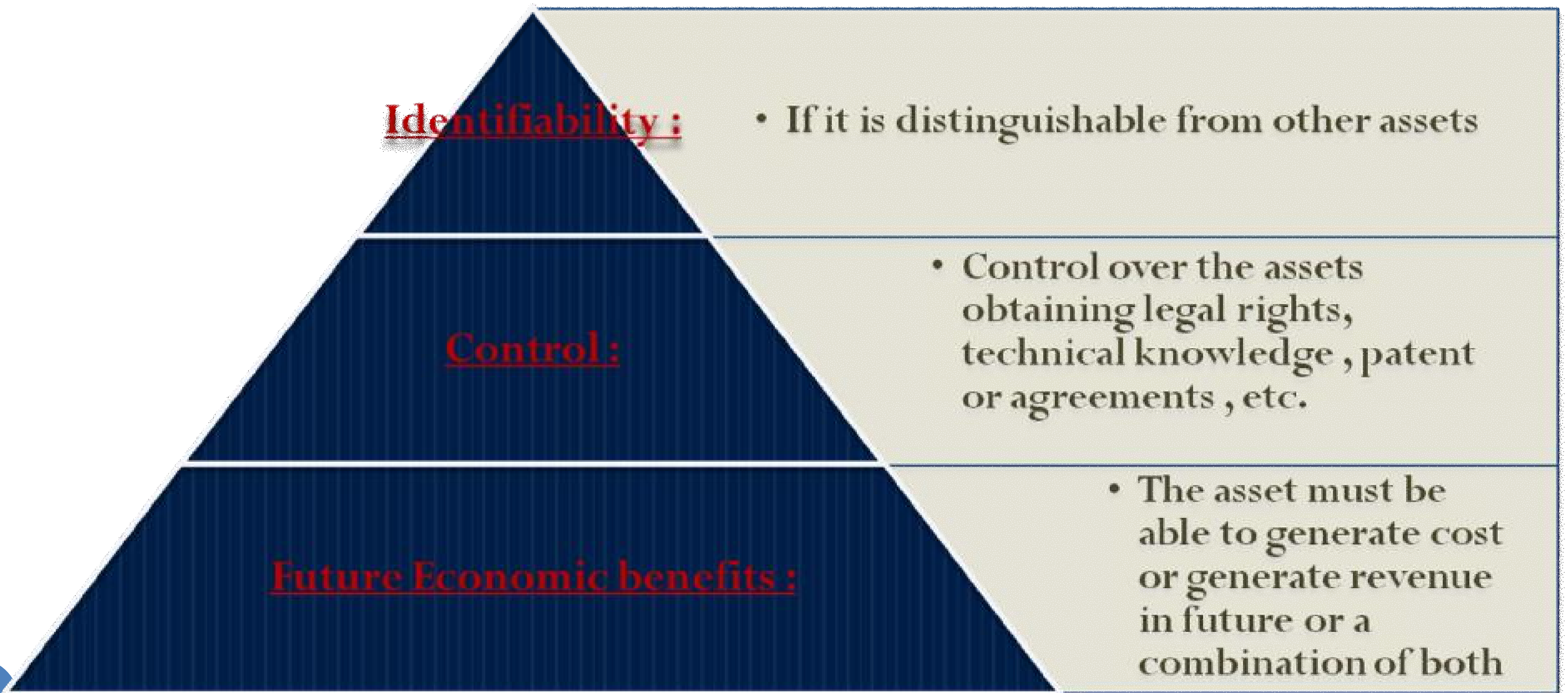
- Players are treated as Intangible Assets for franchisee's - When a franchisee bids for certain player, he wins a 'right to play' of such player during the tournament

- **Issue arises- How to recognize in the books of account?**

- Accounting Standard 26 (Accounting of Intangible Asset)
- Income Tax Act, 1961 Section 32 (Depreciation)
- Baklilwal Corporate's Services (P.) Ltd. Vs. ITO 302 ITR (AT 110)
- Commercial Assets Vs. Stock in Trade

– Definition – ‘‘ An identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others , or for administrative purpose.’’

Accounting Standard 26



AS- 26: Intangible Assets

- As per para 63 of Accounting standard, ''the depreciable amount of an intangible asset should be allocated on a systematic basis over the best estimate of its useful ..''

- Amortisation : Allocation of an amount to be charged off over the useful life of Intangible asset

Basis of Amortisation :

- Consumption of future economic benefits
- If model cannot be determined reliably then straight Line method is to be used

- Franchisee's agreement is treated as Contract based intangible asset & all the accounting & valuation rules are applicable to the team owners

Treatment

Accounting

- Players are recorded on the basis of Acquisition Cost & then amortized year by year according to performance

- In case of IPL, the right of these players is a commercial right that the Franchisee possesses . Hence depreciation is applicable on franchisee agreement on basis of Straight Line Method based on the year of agreements

Taxation

- Under section 32 of Income Tax Act, 1961 depreciation is allowed on Intangible Assets (Right to Play)

  @ 25%

- Baklilwal Corporate's Services (P.) Ltd. Vs. ITO 302 ITR (AT 110)

Baklilwal Corporate's Services (P.) Ltd. Vs. ITO 302 ITR (AT 110)

– Depreciation is allowed @ 25% if all following conditions fulfilled –

i. Owned, wholly or partly, by the Assessee

ii. Intangible assets must acquired on or after the first day of April, 1998

iii. Asset must be used for business purpose or profession & not Personal

iv. Asset must be shown to be capable of diminishing value

Capital Assets & Not stock-in-Trade

– Capital Asset Sec 2(14):

" as property of any kind held, excluding stock in trade and personal effects…"

– Franchisee owns the right of players which are corporeal (bodily/physical) property

– Not stock-in-Trade:

"…as not for resale purpose." They are only available to provide services

- Players would fall under category of Capital Asset for their team owners and transfer would be subject to Capital Gains tax liability.

IPL & Taxation Aspects

a) Service Tax : for providing service to sponsors to put advertisement on the clothes of the players

a) Entertainment Tax: Rather than sport event it entertainment event. Tax payable to local government

b) Capital Gain: (Trf. Value - Acq. Value)on transfer of Capital Assets (Players)

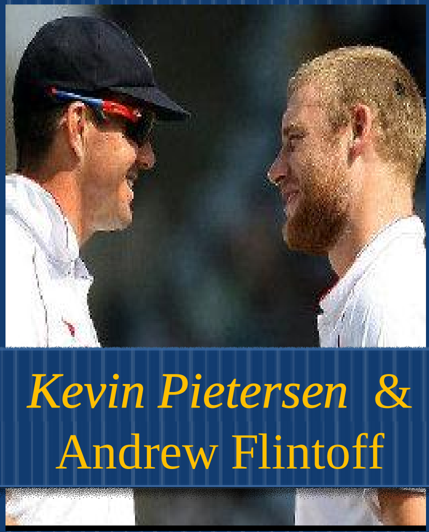
a) TDS: As it comes in nature of Professional Services @ 11.33% as per Section 194E. Collection from IPL amounted to Rs. 60 crore as TDS to Income Tax Department upto 31st March, 2009

IPL & Taxation Aspects

e) Income Tax :

- **Tax sweetener for foreign players**

- **Section 115BBA :** Income earned by non-resident sportsmen by participating in India in any game or sports and advertisements would be subject to tax in India.



Kevin Pietersen &
Andrew Flintoff

- **Foreign Players & commentator has to pay tax @ 10% as per Section 115BBA of the Income-Tax Act**

- India has signed **Double Tax Avoidance Agreements (**DTAAs) with New Zealand, Australia, South Africa & not Pakistan . The tax treaties executed by India contain an Article dealing with taxation of "entertainers and athletes/sportspersons“

Taxation of Players

DOMESTIC PLAYERS

– Income

Cost of Acquisition	yyy
+ Match fees	yyy
+ And other	yyy
-Expenses Incurred for same	
	(yyy)
Total Income	yyyy

– Taxable under section 28 (Profit from Profession)
– Taxable as per Slab Rates applicable

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Taxation of Players

Foreign Players

- Income (after TDS)

Cost of Acquisition	xxx
+ Match Fees	xxx
+ Income from Article writing in newspaper, Magazine relating Cricket	xxx
+ Advertisements	xxx
Total Income (a)	xxxx

- No Expenses allowed

- Taxable under section 115 BBA
- Taxable @ 1o% Flat sec.115BBA on (a) not need to file return u/s 139
- Any other Income

Ex. If Andrew Flintoff sings song and earns Rs. 10 Lakhs

1. File separate return
2. Taxable as per slab rates
3. Provision of Sec 115BBA will not apply

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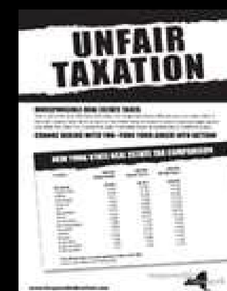
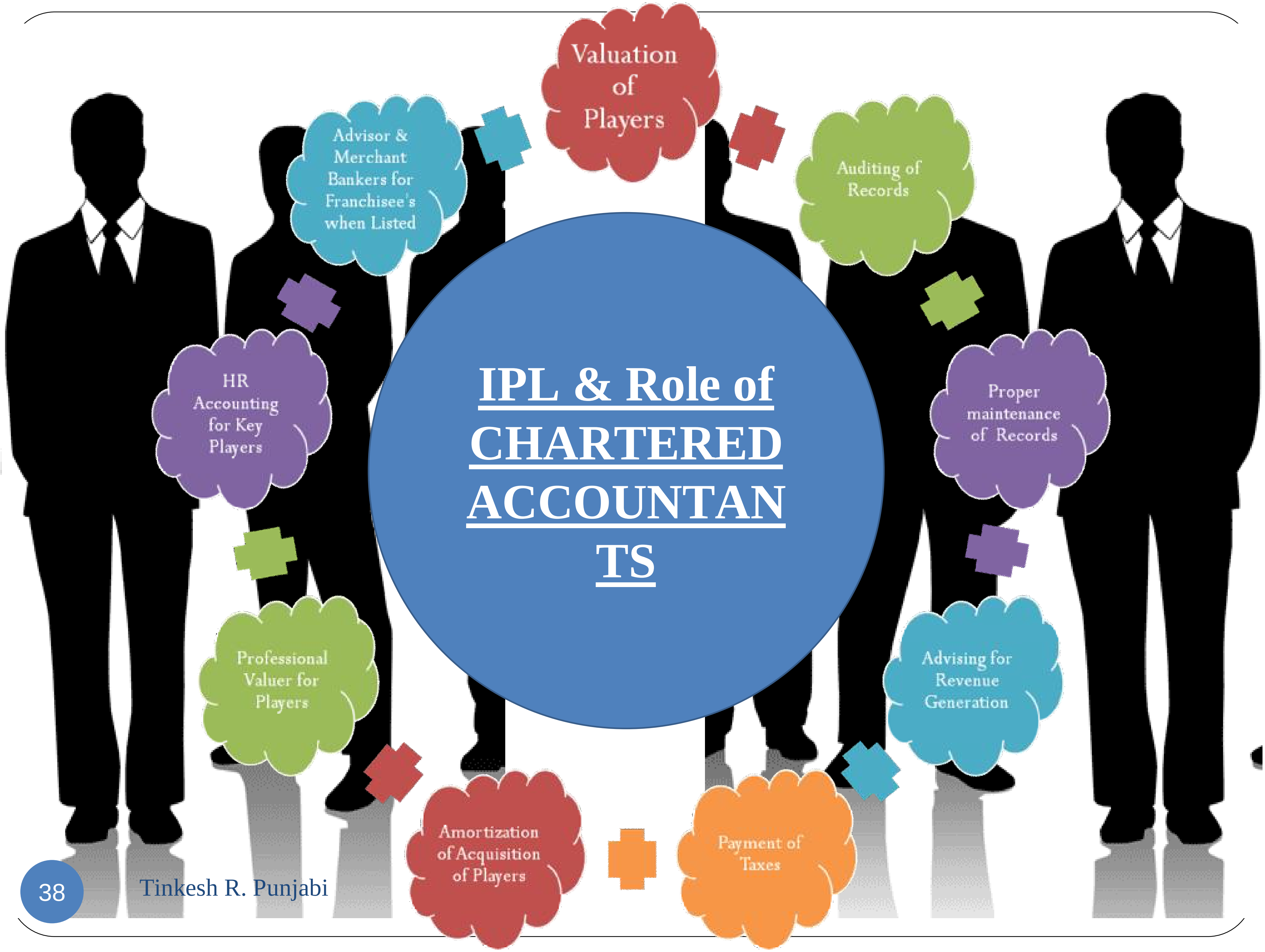
- Foreign cricketers, who might have received a lower bid than most of the Indian players would go home happy as their net fee would still be more, as the domestic players have to pay 30 per cent tax



- Foreign players has to pay only 10 per cent (plus applicable surcharge and cess) And not to be taxed in their home country because of ‘‘double taxation avoidance agreement’’


IPL & Role of CHARTERED ACCOUNTANTS
Valuation of Players
Auditing of Records
Proper maintenance of Records
Advising for Revenue Generation
Payment of Taxes
Amortization of Acquisition of Players
Professional Valuer for Players
HR Accounting for Key Players
Advisor & Merchant Bankers for Franchisee's when Listed

Effects of IPL

- Burden on CBDT

- New Accounting Principles – ICAI
- Q. Cricketanment Tax ?

Source:

Income Tax Department

Department of Revenue, Ministry of Finance, Government of India

THE ECONOMIC TIMES

HindustanTimes

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Google

Tinkesh R. Punjabi,
Audit Assistant
G.P.Kapadia & Co.

tinkeshr@gmail.com **Hand phone: +91 9819567872**