

Business Standard

BCCI to distance itself from IPL to limit fallout

Sanjay Jog / Mumbai April 22, 2010, 0:25 IST

The Board of Control for Cricket in India (BCCI), the country's apex governing body for the sport, is exploring the possibility of converting the Indian Premier League (IPL) into a wholly-owned subsidiary. IPL, one of the world's most lucrative and controversial sports leagues, is at present a unit of BCCI.

The move aims to protect the non-IPL divisions of BCCI from any liabilities attached to the league.

"Under the current structure, BCCI gets directly involved in any controversy that rocks IPL," a BCCI source told Business Standard. "Even the BCCI accounts will come under scrutiny of the Income Tax department. With IPL becoming a subsidiary, there will be separate accounts of BCCI and IPL. All assets will be shifted to the subsidiary. This is basically to ring-fence the liability."

IPL could be made a subsidiary under Section 25 of the Companies Act, under which a non-profit organisation is registered.

"BCCI can legally form a subsidiary. The present assets of IPL will automatically get transferred to the subsidiary company," said a Mumbai-based tax consultant requesting anonymity.

"One of the key reasons for BCCI to consider hiving off IPL into a separate entity could be to ring fence the other non-IPL businesses of BCCI from liabilities attached to the IPL business," said Nishchal Joshipura, Head of M&A Practice at law firm Nishith Desai Associates. "Also, from a tax perspective, to continue getting tax exemptions by maintaining its status as a charitable institution promoting sports, it might be prudent for BCCI to hive off IPL business, which is more of a commercial venture than a charitable activity."

After a demerger, IPL and BCCI would have separate accounts. "There will be no scope for any complications like the one we are facing now," a BCCI source said. According to him, BCCI president Shashank Manohar, who is tipped to replace IPL Commissioner Lalit Modi, would be able to clear the present mess.

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