

**IN THE INCOME TAX APPELLATE TRIBUNAL  
BANGALORE BENCHES : "A", BANGALORE**

**BEFORE SHRI N.V.VASUDEVAN, VICE PRESIDENT  
AND  
SHRI A.K.GARODIA, ACCOUNTANT MEMBER**

**ITA No.1135(Bang)/2019  
(Assessment Year : 2012-13)**

M/s Royal Challengers Sports Pvt.Ltd.,  
UB Tower, 6<sup>th</sup> Floor, No.24, Vittal Mallya Road,  
Bangalore-560 001  
PAN No.AADCR9071L

Appellant

**Vs**

The Deputy Commissioner of Income tax,  
Central Range-2(3)  
Bangalore

Respondent

**Appellant by : Smt. Shreya Loyalka, CA  
Revenue by : Shri Manjeet Singh, Addl.CIT**

**Date of hearing : 06-02-2020  
Date of pronouncement : 12-02-2020**

**ORDER**

**PER SHRI N.V.VASUDEVAN, VICE PRESIDENT :**

This is an appeal by the Assessee against the order dated 16-07-2018 of CIT(A)-11, Bangalore, relating to AY 2012-13.

2. The only issue that arises for consideration in this appeal is as to whether the revenue authorities were justified in disallowing expenditure being contribution to Cricket Academy amounting to Rs.1,55,00,000/- u/s 37 of the Income Tax Act, 1961 (Act).

3. The assessee is a company. Its main activity is to act as franchise of Board of Control for Cricket in India (BCCI)- Indian Premier League (IPL) which organizes T-20

format cricket matches. It owns cricket team in the name and style of M/s Royal Challengers, Bangalore which participates in the IPL league matches. The assessee entered into an agreement dated 14-09-2011 with Karnataka State Cricket Association (KSCA) who wanted to establish an Academy which will provide high quality cricket education with holistic development and training, coaching etc. As per the agreement (clause 4.3) it was agreed that the assessee will fund Rs.15.00 Crores and KSCA would fund an amount of Rs.5.00 Crores to the Academy for establishing and operating it. The amount was to be contributed in the following manner by KSCA and the assessee.

<i>Year &amp; month of payment</i>	<i>RSCPL</i>	<i>KSCA</i>
<i>September 2011</i>	2	3
<i>September 2012</i>	2	2
<i>September 2013</i>	4	
<i>September 2014</i>	4	
<i>September 2015</i>	3	

4. As can be seen from the above table the contribution has to be made over a period of 5 years. In the previous year relevant assessment year 2011-12 the assessee had contributed a sum of Rs.1.55 Crores to the cricket academy. The question before the AO was whether the sum can be allowed as deduction while computing income.

5. The AO took the view that under the agreement assessee had marketing rights with regard to the Academy players, related rights i.e. with regard to admission of players and also the right to sign contracts of the players from the Academy. The AO was therefore, of the view that the expenditure in question would be capital in nature. He accordingly, disallowed the claim of assessee for deduction by observing as follows;

*“3.2. The argument of the assessee is not convincing. First of all, it is not clear whether the Academy was in existence and fully operational during FY: 2011-12. This was clearly not established by the assessee.*

*Secondly, as per the agreement with KSCA the agreement is renewable i.e. it can be extended further by mutual consent. As per the agreement between the assessee franchise – RCSPL (Assessee) which will have exclusive naming rights in the nature of exclusive rights for branding and leveraging the academy for the purpose of branding and promotion. Further, the assessee will have the first right to sign the contract, to recruit any player for its franchisee.*

*3.3. Following conclusions can be drawn on the basis of above discussions:*

- 1. Firstly, it is not clear whether the Academy was fully operational during the year.*
- 2. Secondly, the investment that the company has made is going to provide enduring benefits as it is clear from the exclusive rights for branding and player rights arising to the company. This whole expenditure of contribution towards academy is not basically in the nature of annual expenditure towards meeting annual needs. However, this is strategic expenditure aimed at building brand value and creating a pool of local talents both of which will provide enduring benefits to the franchisee over the years. In short, the expenditure is basically capital in nature.*

*Hence, the same is disallowed as Revenue expenditure and added to the total income of the assessee”.*

6. The Assessee was aggrieved by the aforesaid addition and it filed an appeal before the CIT(A). The CT(A) upheld the order of the AO.

7. Aggrieved by the order of CIT(A) Assessee has filed the present appeal before the Tribunal.

8. At the time of hearing of the appeal, it was brought to our notice by the learned counsel for the Assessee that in respect of an identical payment made by the assessee under the very same agreement for establishing cricket Academy for assessment year 2010-11, the issue was considered by this Tribunal in ITA No.59(B)/2015 and by an order dated 20-07-2018 the Tribunal held that expenditure in question was revenue expenditure and should be

allowed as a deduction. The following relevant observation of the Tribunal is as under;

“6. We heard rival submissions and perused the material on record. The assessee raised 5 grounds of appeal. Ground nos.1,2 and 5 are general in nature. Ground no.5 challenges the addition on account of contribution made to cricket Academy of Rs.45 lakhs holding it to be capital expenditure. The assessee made a contribution of Rs.45 lakhs to Karnataka State Cricket Association(KSCA) for the purpose of creating cricket academy. The assessee was also a franchisee of BCC-IPL, which owns Royal Challengers Bangalore Team and is also owner of a cricket team and had commercial interest in the game of cricket. This contribution was made in terms of agreement with Karnataka State Cricket Association. The objectives for which the cricket academy was set up are as under;

Objectives of the Academy (as per clause- 2 of the agreement)

- To provide high quality cricket education within a holistic development program
- To enhance the standards of coaching across the state by introducing techniques such as Cognitive Video based coaching to cricket development.
- To percolate international cricket practices to domestic levels
- To be a leader in cricket development and to be recognized nationally and internationally as a center of cricket excellence.
- To position the Academy as one of the best in the world
- To provide both national and international T20/ODI match play experience through tie ups with Clubs/ State sides/associations in South Africa/Australia/England.

It is stated that at the time of admission of player to the Academy, the KSCA shall ensure that the player shall sign a contract giving the appellant first right to offer an uncapped player contract to recruit the player to play for the appellant. Thus, it is clear that the terms of contract re directly related to business interest of the assessee. Therefore, the contribution made for creation of cricket academy can be held to be in business interest and the same is allowable as deduction. Accordingly, we allow this ground of appeal”.

9. The learned counsel for the Assessee submitted that the decision rendered by the Tribunal on identical facts under the very same agreement to creat Cricket academy should be followed. The Id.counsel for the assessee filed before us a copy of the additional evidence which was filed before the ITAT

when the issue was decided in assessment year 2010-11. Copy of the extract of financials of 2011-12 was also filed before us to show that the Academy was operational during the relevant assessment year 2012-13. The same is also placed on record.

10. Respectfully following the decision of the Tribunal in the earlier assessment year, we direct the AO to allow the claim of the assessee for deduction for a sum of Rs.1.55 Crores. The facts of the case and the agreement under which the payment in question was made are identical to the case decided by the tribunal. In the light of the above said decision of the Tribunal are of the view that the expenditure in question has to be allowed as deduction. We hold and direct accordingly.

11. In the result, the appeal of the assessee is allowed.

Order pronounced in the open court on 12<sup>th</sup> Feb.2020.

Sd/-  
**(A.K.GARODIA)**  
**ACCOUNTANT MEMBER**

Dated: 12-02-2020

**\*am**

Copy of the Order forwarded to:

- 1.Appellant;
- 2.Respondent;
- 3.CIT;
- 4.CIT(A);
5. DR
6. ITO (TDS)
- 7.Guard File

Sd/-  
**(N.V.VASUDEVAN)**  
**VICE PRESIDENT**

By Order  
Asst.Registrar

