

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:4229
ANSWERED ON:21.08.2000
PAYMENTS TO CARIBJET BY AIR INDIA
GANTA SRINIVASA RAO

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) whether Air India propose to pay Rs.103 crore to Caribjet as compensation after losing arbitration proceedings at the International Court in London, is now being stuck with an income-tax (I-T) demand for another Rs.136 crores;
- (b) the reasons why arbitrators ruled that the tax demand should be made on Air India and not on Caribjet; and
- (c) the avenues left for Air India for next course of action?

Answer

THE MINISTER OF CIVIL AVIATION (SHRI SHARAD YADAV)

(a) and (b): The Arbitral Tribunal has awarded M/s.Caribjet US\$2.2 million towards termination expenses and US\$ 22 million towards termination losses and after setting off the amounts due to Air India, Air India was required to payUS\$ 23.6 million to M/s. Caribjet. The income tax demand for Rs. 136 crores is on M/s. Caribjet and not on Air India.

(c): The London Commercial Court has not admitted Air India`s application for appeal against the tax award nor did itgrant Air India`s request to appeal to the Court of Appeals against the London court`s decision. Air India will however have a right in restitution against M/s. Caribjet under the Indian Law or in any other jurisdiction in the event Air India is ultimately made to pay M/s. Caribjet tax liabilities as `Representative Assessee` in India. Further this would be subject to AI`s rights under the Income Tax Act and other provisions of the law to defend itself in the event the income tax authorities proceed against AI for recovery of M/s.Caribjet`s liabilities.