

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4709
ANSWERED ON:18.12.2009
WORKING OF MODVAT SCHEME
Wankhede Shri Subhash Bapurao

Will the Minister of FINANCE be pleased to state:

- (a) the States where Modified Value Added Tax (MODVAT) is in operation along with mode of operation of the same;
- (b) Whether the Government is considering to review the scheme so that leakages of revenue are effectively stopped; and
- (c) If so, the reasons therefor and measures proposed by the Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) The Central Excise duty has been named as Central Value Added Tax (CENVAT) from 2000 onwards. CENVAT operates as a value added tax, where input taxes are allowed set off against the tax liability on final goods. The MODVAT scheme, as it existed prior to 2000, was a tax credit scheme. CENVAT being a central levy, is applicable to whole of India.

(b) & (c) Presently, there is no proposal to review the scheme. However, as and when necessary, the provisions of the law are modified to plug leakage of revenue or for providing clarity in the law.