



# Special Category Status

## Why in News

Recently, the Bihar Government has asserted that it has not dropped the demand of [special category status](#) to Bihar.

## Key Points

### ▪ About Special Category Status (SCS):

- Special category status is **a classification given by the Centre to assist development of states that face geographical and socio-economic disadvantages.**
- This classification was done on the **recommendations of the Fifth Finance Commission in 1969.**
- It was **based on the Gadgil formula.** The parameters for SCS were:
  - Hilly Terrain;
  - Low Population Density And/Or Sizeable Share of Tribal Population;
  - Strategic Location along Borders With Neighbouring Countries;
  - Economic and Infrastructure Backwardness; and
  - Nonviable Nature of State finances.
- SCS was **first accorded in 1969 to Jammu and Kashmir, Assam and Nagaland.** Since then eight more states have been included (Arunachal Pradesh, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Sikkim, Tripura and Uttarakhand).
- There is **no provision of SCS in the Constitution.**
- Special Category Status for plan assistance was granted in the past by the **National Development Council** to the States that are characterized by a number of features necessitating special consideration.
  - Now, it **is done by the central government.**
- The **14<sup>th</sup> Finance Commission has done away with the 'special category status'** for states, except for the Northeastern and three hill states.
  - Instead, it suggested that the resource gap of each state be filled through 'tax devolution', urging the Centre to increase the states' share of tax revenues from **32% to 42%**, which has been implemented since 2015.

### ▪ Benefits to States with SCS:

- The **Centre pays 90% of the funds required in a centrally-sponsored scheme** to special category status states as against 60% or 75% in case of other states, while the remaining funds are provided by the state governments.
- **Unspent money does not lapse** and is carried forward.
- **Significant concessions** are provided to these states in excise and customs duties, income tax and corporate tax.

[Source: TH](#)

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