



Special Category Status

Prelims: Special category States, Gadgil formula

Mains: Benefits and issues associated with Special category status.

Why in News?

Recently, Union Finance Minister made it clear that the **Centre will not consider demands for “special category status” for any state** as the 14th [Finance commission](#) has clearly said no special status can be given.

- This comes as a **blow to states like Odisha, Bihar, Andhra Pradesh** which have been pushing for it for some years now.

What is Special Category Status (SCS)?

▪ About:

- SCS is a **classification given by the Centre to assist development of states that face geographical and socio-economic disadvantages.**
- **Constitution does not make a provision for SCS** and this classification was later done on the **recommendations of the Fifth Finance Commission** in 1969.
- Status was first accorded to **Jammu and Kashmir, Assam and Nagaland in 1969.**
- SCS for plan assistance was granted in the past by the **National Development Council** of the [erstwhile Planning Commission](#).
- Eleven States including **Assam, Nagaland, Himachal Pradesh, Manipur, Meghalaya, Sikkim, Tripura, Arunachal Pradesh, Mizoram, Uttarakhand and Telangana** have been accorded the special category state status.
 - Telangana, the newest State of India, was accorded the status as it was carved out of another state Andhra Pradesh.
- The **14th Finance Commission has done away with the 'special category status'** for states, **except for the Northeastern and three hill states.**
 - It suggested to **fill the resource gap of such states through tax devolution by increasing it to 42% from 32%.**
- **SCS is different from Special status** which imparts enhanced legislative and political rights, while SCS deals with only economic and financial aspects.
 - For instance, J&K used to have Special status before [Article 370](#) was repealed.

▪ Parameters (Based on Gadgil Formula):

- 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.

What are the Benefits of Special Category Status?

- 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 in a financial year does not lapse** and is carried forward.
- **Significant concessions** are provided to these states in excise and customs duties, income tax and corporate tax.
- **30% of the Centre's Gross Budget** goes to Special Category states.

What are the Concerns regarding Special Category Status?

- It causes **Increased burden on Central Finances.**
- Also, giving special status to a state **leads to demands from other states too.** For instance, **demands from Andhra Pradesh, Odisha and Bihar.**

Conclusion

- As suggested by 14th Finance commission, **tax devolution to states has been increased to 42%** and the same has been continued by **[15th FC \(41%\)](#)** too to fill the resource gap without extending SCS.

[Source:TH](#)

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