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## SC to Consider Plea for Restoring Jammu & Kashmir's Statehood | Jammu & Kashmir | 19 Oct 2024

### Why in News?

Recently, the [Supreme Court](#) agreed to hear a petition regarding the [restoration of Jammu & Kashmir's statehood](#), following the 2019 bifurcation.

### Key Points

- The bifurcation occurred after the [abrogation of Article 370](#) in 2019, which led to the formation of two **Union Territories (J&K and Ladakh)**.
- **Article 3 of the Constitution:** Formation of New States
  - [Parliament](#) holds the power to enact legislation for the formation of new States.
  - New States can be created by:
    - Separating territory from an existing State.
    - Uniting two or more States.
    - Uniting parts of different States.
    - Uniting any territory to a part of any State.
  - Parliament also has the authority to:
    - Increase or diminish the area of any State.
    - Alter the boundaries or name of any State.
  - Here, the word State includes a Union Territory also.
- **Checks on Parliament's Power:**
  - A bill for the formation of new States can only be introduced in either [House of Parliament](#) upon the recommendation of the [President](#).
  - If the bill affects the areas, boundaries, or name of a State, the President must refer the bill to the concerned State Legislature for its views.
  - The views of the [State Legislature](#) must be communicated to Parliament, but Parliament is not bound by them.
- **State Legislature's Role:**
  - The State Legislature's only role is to express its views when requested by the President.
  - Parliament is not obligated to adhere to the views of the [State Legislature](#) when forming new States.
- Laws enacted under [Article 3](#) are not considered amendments to the Constitution, even if they modify provisions of the [First Schedule](#) (list of States and [Union Territories](#)) or the [Fourth Schedule](#) (allocation of seats in the [Rajya Sabha](#)).
  - This means such laws can be passed by a [simple majority in Parliament](#), not requiring the special procedure for constitutional amendments.

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## Madhya Pradesh Receives Rs. 14,000 Crore Tax Devolution | Madhya Pradesh | 19 Oct 2024

## Why in News?

Recently, Madhya Pradesh received a **Rs. 14,000 crore** boost in [tax devolution](#) from the central government ahead of Diwali, improving fiscal space for the state.

## Key Points

- **How Tax is Devolved in India:**
  - The [Finance Commission](#) determines the division of [central tax revenues](#) between the Union and states, recommending how much each state should receive.
  - **Articles 270-275** of Indian Constitution outline how taxes are shared, ensuring states get a **share of central taxes** for financial stability.
- **Current Status of Tax Devolution in India:**
  - Financial devolution refers to the transfer of financial resources and decision-making powers from the central government to the states.
  - Article 270 of the Constitution outlines the distribution of net tax proceeds between the Union government and the States.
  - The [Finance Commission \(FC\)](#), constituted every five years, provides recommendations for the vertical distribution of funds from the central government's divisible pool of taxes (excluding cess and surcharge).
  - Additionally, it offers a formula for the horizontal allocation of these funds among individual states.
  - Apart from the share of taxes, States are also provided [grants-in-aid](#) as per the recommendation of the FC.
    - The [16th Finance Commission](#), **chaired by Dr Arvind Panagariya**, has been tasked with making recommendations for the period 2026-31.
- **Criteria for Devolution Among States:** Currently, the share of States from the divisible pool (vertical devolution) stands at 41% as per the [recommendation of the 15th FC](#).

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The criteria for horizontal devolution among States over the last five FCs

Criteria	11th FC 2000-05	12th FC 2005-10	13th FC 2010-15	14th FC 2015-20	15th FC 2021-26
Income Distance	62.5	50	47.5	50	45
Population (1971 Census)	10	25	25	17.5	-
Population (2011 Census)	-	-	-	10	15
Area	7.5	10	10	15	15
Forest cover	-	-	-	7.5	-
Forest and ecology	-	-	-	-	10
Infrastructure index	7.5	-	-	-	-
Fiscal discipline	7.5	7.5	17.5	-	-
Demographic performance	-	-	-	-	12.5
Tax effort	5	7.5	-	-	2.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

# Oct 2024

## Why in News?

Recently, the Uttar Pradesh government is expected to offer multiple benefits to state employees ahead of [Diwali](#).

## Key Points

- **Three Potential Benefits:**
  - **Dearness Allowance (DA) Hike:** A **4%** increase in [DA](#), bringing more financial relief to state employees by adjusting their income to match [inflation](#).
  - **Bonus Announcement:** The state government may provide a Diwali bonus to employees, offering additional financial support for the festive season.
  - **Retirement Age Review:** Discussions are ongoing about possibly increasing the **retirement age** for specific government employees.
- **Dearness Allowance (DA):**
  - It is the cost-of-living adjustment to [offset inflation](#), provided to government employees and pensioners. It is calculated as a percentage of the **basic salary**.
- **Impact on Economy:**
  - **Increased Consumer Spending:** The hike boosts disposable income, especially around festive periods, spurring consumer demand.
  - **Inflation Control:** DA helps employees manage inflation, but an increase in demand could potentially raise inflation if supply doesn't keep pace.
  - **Fiscal Pressure:** For the government, DA hikes increase expenditure, which may strain the fiscal budget but stimulate economic growth through consumption.

## Inflation

- [Inflation](#), as defined by the [International Monetary Fund](#), is the rate of increase in prices over a given period, encompassing a broad measure of overall price increases or for specific goods and services.
- It reflects the rising cost of living and indicates how much more expensive a set of goods and/or services has become over a **specified period, usually a year**.
  - In India, inflation's impact is particularly significant due to economic disparities and a large population.