

### **3. Special Category Status (SCS)**

#### **Why in News?**

- Union Finance Minister has recently made it clear that the Centre will not consider demands for “special category status” for any state as the 14<sup>th</sup> Finance commission has clearly said no special status can be given.

#### **Highlights**

- 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 14<sup>th</sup> 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- For instance, J&K used to have Special status before Article 370 was repealed.
- 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.