



## Special Category Status

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### Why in News

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Recently, the Bihar Government has asserted that it has not dropped the demand of **special category status** to Bihar.

### Key Points

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- **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**