

**GOVERNMENT OF INDIA  
PLANNING  
LOK SABHA**

STARRED QUESTION NO:454

ANSWERED ON:24.04.2015

SPECIAL STATUS TO STATES .

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**Will the Minister of PLANNING be pleased to state:**

- (a) whether the Government has received representations/demands from various States particularly Andhra Pradesh and Telangana for according Special Category Status;
- (b) if so, the details thereof along with the criteria laid down for according this status to a State along with the nature of assistance given to the States/UTs under Special Category Status;
- (c) the details of States/UTs, which have been conferred with such status;
- (d) whether the Government also proposes to accord 'Tax Holiday' in the States of Andhra Pradesh and Telangana to attract investment and if so, the details thereof; and
- (e) the time by which a final decision is likely to be taken by the Government in this regard?

**Answer**

MINISTER OF STATE (INDEPENDENT CHARGE) FOR MINISTRY OF PLANNING AND MINISTER OF STATE FOR DEFENCE  
(RAO INDERJIT SINGH)

(a) & (b): Government has received requests from Andhra Pradesh, Odisha, Rajasthan, Bihar, Chhattisgarh, Telangana and Jharkhand for according Special Category Status.

Special Category Status for plan assistance has been granted in the past by the National Development Council (NDC) to some States that are characterized by a number of features necessitating special consideration. These features include:

- (i) hilly and difficult terrain
- (ii) low population density and / or sizeable share of tribal population
- (iii) strategic location along borders with neighbouring countries
- (iv) economic and infrastructural backwardness and
- (v) non-viable nature of state finances.

States under this category have a low resource base and are not in a position to mobilize resources for their developmental needs even though the per capita income of some of these states is relatively high.

Special Category States were given preferential treatment in providing Normal Central Assistance (NCA) and the state share in Centrally Sponsored Schemes was usually lower for Special Category States, especially the States of North Eastern region as compared to General Category States. Only Special Category States were provided Special Plan Assistance (for projects) (90% grant) and Special Central Assistance grants (untied) (100% grant). The assistance for Externally Aided Projects (EAPs) flows to Special Category States as 90 per cent grant whereas for General Category States, it flows as back-to-back loans.

However, as the recommendations of the Fourteenth Finance Commission devolution have taken into account the total requirements of the States under Plan and Non-Plan, Normal Central Assistance (NCA), Special Central Assistance (untied) (SCA) and Special Plan Assistance (tied to projects) (SPA) have not been provided in the Union Budget 2015-16 (Plan). The Union Budget 2015-16 has proposed changes in the allocation for Centrally Sponsored Schemes (CSS) wherein certain schemes have been discontinued while certain other schemes are proposed at changed sharing pattern between the Centre and the States. The preferential assistance for Special Category States would be applicable for assistance for EAPs which flows as 90% grant.

(c): At present 11 States have been conferred with Special Category Status. These are Arunachal Pradesh, Assam, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand.

(d) & (e): Section 94 of the Andhra Pradesh Reorganization Act (AP Act), 2014 inter alia provides that the Central Government shall take appropriate fiscal measures, including offer of tax incentives to the State of Andhra Pradesh and the State of Telangana, to promote industrialization and economic growth in both the States. Accordingly, Finance Bill, 2015 proposes to provide following incentives vide clause 10 and 11 in the notified areas of state of Andhra Pradesh and Telangana:-

(i) Additional Investment Allowance

It is proposed to insert a new section 32AD in the Income-tax Act, 1961 ('the Act') to provide for an additional investment allowance of an amount equal to 15% of the cost of new asset acquired and installed by an assessee, ifâ€”

(a) he sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 in any notified backward areas in the State of Andhra Pradesh and the State of Telangana; and

(b) the new assets are acquired and installed for the purposes of the said undertaking or enterprise during the period beginning from the 1st April, 2015 to 31st March, 2020. This deduction shall be available over and above the existing deduction available under section 32AC of the Act.

(ii) Additional Depreciation at the rate of 35%

In order to incentivize acquisition and installation of plant and machinery for setting up of manufacturing units in the notified backward area in the State of Andhra Pradesh or the State of Telangana, it is proposed to allow higher additional depreciation at the rate of 35% (instead of 20%) in respect of the actual cost of new machinery or plant (other than a ship and aircraft) acquired and installed by a manufacturing undertaking or enterprise which is set up in the notified backward area of the State of Andhra Pradesh or the State of Telangana on or after the 1st day of April, 2015. This higher additional depreciation shall be available in respect of acquisition and installation of any new machinery or plant for the purposes of the said undertaking or enterprise during the period beginning on the 1st day of April, 2015 and ending before the 1st day of April, 2020".