

**GOVERNMENT OF INDIA
MINISTRY OF HOME AFFAIRS**

**LOK SABHA
UNSTARRED QUESTION NO.1381**

TO BE ANSWERED ON THE 07TH DECEMBER, 2021/ AGRAHAYANA 16, 1943 (SAKA)

GRANT OF SPECIAL CATEGORY STATUS TO STATES

1381. SHRI MANNE SRINIVAS REDDY:

Will the Minister of HOME AFFAIRS be pleased to state:

(a) whether the Government has received any proposal from the States for grant of special category status; and

(b) if so, the details thereof and the action taken thereon particularly on the newly-carved States like Andhra Pradesh including the measures taken for announcing Tax Holiday?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF HOME AFFAIRS
(SHRI NITYANAND RAI)**

(a) & (b): As informed by the NITI Aayog, the Government has received requests for according Special Category Status from certain States including Andhra Pradesh.

However, the Fourteenth Finance Commission (FFC) has not made any distinction between General Category States and Special Category States in the horizontal distribution of shareable taxes amongst the States. As per the recommendations of the FFC, the Union Government has decided to increase the share of net shareable taxes to the States from 32% earlier to 42% for the period 2015-20. The same has also been retained by the 15th Finance Commission at 41% (1% adjusted on account of creation of UT of J&K) for the period (2020-21 &

2021-26). The objective has been to fill the resource gap of each State to the extent possible through tax devolution. Also, Post-Devolution Revenue Deficit Grants have been provided to States where devolution alone could not cover the assessed gap.

In order to encourage the setting up of industrial undertakings in the backward areas of the State of Andhra Pradesh and Telangana, following tax incentives relating to income tax have been provided vide Finance Act, 2015:

(i) Section 32 of Income Tax Act, 1961 (the Act) has been amended to, inter-alia allow higher additional depreciation @ 35% in place of 20% in respect of the actual cost of new specified machinery or plant acquired and installed by a manufacturing undertaking/enterprise which is set up in the notified backward area of Andhra Pradesh and Telangana during the period 01.04.2015 to 31.03.2020.

(ii) Further, a new Section 32AD has been inserted in the Act to provide for additional investment allowance of 15% on the cost of specified plant and machinery acquired and installed by any person during the period 01.04.2015 to 31.03.2020 to set up a manufacturing/production undertaking/enterprise in any notified backward area of Andhra Pradesh and Telangana.