Roof for all

What is the issue?

The Union Budget 2022-23 should give a big push to PMAY and grant some demands of realtors.

What is PMAY?

- PMAY-U implemented by Ministry of Housing and Urban Affairs (MoHUA) was launched in 2015.
- The mission is to built pucca houses for 5 crore rural and urban poor by 2022.
- **Funding –**
    - 75:25 between Centre and state.
    - 90:10 in case of North Eastern and special category States.
- **Components** of PMAY(U)
    - BLC - Beneficiary-Led Individual House Construction or Enhancement.
    - CLSS - Credit Linked Subsidy Scheme.
    - AHP - Affordable Housing in Partnership.
    - ISSR - In-Situ Slum Redevelopment.
- **Beneficiaries** under PMAY-U includes
    - Economically Weaker Section (EWS).
    - Low Income Group (LIG).
    - Middle Income Group (MIG).
    - Slum dwellers.
- **Credit Linked Subsidy** is an interest subsidy available to a loan amounts up to Rs.6 lakhs at the rate of 6.5 % for tenure of 20 years or during tenure of loan whichever is lower.
- It is for purchase/construction/extension/improvement of house to cater to EWS, LIG and MIG.
- The houses will be allocated preferably in the name of Women in the family.
- The selection of projects and their implementation are with the State/UT Governments.

What is the present status of PMAY?

- Covid-related disruptions made PMAY targets to scale down with completion dates deferred to 2024.
- By the end of 2021,
    - PMAY-Rural had delivered 1.7 crore homes against the promised 2.9 crore.
    - PMAY-Urban had seen just 54 lakh homes completed against the 1.14 crore target.

How the Budget can give a boost to PMAY?

- Due to record-low interest rates combining with incentives from states, sales of residential homes in cities are now showing strong revival.
- However, residential home buying by affluent folk may continue post-pandemic.
- So the Union Budget must focus on measures that would help the PMAY regain its lost momentum.

- Of the four components of PMAY (Urban) BLS and CLSS have so far accounted for a greater share of homes built.
- Slum redevelopment and EWS projects have made little progress for lack of private sector interest.
- The Centre should therefore
    - reinstate the CLSS scheme for MIG projects which was terminated last fiscal.
    - supplement the funding for the BLS, EWS and LIG schemes, to enable funds to be disbursed until its housing targets are met.

What are the demands made by real estate industry?

- To make affordable housing projects more lucrative, the real estate lobby has suggested that the existing Rs 45 lakh limit for 'affordable' housing in metros be stretched to Rs 1 crore.
- Further cuts in GST rates on under-construction homes.

Are the demand rationale?

- When a Rs 40 lakh home is beyond "affordable" for many, it will be cruel to call a Rs 1 crore home as "affordable".
- Increasing the limit will also lead to a crowding out of low-cost homes by premium ones which were always well-supported by both developers and home financiers.
- There also appears to be little justification for further cuts in GST rates.
- Rates are already low at 1% for affordable homes and 5% for other homes.

What needs to be done?

- Considering the industry's multiplier effect on economic activity and employment, the Budget may consider the demand for 'infrastructure' status for all projects.
- Wholesale funding available to developers has significantly dried up after the NBFC defaults and RBI tightening the screws on home financiers last year.
- So, this relaxation could open up new funding avenues.
- The Centre can also consider giving pandemic-hit first-time home buyers some relief by raising the tax exemption on home loan interest on self-occupied homes, from the current Rs 2 lakh to Rs 3.5 lakh, which would cover interest dues on a Rs 50 lakh home loan.

Reference

1. https://www.thehindubusinessline.com/opinion/editorial/pmay/article6493166ece

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