

## 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>