

Affordable housing

In
partnership



Presentation by:



AFFORDABLE HOUSING IN PARTNERSHIP (AHP)

- Housing sector in India is going through recession because of economic slow down and shortage of liquidity.
- Delayed and stressed projects have led to consumer activism and loss of consumer confidence.
- RERA and GST, being new reforms, intended to streamline the sector, are taking time to settle down at all levels.
- Banks NPA and RBI notification have impacted project financing.



AFFORDABLE HOUSING IN PARTNERSHIP (AHP)

- Consequent to above, new launches have slowed down.
- Infrastructure status to affordable housing projects and lowering of GST rate to 8 percent have incentivised private developers to enter in affordable housing segment.
- Approximately 1.5 lakh housing units launched, in last one year, in affordable housing segment.



AFFORDABLE HOUSING IN PARTNERSHIP (AHP)

Affordable housing in partnership

- Affordable Housing in Partnership Project, where 35% units (min) are for EWS, attract Rs. 1.5 lakh per unit Central Govt. assistance.
- State Govts. combine central assistance with their own concessions like land, State subsidy and reduced duties and taxes.
- This makes housing units least expensive for buyers and attractive to private developers.
- Out of 54 lakh houses sanctioned by Central Govt., a large chunk fall under this Affordable Housing in Partnership model.



AFFORDABLE HOUSING IN PARTNERSHIP (AHP)

- After infrastructure status granted to affordable housing and reduction in GST rate to 8 percent, many affordable housing projects are under planning by Private Developers on private land.
- CLSS scheme under PMAY is much in demand. Covers EWS, LIG and MIG houses upto 200 sqmtr carpet area. Approx. 2.05 lakh housing units, at different places, are implemented under this scheme and another 4-5 lakh are under planning.



ISSUES / CHALLENGES IN AHP (1)

- High land cost is making affordable housing construction difficult.
- Land title is big concern for investors.
- Affordable housing is given infrastructure status. Banks are not treating as such for lending.
- Mismatch in FAR specified for affordable housing project to qualify for infrastructure status in 80IBA of IT Act 1961 and Ministry of Finance, Department of Revenue, notification no. F.No. 13/6/2009-INF, dated 30th March 2017.



ISSUES / CHALLENGES IN AHP (2)

- Project approvals are still taking considerable time. Specially environment approvals. This adds to the cost of the project.
- Some State Govts. are restricting affordable housing construction by private developers.
- Non-availability of newer and less-expensive technology and materials.
- Solid waste management big issue, especially in affordable housing clusters.
- Total taxes in real estate sector are 25-30 percent. It is too high, considering affordability of general public.



ISSUES / CHALLENGES IN AHP (3)

- Home Loan eligibility norms for home buyers is still cumbersome.
- Physical and social infrastructure are big challenge for affordable housing construction.
- After construction, maintenance in affordable housing clusters is a big issue.
- Rental housing – All do not require ownership housing – 40 to 50 percent rental housing must – not adequate incentive for rental housing construction – old tenancy act biggest deterrent.



RECOMMENDATIONS (1)

- Land title insurance should be expedited. It will build confidence amongst stakeholders and bring transparency.
- Rationalise circle rate/Ready Recknor rate to reduce land cost.
- Release Govt. land and acquire new land parcels and provide to developers at concessional rates.
- Government Ownership, Private sector only to construct.
- Single Window Online Approval to avoid delays and minimise cost.
- Pre-approved Building Plans and Drawings to private developer for construct. Govt. to buy back and sell.
- Total taxes and fees levied should not be more than 15% of unit cost.



RECOMMENDATIONS (2)

- Change FAR requirement to 50% in section 80IBA of IT Act 1961, to qualify for infrastructure status.
- Home loan interest rates to be reduced for buyers of Affordable Housing.
- Adopt independent third party review model.
- For private sector ownership, bidding system to be followed.
- Bring Stamp Duty in the ambit of GST
- Land Abatement in GST to be raised to 70% and real estate brought in 12% slab.
- ITC in case of leased property should be allowed.
- No deemed tax on property which are stock in trade.



*Thank
you*



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