

Budget 2019 incentives affordable housing; eases stress

Rationalising housing cost for end-user and stakeholders

Interest deduction on home loan interest component for self-occupied house worth up to Rs 45 lakh increased from Rs 2 lakh to Rs 3.50 lakh till March 2020. The move will give immense boost to affordable housing in tier-II cities as well as to real estate in peripheral areas of tier-I cities.

Our data shows affordable units (priced less than Rs 45 lakh) contribute 53% of the unsold supply and 53% of sales across 50 cities in India.

All India Figures (FY 2018-19)	Total Inventory (in units)	Units under Rs 45 lakh	Contribution of units under Rs 45 lakh (in %)
Unsold	13,07,052	6,87,888	53%
Sales	3,75,852	1,98,188	53%

Source: Liases Foras

With the revised changes, executives drawing salary of up to Rs 10 lakh would benefit as apart from exemption of Rs 3.50 lakh, they are also entitled to exemption of Rs 1.50 lakh under 80 C of Income Tax Act. Also under PMAY government offers subvention incentives which would effectively give them benefits of close to Rs 7 lakh in the long run. GST on units priced up to Rs 45 lakh is only 1%.

To ease liquidity crisis plaguing NBFC sector, government has given buffer to public sector banks in the shape of credit guarantee.

Creating more capacity

The overall budget suggests government is trying to address inefficiency in the housing market. It is trying to open land banks in order to create more capacity. It is planning to open up unused land banks in urban centers. A long pending demand, government is taking baby steps to introduce affordable rental schemes in urban agglomerations to provide cheap accommodation to migrant workforce.

Furthermore steps like revising tenancy laws would add more confidence in the housing sector. Overall the budget bodes well for the housing industry and has delivered on expectations of majority of stakeholders.

As per Census 2011, there were 11 million vacant houses that were found locked up. They too can be explored on this front.

Rs 100 lakh crore earmarked for boosting infrastructure would also give impetus to real estate since creation of rapid transport, mass transit system, wide roads and other connectivity nodes would lead to growth in peripheral areas within urban agglomeration.

Sending a strong message on better regulation and working of stakeholders, government also announced that instead of National Housing bank now Reserve Bank of India would regulate housing finance companies. Also RBI has been asked to frame laws to regulate non-banking finance companies closely henceforth.