

Finance ministry refuses infrastructure tag for low-cost housing

In a big setback to the affordable housing industry, the finance ministry has twice rejected the proposal for 'infrastructure status' to the sector.

The housing ministry had mooted the proposal as infrastructure tag would have made low-cost housing more affordable with the sector becoming eligible for sops, including tax incentives.

The finance ministry was of the view that there were possibilities of misuse of incentives which would flow as a result of granting infrastructure status as sufficient mechanisms to monitor construction of affordable housing units were not in place.

The ministry emphasized the need to comprehensively address the setting up of prudential safeguards for the sector.

The housing ministry is still pushing the proposal after realizing that the maximum housing shortage is in the category of economically weaker section and low-income group whose need fails to get translated into demand due to affordability.

Around 5.3 lakh households were homeless in urban areas in 2012, according to the assessment of a panel constituted by the housing ministry to assess housing shortage.

Out of total housing shortage of 18.7 million in 2012, around 56.2% was in the economically weaker section (EWS) category at 10.5 million, followed by 39.5% in the low-income group at 7.4 million and just 4.3% in the mid-income group.

The demand for infrastructure status for affordable housing segment was based on the assessment that it would be possible to incentivize construction activities to deliver an appropriate mix of dwelling units to meet the needs of all sections of people.

There was also realization that the government alone could not meet the huge demand in the affordable housing sector and private players would not come forward to build low cost houses unless offered incentives.

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