



HINDU UNDIVIDED FAMILY (HUF) & RELATED ISSUES

1. Can a junior coparcener act as Karta when the senior coparcener is alive?

If the senior most coparcener is incapacitated heir, such as mentally disabled or unable to manage property due to some reasons, then senior most coparcener may relinquish his/ her rights in favor of junior coparcener, with the consent of all other members. In such a situation, junior coparcener may act as Karta of the HUF.

2. Can a Karta of a HUF appoint someone else to manage the affairs of the HUF?

The Karta can appoint a manager to assist him/ her for managing the HUF's day-to-day affairs. However, the Karta remains ultimately responsible for the HUF's property and decisions.

3. Can a HUF do business or can start new business?

The HUF can inherit the business of the family and continue to carry on the business. At the same time, HUF can also set up a new business by utilizing the funds of the family. The business of the HUF needs to be managed and carried out by the Karta and its family members. The income from such business shall be taxable in the hands of the HUF.

4. Can a HUF be partner in partnership firm?

A HUF can be a partner in a partnership firm represented by Karta in personnel & investing HUF's funds. Its share in the firm will be considered as part of the family's income, which will be taxed accordingly. The partnership is a contract between the persons and HUF per se, not being an individual cannot become a partner as per Partnership Act. However, if Karta is admitted to partnership representing the HUF by investing funds of the HUF, then the HUF may become the partner in the firm. However, if the Karta enters into a partnership, the partnership will stand dissolved upon the death of the Karta. Another family member of the HUF cannot step into the shoes of the Karta, in the absence of a contract to the contrary.

5. Can a HUF invest in assets or property outside India?

HUF can make investment in foreign assets, including buying property outside India. However, such investments must comply with foreign exchange regulations (like FEMA, etc.). At the same time, regulatory requirements of the foreign country also need to be followed.



6. Can a HUF sue or be sued?

Yes, a HUF can sue as well be sued, even by third party. However, the Karta, as the manager and representative of the HUF, can initiate legal proceedings on behalf of the family. All the family members shall jointly and severally be liable for their undivided share in the joint property of the HUF.

7. Can a member of a HUF transfer or bequeath his/ her share to another family member?

Yes, a member can transfer or bequeath his/ her undivided share in the assets of the HUF to another family member.

8. Can a HUF be dissolved? Who can ask for partition of the HUF?

HUF can be dissolved by the Karta or coparcener, but not by the member of the HUF. The assets of the HUF are distributed among the family members as agreed upon by them or as per the provisions of Hindu Succession Law, effectively ending the joint ownership and distribution of assets among members. Under Income Tax Act, there has to be complete partition of the HUF by distributing all the assets amongst the family members and partial partitions are not acceptable.

9. How does an HUF impact inheritance on demise of any member?

Individual's and HUF's Property are separate and are governed by the Hindu Succession Laws. Upon the death of any member, his/ her individual property will be distributed as per Hindu Succession Law among his/ her legal heirs. However, HUF's property will be distributed only on complete partition. The undivided share of the deceased member of the HUF will get adjusted among his/ her legal heirs of the family.

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