



HINDU UNDIVIDED FAMILY (HUF) AND RELATED ISSUES

1. What is a Hindu Undivided Family (HUF)?

A Hindu Undivided Family (HUF) is a family unit that includes all persons lineally descended from a common male ancestor and includes their wives and daughters. There are two major schools of Hindu Law, Mitakshara & Dayabhaga. Hindu Undivided Family (HUF) is presently governed by Hindu Laws, namely Hindu Marriage Act, 1955, Hindu Succession Act, 1956, Hindu Minority and Guardian Act, 1956 and Hindu Adoptions and Maintenance Act, 1956.

2. What is the need for forming a HUF?

Tax benefits: The HUF can avail the basic tax exemption, can claim deductions and get assessed as a separate entity under Income Tax.

Wealth management: A HUF can be used as an effective tool in efficient wealth management, as the family's wealth can be pooled together in HUF.

Separate legal entity: It is a separate legal entity for tax and legal matters represented by its Karta.

3. Who can form a HUF? Can a female form her HUF?

HUF can be formed by Hindus by religion, including a Virashaiva, a Lingayat, a follower of Brahmo, Prathana, Arya Samaj, a Buddhist, Jain, Sikh, while a female cannot have HUF in her name

4. What do you mean by Karta, Coparcener and Member of a HUF?

The head of the family or the eldest male person, act as Karta of the HUF. Under normal circumstances, father is the Karta of the HUF.

Coparcener is different from the other members of HUF. Coparcener is a member who acquires by birth an interest in the joint property of the family. Children are coparceners of their father's HUF, while wife can only be a member and not a coparcener. After Hindu Succession Amendment (2005) Act, all daughters are considered as Coparcener, at par with the male heirs of the family.

For example, in case of A's HUF, Mr. A is the Karta, Mrs. A is the Member, while their sons & daughters are the Coparceners of the A's HUF.

5. What is the role of the Karta in the HUF?

The Karta has the responsibility to manage the family's property, assets, and financial matters. The Karta can represent the HUF in legal matters, manage the HUF's Assets and can also incur expenses on behalf of the HUF.



6. Can a step child or an adopted child become a part of HUF?

A step child or an adopted child can become a part of HUF, with the same legal rights to the family's assets, as a biological child.

7. Can a female be Karta of HUF?

First of all, to become a Karta, a person must be a coparcener. A daughter, after amendment to Hindu Laws, being a Coparcener can become Karta of her father's HUF. A wife will continue as a member only and she cannot become a Karta of her husband's HUF. However, on demise of the Karta with all minor coparceners, who cannot become Karta due to their minority, the widow can act as manager for her husband's HUF.

8. Can a HUF earn income by way of interest, dividends, etc.?

Yes, HUF can earn income by way of interest, dividends, etc., if the same is received on investments made from the HUF's Joint family funds. However, if the amount received is in individual capacity, then the same shall not be considered as income of the HUF.

9. Can a HUF receive gifts from its own members and outsiders?

Yes, HUF can receive gifts from its members or outsiders. However, care should be taken with respect to various provisions of Income Tax Act for its taxability.

10. Can a HUF give gifts to its own members and outsiders ?

HUF can give gifts to members or outsiders with the consent of all the members. There are various instances where HUF can give gift to its members and its taxability will depend upon case to case basis. The gift to outsider will be subject to taxability under Income Tax Act, in the hands of the recipient.

11. Can an Individual be Karta of two HUFs?

An individual can become the Karta of two different HUFs. In a situation, when the father (Karta) expires and the eldest son becomes the Karta of his father's HUF, he will continue to remain as Karta so long as it is not partitioned. At the same time, he will continue to remain the Karta of his own HUF consisting of his wife and children.

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