



TaxxPlanet

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news letter.

DID YOU KNOW THAT 98% OF TAXPAYERS ARE MISSING OUT ON ONE OF THE MOST POWERFUL TAX-SAVING TOOLS AVAILABLE IN INDIA? IT'S CALLED THE HINDU UNDIVIDED FAMILY (HUF), AND IT CAN POTENTIALLY SAVE YOU ₹1.5 LAKH IN TAXES EVERY SINGLE YEAR. YET, MOST PEOPLE OVERLOOK THIS OPPORTUNITY

What is an HUF?

HUF stands for Hindu Undivided Family. It is considered as a separate person in the eyes of tax laws.

So you get the benefit of the basic exemption limit and reduced tax rates on initial income of ₹7-₹10 lakhs.

Who can create an HUF?

Hindu, Buddhists, Jains and Sikhs families can form an HUF. But at least two family members, viz., say, a wife and a husband, are needed. Karta is the head of the family and members can include a spouse, children, grandchildren, etc.

**UNLOCK A
HIDDEN TAX-
SAVING POWER
THE HUF
ADVANTAGE**



How can I introduce capital in HUF?

It may sound easy by gifting money to HUF account to introduce capital. But income of the HUF will get clubbed in the members' hands. Ancestral property can be inherited by the HUF or family can start a business from HUF's income.

File HUF's ITR

HUF can invest in shares, mutual funds and other investments too. Capital gains are taxed separately in the HUF's hands. So, like an individual, can HUF claim Basic Exemption Limit? Yes.

Can rebate and basic exemption limits be claimed?

Yes. But how can you further save on taxes?

More tax deductions available

Tax deductions available are:

Section 80C: Up to 1.5L for LIC, PPF, etc.

Section 80D: For health insurance premiums of HUF members

Example

Mr. A forms an HUF with his wife

And two children. Mr. A inherited a property from his late father, which generates annual rent of ₹7.5L and earns ₹20L annually from salary.

Check image for calculation.

Income from sources		Individual's Return	HUF's Return	
(All in ₹)		Income of R before formation of HUF	Income of R after formation of HUF	Income of HUF
A. Salary		20,00,000	20,00,000	
B. HP rent		7,50,000	-	7,50,000
C. Standard deduction on house property (30% of 7,50,000)		(2,25,000)	-	(2,25,000)
D. Income from house property (B-C)		5,25,000	-	5,25,000
E. Total taxable income (A+D)		25,25,000	20,00,000	5,25,000
F. Less: Section 80C		1,50,000	1,50,000	1,50,000
G. Net taxable income (E-F)		23,75,000	18,50,000	3,75,000
H. Tax payable		5,46,000	3,82,200	6,500

Calculation is based on slab rates of old regime including health and education cess of 4%

Tax saving of ₹1,57,300. How?

1. Tax as per personal return without HUF: ₹5,46,000
2. Tax as per personal return with HUF: ₹3,82,200
3. Tax on HUF's income: ₹6,500
4. Tax saved due to creation of HUF [a-(b+c)]: ₹1,57,300