



**M/s PRANJAL JOSHI & CO**  
**CHARTERED ACCOUNTANTS**

Office No. 9, Suvan Apartments, Opp. Jog High School, HDFC Bank Building, Mayur Colony, Kothrud,  
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<b>Hindu Undivided Family</b>		
<b>Residential Status of HUF [Section 6(2)]</b>		
a]	When is HUF said to be a resident in India?	In every case, <b>except</b> where during that year, control & management of its affairs is situated wholly outside India.
b]	When is HUF said to be a non-resident?	When during that previous year, control & management of its affairs is situated wholly outside India.
c]	When is HUF said to be a resident and ordinarily resident in India?	If <b>Karta</b> of HUF satisfies both conditions : a] Karta must be a resident in at least 2 out of 10 previous years immediately preceding the relevant previous year, and b] He must be in India for at least 730 days during 7 previous years immediately preceding the relevant previous year.
d]	When is HUF said to be a resident but not ordinarily resident in India? [Sec. 6(6)(b)]	If Karta does not satisfy any one or both of the conditions mentioned in [a] and [b] above.
<b>Assessment of HUF</b>		
a]	Income of HUF	Assessed in the hands of HUF & not in the hands of any members, unless specifically provided by law.
b]	Sum received by an individual as a member of HUF, where such sum has been paid out of family or income of impartible estate	Exempt in the hands of member of HUF.
c]	Income tax liability of HUF	Dependent upon its residential status.
d]	Gift of HUF property to any coparcener or any other person	HUF cannot make any such gifts, however, Karta has such power, provided the amount of gift is reasonable.
e]	Partition of HUF	<ul style="list-style-type: none"><li>• Coparceners are only allowed to claim partition.</li><li>• There should be a complete partition.</li><li>• Partial partition is not recognised by Income Tax &amp; Wealth Tax Act.</li><li>• On partition, mother i.e. wife of Karta takes a share equal to sons &amp; daughter; however, they can mutually decide to take unequal shares.</li><li>• No capital gain shall arise to HUF on distribution of assets on partition. (Sec 47)</li></ul>
<b>Computation of Total Income of HUF</b>		
<b>Step 1</b>	Compute Gross Total Income, like any other person, under four heads of income (no salary income for HUF).	
<b>Step 2</b>	Section 60 to 63 related to income of other persons included in assessee's total income is applicable, Section 64 is applicable only for individuals.	
<b>Step 3</b>	Set off losses is permissible while aggregating income under different heads.	
<b>Step 4</b>	Carry forward & set off of losses of past years is permissible, if allowed.	
<b>Step 5</b>	From Gross Total Income computed in above steps, deductions under section 80C, 80D, 80DD, 80DDB, 80G, 80GGA, 80GGC, 80-IA, 80-IB, 80-IBA, 80-IC, 80-ID, 80-IE, 80JJA, 80TTA is allowed.	
<b>Step 6</b>	Balance income after allowing deductions is total income which is rounded off to nearest ` 10.	
<b>Step 7</b>	Compute Tax on such income at prescribed rates.	
<b>Step 8</b>	Add surcharge at prescribed rates.	



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<b>Step 9</b>	Levy Education cess & SHEC @ 3% on tax plus surcharge, if any.	
<b>Step 10</b>	Deduct TDS, Advance Tax paid for relevant AY & double taxation relief u/s 90, 90A or 91. Balance is net tax payable which will be rounded off to nearest ` 10 & paid as self assessment tax before filing return of income.	
<b>Partition of HUF</b>		
a]	Total or complete partition	All properties of family are divided amongst all constituents of family & family ceases to be an undivided family.
b]	Partial Partition	Some properties of family are divided & others remain joint.
c]	Persons entitled to claim partition	Only coparcener.
d]	Persons entitled to share in assets	1] All coparceners. 2] Mother gets a share equal to that of a son in case of death of father. 3] Wife gets a share equal to that of a son if partition takes place between husband & sons. She enjoys this share separately from her husband. 4] Son in the womb of mother at the time of partition.
<b>Assessment after partition of HUF (Section 171)</b>		
a]	`HUF hitherto assessed as undivided shall be deemed to be a HUF for the purposes of this act, <b>except</b> where partition is recognised by AO.	
b]	While making assessment, if it is claimed by or on behalf of any member that a total partition has taken place, AO shall make inquiry giving notice to all members of family.	
c]	On completion of inquiry, AO shall record a finding & in case of total partition, record the date on which it has taken place.	
d]	Order u/s 171 passed by AO giving a memo only to Karta & not other members did not comply with mandatory requirement of Section 171(2) & thus, illegal & not valid. Matter is remanded back to AO to pass an order after notifying all members of HUF.	
e]	Where finding of total partition is recorded & partition took place in previous year, 1] Total income of joint family before partition is assessed as if no partition had taken place, <b>and</b> 2] Each member shall be jointly & severally liable for tax on income so assessed, in addition to separate liability of individual.	
f]	Where finding of total partition is recorded & partition took place after expiry of previous year, 1] Total income of joint family is assessed as if no partition had taken place, <b>and</b> 2] Each member shall be jointly & severally liable for tax on income so assessed.	
g]	If AO finds after completion of assessment that family has already effected a partition (total or partial), AO shall recover tax from every person who was a member before partition & each such member is jointly & severally liable for assessed tax.	
h]	For this section, several liability of member is computed as per the portion of joint family property allotted to him at the partition.	
i]	Provisions of this section apply in relation to levy & collection of any penalty, interest, fine or other sum in respect of any period upto the date of partition.	
<b>Effect of partial partition [Section 171(9)]</b>		
	If partial partition has taken place after 31 <sup>st</sup> Dec, 1978; effect is as follows :	
a]	No claim that such partition has taken place shall be inquired & no finding shall be recorded that such partition had taken place. If it is so recorded before or after 18 <sup>th</sup> June, 1980 [Finance (No.2) Bill], it shall be null & void.	
b]	Such family shall continue to be liable to be assessed under this act, as if no partition had taken place.	
c]	Each member immediately before such partition shall be jointly & severally liable for any tax, penalty,	



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	interest, fine, penalty or any other sum payable for any period.
d]	Several liability of member is computed as per the portion of joint family property allotted to him at the partition.