

# A Study on Awareness and Perceived Benefits of Creating A Hindu Undivided Family (HUF) for Tax Planning Among Salaried Individuals/Small Business Owners

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## ABSTRACT

Navigating personal taxation effectively is a cornerstone of sound financial health, allowing individuals to minimize liabilities on both income and capital gains. For Indian households, the Hindu Undivided Family (HUF) serves as a distinctive statutory framework for tax optimization. However, despite its potential, the actual implementation of HUF remains sporadic due to various barriers. This study scrutinizes the disparity between general awareness and the procedural expertise required to legally form an HUF. Utilizing primary data gathered from 105 respondents via a structured survey, the research identifies a critical shortage of professional advisory and a significant gap in the technical understanding needed to utilize this tax-saving instrument effectively.

**KEYWORDS:** Hindu Undivided Family (HUF), Tax Planning, Tax Optimization, Tax Harvesting.

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## INTRODUCTION

HUF is a unique legal entity under the "Hindu Succession Act, 1956" that carries a separate recognition for taxation under the "Income Tax Act, 1961". It allows families to balance and plan their taxes strategically (Hindus, Jains, Sikhs & Buddhists). Benefits under 80C, 80D, 80G, 54, 54F, 54EC, etc., can be used to preserve and grow wealth to attain one's financial goals. However, many taxpayers fail to leverage this tool to the maximum. This research aims to analyse the extent of awareness among individuals and the challenges they face while adopting HUF.

### Objective of the Study

1. To assess the level of awareness about HUF as a tax- saving option among salaried individuals and small business owners.
2. To analyze whether working individuals perceive HUF as a beneficial tool for tax planning.

### Scope of the Study

This research aims to study the awareness and perception of individual and small businesses owners along with their understanding of procedural knowledge of creation of an HUF account and barriers face for creation of HUF account primary data of 105 respondents standing about

- A. General Awareness of HUF status.
- B. Perception of tax saving & tax planning
- C. Barriers such as complexity and lack of professional guidance.

This research is geographically confined to the borders of India.

### Research Methodology

Source of data collection:

- Primary data: Collected through a structured questionnaire via Google Forms.
- Secondary data: Websites and journals.

- Sample unit: General Public (Salaried, Self-employed, Students).
- Sample size: 105 Respondents.
- Sampling technique: Convenient sampling.

## Hypotheses

### Hypothesis 1

H0: There is no significant awareness of HUF and its tax benefits among salaried individuals and small business owners.

H1: There is significant awareness of HUF and its tax benefits among salaried individuals and small business owners.

### Hypothesis 2

H0: Perceived tax benefits of HUF do not significantly influence the willingness to create an HUF.

H2: Perceived tax benefits of HUF significantly influence the willingness to create an HUF.

## Literature Reviews

### 1. Kaakandikar, R., & Ghongade, M. (2019).

The paper investigates how ordinary people and families (specifically Hindu Undivided Families or HUFs) manage their finances to legally reduce their tax bills. The researchers found that while taxpayers are eager to save money, they often lack full knowledge of the many available options, sticking mostly to traditional choices like life insurance or provident funds. A key highlight of the study is the advantage of the HUF status, which allows a family to be treated as a separate tax entity, creating extra room for savings and income splitting. Ultimately, the authors conclude that most people invest mainly to meet immediate tax requirements rather than for long-term wealth goals, and they often find the tax system too complex to handle without professional help.

### 2. Arora, A. K., & Rathi, P. (2018).

This study is based on 266 salaried employees to evaluate their awareness and investment preferences regarding tax-saving instruments. The researchers found that the Public Provident Fund (PPF) was the most preferred option due to its EEE (Exempt-Exempt-Exempt) benefit and high interest rates, followed closely by life insurance and tuition fee deductions. The study revealed a significant gender disparity, noting that women demonstrated a higher inclination towards savings and investments compared to men. Conversely, the authors highlighted that NPS (National Pension System) and deductions under Section 80D were significantly underutilized, indicating a lack of awareness about modern tax tools. Ultimately, the findings suggest that investment decisions are primarily driven by risk, return, and tax benefits rather than comprehensive financial planning.

### 3. Mazumdar (2017)

The paper critically examines the persistence of the Hindu Undivided Family (HUF) in modern India, arguing that it serves as a key vehicle for capital accumulation and tax avoidance rather than just a cultural relic. The study highlights how the HUF structure allows families to bypass standard corporate governance norms and split income to significantly lower tax liabilities. Mazumdar suggests that the "perceived benefits" of these tax loopholes are the primary reason the institution survives, despite legal attempts to modernize succession laws. The findings support the view that economic incentives, particularly tax planning, are stronger drivers for maintaining HUFs than purely traditional or religious motivations.

### 4. Sharma, V. (2024).

This study compares the HUF with other legal entities to determine which offers better tax efficiency for family-run businesses. It emphasizes the "perceived benefit" of the Karta's centralized control and the ability to distribute profits without double taxation. The research identifies that awareness is higher among those who already manage business income compared to those with a single salary source.

### 5. Saravanan and Muthulakshmi (2017)

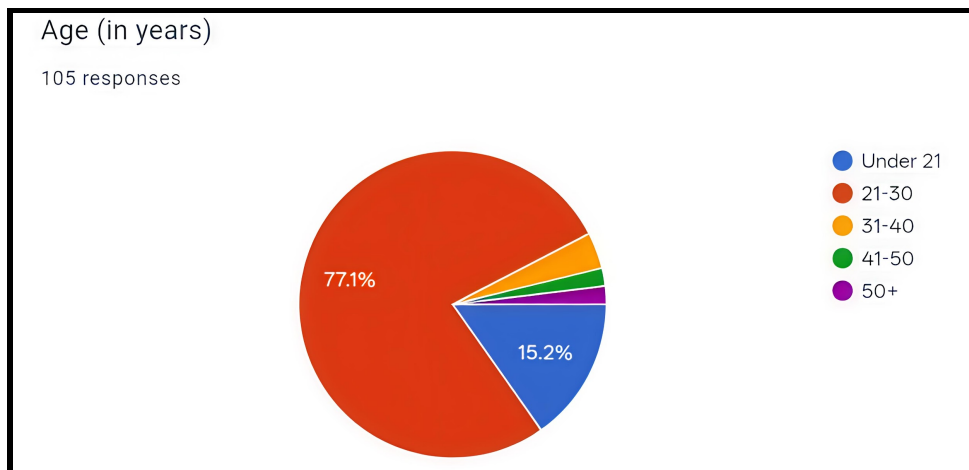
This is an empirical study to identify the investment preferences of individual taxpayers regarding various tax-saving schemes under the Income Tax Act, 1961. The researchers found that the majority of respondents prioritized safety and liquidity over high returns, leading to a heavy reliance on traditional instruments like Life Insurance Corporation (LIC) policies and Public Provident Fund (PPF). The study highlights a significant lack of awareness regarding market-linked instruments (like ELSS) and complex tax structures, indicating that tax planning is largely driven by risk aversion and the immediate goal of reducing tax liability rather than long-term wealth accumulation. The authors conclude that while awareness of Section 80C is high, the depth of knowledge regarding alternative provisions remains shallow.

## Data Interpretation and Analysis

### 1. Demography

#### 1.1. Age

The survey analysis of 105 respondents indicates a predominantly young participant base, with 77.1% falling within the 21–30 age bracket. Additionally, 15.2% of the sample is under 21, while those aged 31 and above represent a very small fraction of the total. This suggests that the research findings are primarily influenced by the perspectives of young adults.

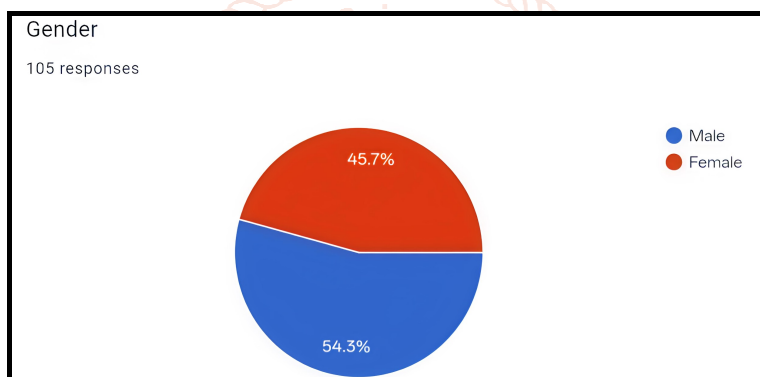


**Fig 1.1**

### 1.2. Gender

The survey findings reveal a relatively balanced representation of genders among the **105 respondents**. **Males** constitute the majority at **54.3%**, while **females** make up **45.7%** of the total sample. This near-equal distribution ensures that the research data incorporates a diverse range of perspectives from both genders.

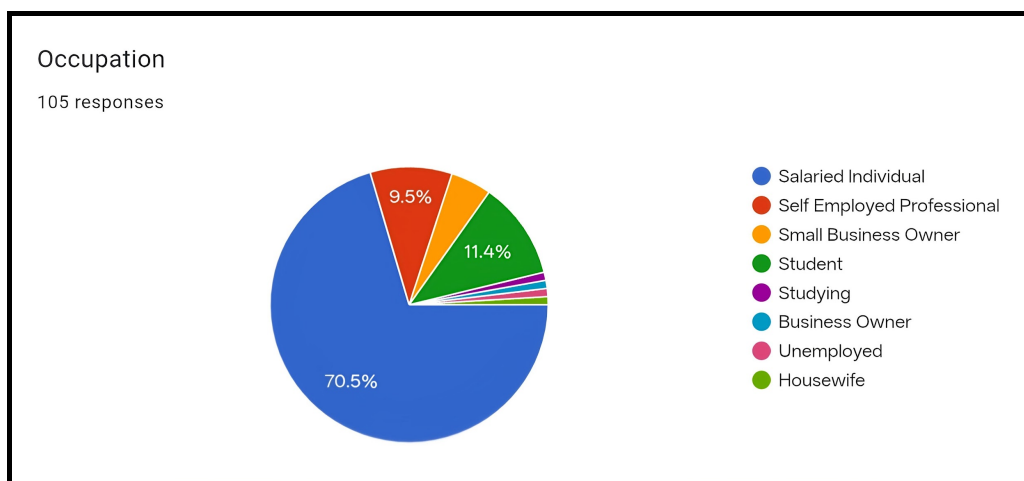
- Male ~ 57
- Female ~ 48



**Fig 1.2**

### 1.3. Occupation

Regarding the professional background of the **105 participants**, a significant majority of **70.5%** are **salaried individuals**, making them the primary demographic of this study. **Students** constitute the next largest group at **11.4%**, followed closely by **self-employed professionals** at **9.5%**. The remaining small percentage is distributed among business owners, housewives, and unemployed individuals, showing that the data largely reflects the views of the working class.



**Fig 1.3**

### 1.4. Annual Household Income (approx in rupees)

The financial data reveals that nearly half of the respondents (47.6%) have an annual household income of below ₹5 lakhs. The second largest group, accounting for 37.1%, earns between ₹5 lakhs and ₹10 lakhs per year. Only a small minority of the participants report a household income exceeding ₹10 lakhs, suggesting that the survey results primarily represent low-to-middle-income households.

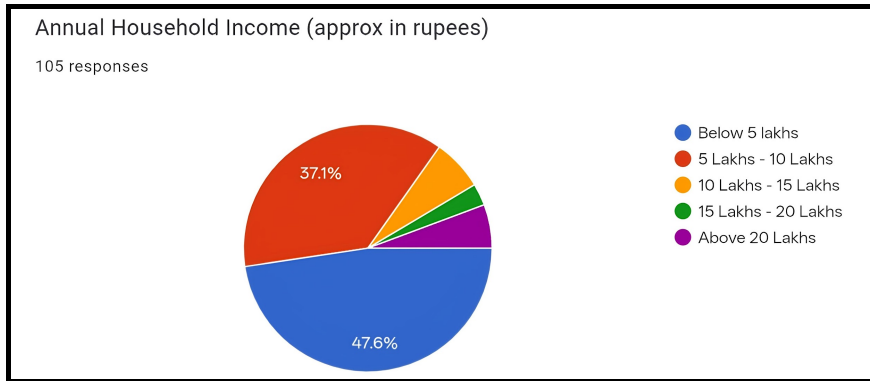


Fig 1.4

## 2. Awareness and Perception of HUF

### 2.1. Awareness of HUF

When asked about their familiarity with the **Hindu Undivided Family (HUF)** structure, **67.6%** of the 105 respondents confirmed they had heard of it. However, a notable **32.4%**-nearly one-third of the participants-reported having no prior knowledge of HUF. This suggests that while the concept is known to the majority, there is still a significant gap in awareness that could be addressed through further education or outreach.

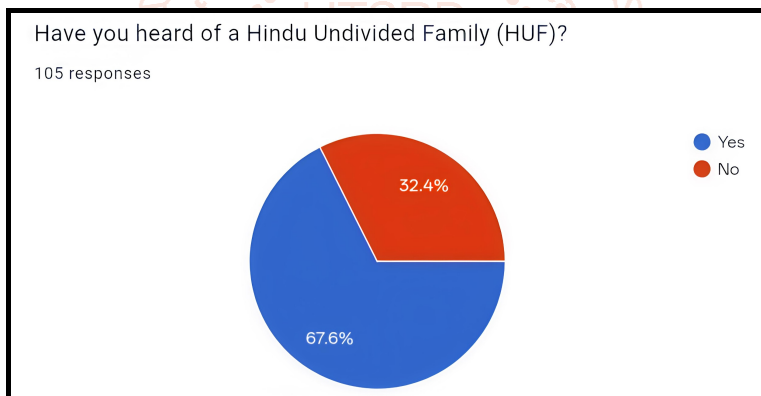


Fig 2.1

### 2.2. Knowledge of HUF as a Separate Tax Entity

Regarding the specific use of **HUF as a separate entity for tax planning**, **60%** of respondents expressed awareness of this benefit. In contrast, **40%** were unaware that an HUF could be used independently of their personal tax returns for financial planning. This highlights that even among those who may have heard of HUF, many are still unfamiliar with its practical advantages in tax management.

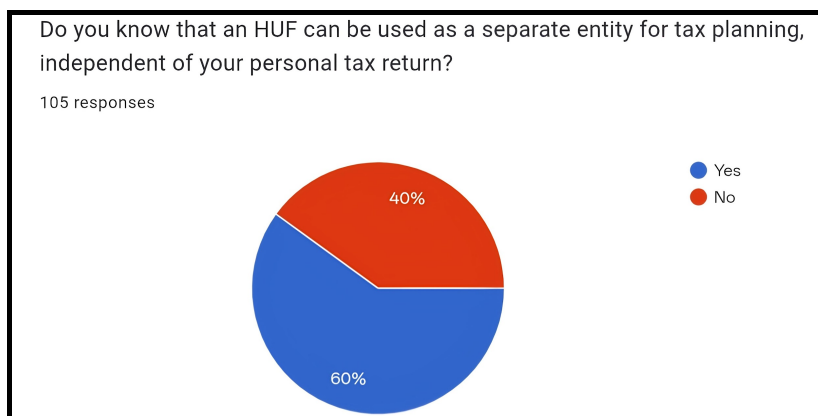
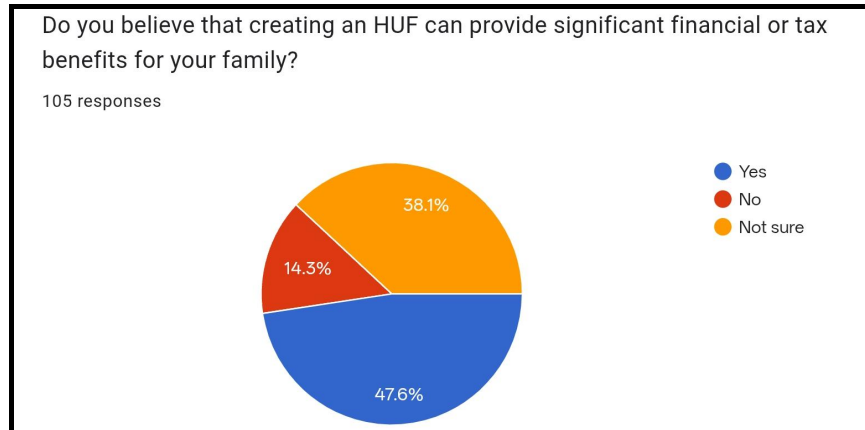


Fig 2.2

### 2.3. Perception of Financial/Tax Benefits

When asked if creating an HUF provides significant financial or tax benefits, **47.6%** of participants believed it does. However, a large segment of **38.1% remained unsure**, and **14.3%** did not believe there were significant benefits. This split suggests that while there is a positive lean, there is still considerable uncertainty or skepticism regarding the actual value an HUF provides to a family.



**Fig 2.3**

### Findings

#### 1. Participant Demographics

**Age:** The sample is predominantly young, with 92.3% of respondents being 30 years old or younger (77.1% in the 21–30 bracket and 15.2% under 21).

**Gender:** There is a relatively balanced gender distribution, consisting of 54.3% males (approx. 57) and 45.7% females (approx. 48).

**Occupation:** A significant majority of participants (70.5%) are salaried individuals, followed by students at 11.4%.

**Income:** The survey represents low-to-middle-income households; 47.6% earn below ₹5 lakhs annually, while 37.1% earn between ₹5 lakhs and ₹10 lakhs.

#### 2. Awareness and Knowledge of HUF

**General Awareness:** While 67.6% of respondents have heard of HUF, nearly one-third (32.4%) reported having no prior knowledge of the concept.

**Tax Identity:** 60% of participants are aware that an HUF can be used as a separate entity for tax planning, independent of personal tax returns. However, a significant 40% remain unaware of this specific financial advantage.

#### 3. Perceptions of Benefits

**Financial Value:** Less than half of the participants (47.6%) believe that creating an HUF provides significant financial or tax benefits.

**Uncertainty:** There is high levels of uncertainty among the demographic, as 38.1% of respondents are "not sure" if an HUF provides significant value, and 14.3% do not believe it provides significant benefits at all.

### Conclusion

The research concludes that the Hindu Undivided Family (HUF) remains a highly effective, yet underutilized, statutory framework for strategic tax optimization and long-term wealth management. While it is fundamentally a legal entity under the Hindu Succession Act, its separate recognition under the Income Tax Act allows families to substantially preserve and grow wealth through various deductions like those under Sections 80C and 80D. The study reveals that for the majority of the working-class demographic, the HUF is a recognized concept with the potential to significantly lower tax liabilities by splitting income—such as rent or investment interest—away from personal salary.

The findings emphasize that the HUF is a versatile tool, proving beneficial not only for traditional family businesses but also for salaried individuals and small business owners. By establishing a separate tax identity with its own PAN card and tax-free limits, families can maximize their financial health through a "double deduction" strategy. This structure serves as a cornerstone for asset consolidation, ensuring that wealth is managed efficiently and passed on to the next generation through strategic succession planning.

Ultimately, the study suggests that the path forward lies in bridging the gap between general awareness and practical implementation. There is a clear opportunity for individuals to enhance their financial stability by embracing the HUF as a comprehensive wealth management tool. By utilizing professional advisory services to navigate the procedural steps, families can fully unlock the legitimate tax-saving benefits and long-term stability that this unique Indian framework offers.

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