

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF REVENUE

**RAJYA SABHA**

**UNSTARRED QUESTION NO. 400**

**TO BE ANSWERED ON TUESDAY, THE 03<sup>rd</sup> FEBRUARY, 2026/14 MAGHA, 1947 (SAKA)**

**“STATUS OF HUF IN INCOME TAX AND LEGAL CONTEXT”**

**400: Shri Yerram Venkata Subba Reddy:**

Will the Minister of FINANCE be pleased to state: -

- (a) the status of 'Hindu Undivided Family' in the context of income tax and legal position;
- (b) whether HUFs are permitted to collect money in the form of deposits or otherwise;
- (c) whether HUF can be formed as chit fund company or NBFC and collect money from people;
- (d) if so, who is going to protect such money of common people;
- (e) the role RBI has in above cases and whether there have been any instances of chit fund companies or NBFCs collecting money from people with RBI permission; and
- (f) if so, details thereof and the action RBI has taken on such companies?

**ANSWER**

**MINISTER OF STATE FOR FINANCE  
(SHRI PANKAJ CHAUDHARY)**

**(a):** Under the provisions of the Income-tax Act, 1961, a Hindu Undivided Family (HUF) is recognized as a distinct assessable unit for the limited purpose of taxation. Section 2(31) of the Act includes “Hindu undivided family” within the definition of “person” for assessment purposes. The Act, however, does not confer upon an HUF the status of a body corporate or a juridical person for undertaking regulated financial or commercial activities.

**(b) & (c):** As per Chapter IIIC and section 45-I of RBI Act, 1934 and subject to regulations contained in Master Direction – Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 2016 dated August 25, 2016 (as amended from time to time), HUFs (being unincorporated bodies) can not be registered as NBFCs or chit fund company and can not collect money from public.

**(d):** In view of (b) & (c) does not arise.

**(e) & (f)** The power to pursue violation of the provisions (filing criminal case under Section 45-T of RBI Act) in respect of chit fund companies rests concurrently with the Reserve Bank and the State Governments concerned. In case of entities regulated by RBI (including NBFCs) found to be in contravention of extant guidelines, including unauthorised acceptance of public deposits, the Bank undertakes on a case-to-case basis, appropriate regulatory/supervisory action, inter alia, imposition of business restrictions, monetary penalty, and, cancellation of Certificate of Registration.

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