Loan Agreement between Karta and HUF

This **LOAN AGREEMENT** (the "Agreement") is made at **[City/Location]** on this **[Day]** day of **[Month]** 2026.

Between:

[Name of the Karta] son of **[Fathers Name]** living at **[Residential Address]** hereinafter called the **"LENDER"** (this word will include his heirs, executors, administrators and legal representatives) of the **FIRST PART;**

AND

[Name of the HUF] a Hindu Undivided Family registered under the Income Tax Act having its **PAN: [HUF PAN Number]**. Place of assessment at **[Address of HUF]** represented by its Karta **[Name of the Karta]** hereinafter called the **"BORROWER"** (this word will include all the coparceners, members and successors of the said HUF) of the **SECOND PART**.

WHEREAS:

• The Borrower is a **Hindu Undivided Family (HUF)** that follows Hindu Law and is seen as a separate entity for tax purposes under Section 2(31) of the **Income Tax Act 2025**.

• The Lender is the **Karta** of the Borrower HUF and has money that he owns on his own from his own income. This money has not come from any bank, private company or outside source with interest or anything else.

• The Borrower HUF needs money for business or family investments. Has asked the Lender to give a temporary no-interest loan.

• The Lender has agreed to give a loan without any interest from his account through banking methods. It is essential to confirm that no transactions related to the loan will be made using cash.

NOW IT IS AGREED BY. Between THE PARTIES AS FOLLOWS:

1. PRINCIPAL LOAN AMOUNT & ANNUAL BORROWING LIMIT

• The Lender agrees to give the Borrower a loan through transfer or account payee cheque.

• Both sides agree that the total amount the Borrower HUF takes from the Lender or any other source under this plan will not go over ₹1,00,00,000 (Rupees One Crore) in one year.

2. TYPE OF TRANSACTION. No INTEREST

• This loan is real. Must be paid back. **It should never be seen as a gift, parting of property**. Adding money to the family's joint property.

• **The loan has no interest**. It is given because of family love and understanding. No interest will be added to the loan amount during the time it's active.

3. NO INCOME CLUBBING

• Because this is a loan and not a transfer of property without money the rules about clubbing income under **Section 99(2) of the Income Tax Act, 2025** will not apply.

• Any money made by the Borrower HUF from this loan will be owned by the HUF. This money will be taxed separately. Not added to the Lenders personal taxes.

• That the HUF will be free to use this interest free loan for business, trading and investment etc. and HUF will file its **Income tax return (ITR)** to record the details of profit and loss earned from it.

4. PAYMENT & LENDER'S RIGHT TO ASK FOR MONEY BACK

• That there is no time limit set for repaying the loan.

• That the lender will be free to call for the amount or any part of it at any time as per his requirements.

• That, when the lender asks for the repayment of the money in writing or verbally, the borrower HUF will have to repay the money within 30 days through banking channels.

5. RECOVERY

• That the borrower undertakes to use all his family properties, existing assets and future assets to repay the HUF loan.

• That is, if there is a partition in the borrower HUF in future, the loan will have to be repaid to the lender before any money can be given to the family coparceners.

6. JURISDICTION

• That the no oral change to this agreement will be valid. Any addendum or amendment must be made in writing, signed by both parties.

• This agreement follows the laws of India, including the Hindu Succession Act and the Income Tax Act, 2025.

IN KNOWLEDGE the Lender and the Borrower (through its Karta) have signed, sealed and made this Loan Agreement on the day month and year mentioned above.

(1). Given BY THE LENDER:

[Name of the Karta]
(As the Lender on his own)

(2) SIGNED AND GIVEN BY THE BORROWER:

[Name of the HUF]
Through its Karta: [Name of the Karta]

IN THE PRESENCE, OF WITNESSES:

1. Witness 1:
Signature: ______________________
Name:
Address:

2. Witness 2:
Signature: ______________________
Name:
Address: