FREE RESOURCE - TAX PLANNING

Couples Tax Optimisation Checklist

How to minimise your combined household tax outgo as a dual-income couple

The core idea: Tax filing is individual but tax saving isn't. Most couples optimise separately and overpay Rs 1-2L every year. Treat your salaries as one pool, map every deduction, split smartly, and test all 4 regime combinations.

STEP 1

Map Every Salary Component

Do this for each partner separately. Many components are tax-free but only if they appear in your salary structure.

1. Basic Salary
Fully taxable. Forms the base for HRA exemption, PF, and Employer NPS calculations.

2. HRA House Rent Allowance
Exempt = min of: actual HRA received | 50%/40% of basic (metro/non-metro) | rent paid minus 10% of basic. Tied to the partner whose salary slip includes HRA.

3. Employer NPS 80CCD(2)
Deductible in BOTH old and new regime. Capped at 14% of basic. Most powerful salary restructuring lever negotiate it in if you haven't already.

4. Fuel Reimbursement
Fully exempt against original fuel receipts. Must be in salary slip to qualify.

5. Meal Allowance / Sodexo Vouchers
Exempt up to actual vouchers used. No statutory cap.

6. Internet / Telephone
Exempt up to actual bill amount. No statutory cap. Claim against paid invoices.

7. Books & Periodicals
Exempt up to actual spend. No statutory cap. Requires bill-based reimbursement.

8. Uniform Allowance
Exempt up to actual spend on purchase or maintenance of uniform.

9. LTA Leave Travel Allowance
Exempt for 2 domestic journeys per 4-year block. Economy class fare only. Each partner has a separate entitlement.

10. Special Allowance / Bonus / Variable Pay
Fully taxable. No exemption available in either regime.

STEP 2

List Every Available Deduction

These apply under the old regime only beyond standard deduction and 80CCD(2). New regime offers no further deductions.

1. 80C up to Rs 1,50,000
EPF, PPF, ELSS, life insurance, home loan principal, tuition fees, NSC, SSY, 5-yr tax-saving FD. Shared limit across all instruments combined.

2. 80D Health Insurance Premium
Rs 25,000 self+family | Rs 25,000 parents (Rs 50,000 if senior citizen) | Rs 5,000 preventive check-up within limit. Claimed by the partner who pays the premium.

3. Home Loan Interest Sec 24(b)
Up to Rs 2,00,000 per co-borrower per year for self-occupied property. Both can claim independently in proportion to ownership share.

4. 80CCD(1B) Additional NPS
Extra Rs 50,000 over and above the 80C ceiling. Route through the higher-slab partner for maximum saving.

5. 80G Donations
50% or 100% deduction depending on institution. Some institutions have a 10%-of-income overall cap.

6. 80E Education Loan Interest
Full interest deductible for up to 8 years. For loans taken for self, spouse, or children.

7. 80TTA / 80TTB Savings Interest
Rs 10,000 for savings bank interest (non-senior) | Rs 50,000 for senior citizens under 80TTB, includes FD interest.

STEP 3

Split Deductions Smartly Between Partners

Where most couples leave the most money. How you split matters more than the total.

1. Assign deductions to the higher-slab partner first

Rs 1L of deduction saves Rs 30,000 at the 30% slab but only Rs 20,000 at 20%. Always assign to the higher earner first.

2. Home loan decide who claims what
Both co-borrowers can each claim up to Rs 2L interest and their share of principal under 80C. Shift as much as possible to the old-regime partner.

3. HRA is non-transferable
HRA exemption belongs to the salary it is in. You cannot transfer one partner's HRA benefit to the other.

4. 80D claim where the premium is paid from
Decide in advance whose account the premium debits from. That partner gets the deduction.

5. Fill the higher earner's 80C limit first
If combined 80C investments exceed Rs 3L, allocate the full Rs 1.5L limit to the higher earner before the lower earner claims.

6. LTA stagger claims across partners
Each partner has a separate 4-year entitlement. Plan claims to alternate for maximum combined exemption across the block.

STEP 4

Calculate Tax for All 4 Regime Combinations

Don't assume always compute. The individually optimal choice is rarely the couple-optimal choice.

1. Combination 1: Both Old Regime
Wins when both partners have large deductions. The minimum deductions needed to beat the new regime vary by income: around Rs 2.5L at Rs 8-10L income | around Rs 3.75L at Rs 12-15L income | around Rs 5.5L at Rs 20L+ income. Higher incomes demand more deductions to justify old regime because new regime slabs are proportionally more favourable at the top.

2. Combination 2: Both New Regime
Wins when neither partner has significant deductions. Simpler compliance and full investment flexibility.

3. Combination 3: Partner A Old, Partner B New
Wins when A has large deductions or HRA but B has very few. Don't assume test it.

4. Combination 4: Partner A New, Partner B Old
Most overlooked often the real winner. Especially powerful when one partner has high exempt allowances (NPS, fuel, meals) that reduce the value of old regime for them.

FinWise Owl Rule: Always compare the combined household tax bill across all 4 combinations not what is individually optimal. One partner may pay slightly more under the winning combo, but the household saves more overall. That is the number that matters.

STEP 5

Action It Before 31st March

Knowing the optimal combo is step one. Making it happen before the financial year ends is step two.

1. Submit revised declarations to your employer
Corrects TDS deduction and avoids a tax demand at filing. Do this as soon as you have picked your combination not in March.

2. Gather all bills and proofs
HRA: rent receipts + landlord PAN if rent exceeds Rs 1L/year | Fuel: original receipts | Internet/Books: paid invoices | LTA: travel tickets.

3. Realign investments if switching to new regime
New regime removes most deduction incentives. Redirect 80C-locked money to higher-returning options if you no longer need the deduction.

4. Document the home loan deduction split
If both are co-borrowers, keep a written record of who is claiming what. Total claimed across both cannot exceed actual interest paid.

5. File ITR in the chosen regime
Old regime requires explicit opt-in at filing. New regime is the default from FY 2024-25. Missing the opt-in generally means you cannot switch back for that year.

6. Revisit every April
Slabs, rebates, and deduction rules change annually. Run the 4-combination check fresh every year what is optimal today may not be next year.
