

# Taking in a lodger: money matters

**If you have a spare room in your home, you may want to increase your income by taking in a lodger. In this factsheet we look at the financial implications of renting out a room in your home.**



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## Note

Information contained in this factsheet is correct at the time of publication. Please check details before use.

The rent your lodger pays you counts as income. This can affect the benefits you get or the income tax you pay. For the definition of a lodger and your obligations as landlord of a lodger, see the previous factsheet.

## Bedroom tax

If you are:

- under pension credit age, and
- receiving housing benefit (HB) or universal credit (UC), and
- a council or housing association tenant who the council says has a 'spare' room,

you must make up any shortfall between your HB or UC and the actual rent.

One way to reduce the effect of the bedroom tax is to take in a lodger.

## Housing benefit

If you are claiming housing benefit the first £20 per week of the rent you receive is disregarded (not counted) when calculating how much housing benefit you will get.

If you provide some meals to your lodger, even if it is just breakfast every day, then 50% of the rent over £20 counts as income.

For example, if your lodger pays rent of £50 a week and you provide at least one meal:

- the first £20 does not count as income for your housing benefit calculation
- 50% of the rent above £20 (ie 50% of £30 in this example) is also not counted.

Housing benefit will count your income from renting out the room as £15 a week.

If you don't provide any meals, all the rent above £20 per week counts as income.

If you are also claiming a means tested benefit, such as income-based jobseeker's allowance (JSA) or pension credit, the deduction will be made from this benefit, not from your housing benefit.

## Universal credit

If you get universal credit (UC), rent you receive from your lodger is not counted when calculating your UC. Charges for meals or services may also be disregarded.

## Council tax

You remain responsible for paying the council tax. If you have a lodger you won't be entitled to the single person discount of 25%.

## Informing the benefit authorities

You must tell your benefit office if your lodger is paying you rent.

For example, if you are claiming:

- housing benefit, tell the council's housing benefit team
- JSA or universal credit, tell Jobcentre Plus
- pension credit, tell the Pensions Service.

## Income tax

You don't have to pay any income tax on the rent you receive from your lodger if:

- you live in the same property, and
- the room you rent out is furnished, and
- the rent you receive is not more than £7,500 a year.

You must tell the HMRC if you get more than this amount in rent.

You can choose to pay income tax on:

- the amount of rent you receive over £7,500; or
- all the rent and claim tax back on any expenses, for example buying furniture or providing cleaning services.

## Insurance

If you have contents insurance you must tell your insurance provider that you have taken in a lodger.

Your insurance policy may not pay out if you claim and have not informed your provider.

## Further advice

You can get further advice from [england.shelter.org.uk/housing\\_advice](http://england.shelter.org.uk/housing_advice), local Shelter advice service or local Citizens Advice. If you have nowhere to sleep tonight, are at risk of harm or losing your home within the next 2 months, call Shelter Helpline on 0808 800 4444 for advice and information on your options.\*

\*Calls are free from UK landlines and main mobile networks.