

Taking in a lodger: money matters

This factsheet looks at how renting out a room in your home can affect your benefits, council tax, income tax, and insurance.

If you have a spare room in your home, you may want to take in a lodger to help pay the rent or mortgage.

For example, if you are affected by the bedroom tax or the benefit cap.

The rent your lodger pays you can affect the benefits you get or the amount of council tax or income tax you pay.

Universal credit

If you get universal credit, rent you receive from your lodger is not counted when calculating your benefit. You can keep the money from a lodger without your monthly universal credit payment going down.

Charges for meals or services may also be disregarded.

You should still report the change in income through your universal credit account.

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.

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.

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% unless your lodger is a full time student.

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 premiums may increase.

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, 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.



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