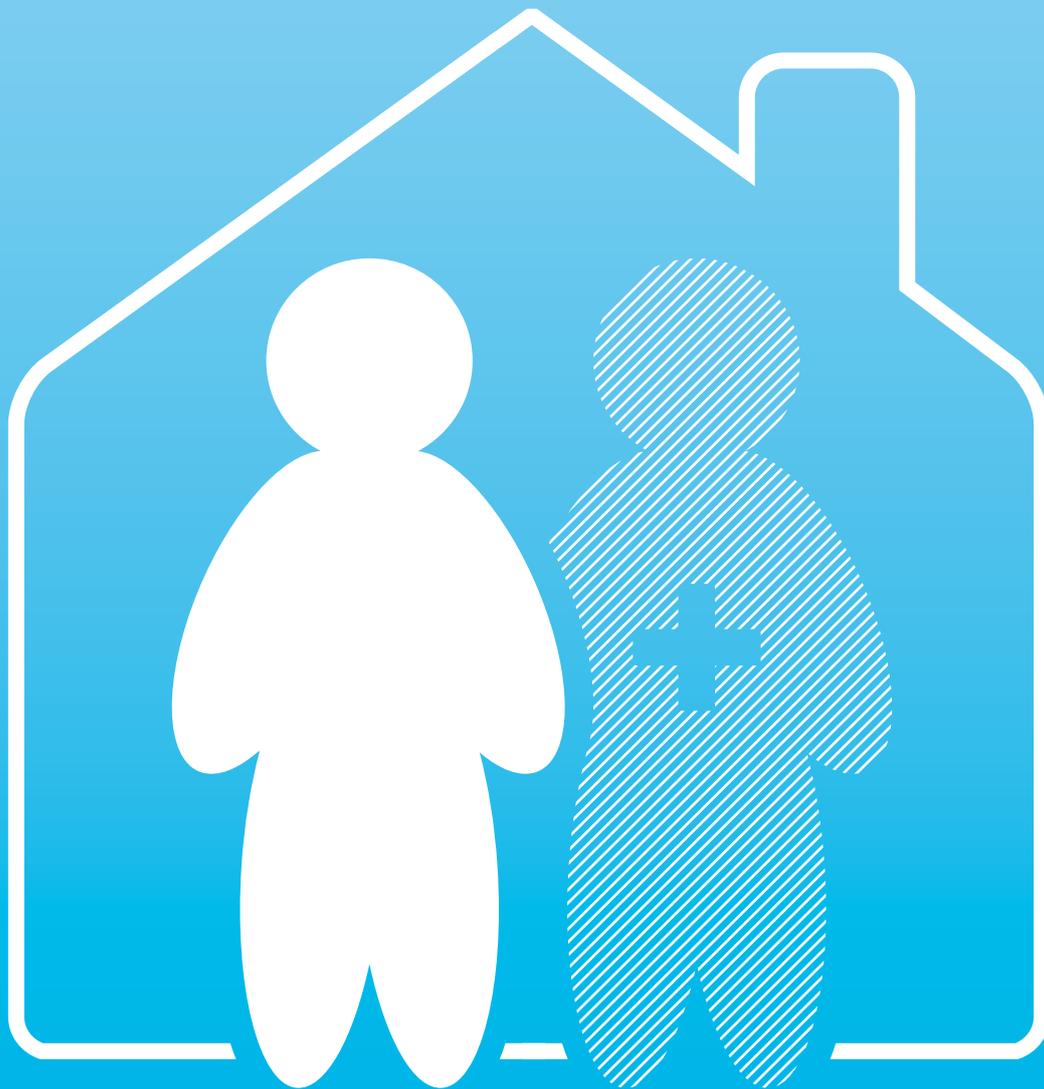


The SpareRoom.co.uk guide to the government's Rent a Room Scheme



Updated September 2011



brought to you by

SPAREROOM.co.uk[®]

**THE UK'S
MOST VISITED
FLATSHARE SITE**

SOURCE: HITWISE

Earn **£4250 TAX FREE** from your spare room!

Rent out a room in your home and you can earn over £350 per month TAX FREE and more besides - in some parts of London, rooms can command rents of up to £800 per month!

Tax on rental income

If you let out all or part of a property (including your home), how you're taxed on the rent depends on the type of letting.

The 'Rent a Room' scheme

If you are a live in landlord letting furnished accommodation in your own home to a lodger and your total income comes to £4,250 or below (£2,125 if letting jointly), you can get this income tax-free under the 'rent a room' scheme. You'll have to pay tax on anything over £4,250. Or you can choose not to use the scheme if you'd prefer to pay tax under the rules for residential lettings and therefore offset some income against allowable expenses.

Tax on residential lettings

Letting residential investment property is treated as running a business - even if you only let out one property. Whether you let one or several, you're taxed on the overall 'net profit'. You work this out by:

- Adding together all your rental income
- Adding together all your allowable expenses
- Taking the allowable expenses away from the income

Letting all or part of your home

If you let your home while you live somewhere else, your profits from the rent are worked out and taxed in the same way as for residential investment lettings. The same rules apply if you let part of your home and choose not to use the 'Rent a

Room' scheme. If you let part of your home this way, you can include a percentage of household costs like gas and electricity when you work out your allowable expenses.

Expenses and allowances on income from property

If you let out property you can deduct certain expenses and tax allowances from your rental income (unless it's under the 'Rent a Room' scheme) to work out your taxable profit (or loss). If you have several UK residential lettings you pool the income and expenses together. Holiday letting and overseas profits must be worked out separately.

Allowable expenses

- Letting agent's fees
- Legal fees for lets of a year or less, or for renewing a lease for less than 50 years
- Accountants fees
- Buildings and contents insurance
- Interest on property loans
- Maintenance and repairs (but not improvements)
- Utility bills
- Rent, ground rent, service charges
- Council tax
- Services you pay for, eg cleaning
- Direct costs of letting the property, eg phone calls, stationary and advertising

Record keeping & declaring & paying tax on rental income

If you let out property, you'll have to keep records of your income and expenses for at least six years - whatever type of letting it is. Even though you can't claim expenses when you use the Rent a Room scheme, it may still be worth keeping proper records. You'll need them if you decide to opt out of the scheme later.

If your taxable income from rent is £15,000 or more in a year you must declare it on the full Self Assessment tax return. If it is under £15,000 you may be able to complete a shorter four-page return. If it's under £2,500 your Tax Office may be

able to collect any tax you owe through PAYE (Pay As You Earn) if you already pay tax this way.

Yes, but do I really WANT a lodger?

There are several different reasons why you might want to take on a lodger (or flatmate/housemate as it is more commonly known these days). Aside from the additional pocket money, the most common reasons are one or both of the following:

Improve your social life!

Whether you want to extend your social network or simply want someone to go down the pub with, sharing a property can be a great way to make new friends and acquaintances.

I'm not as young as I used to be - isn't it only young professionals and students who rent rooms?

No, it is something people of all ages do and in fact, the average flatsharing age is growing year on year! More people in the 35-55 (and above) age group are seeing the benefits of sharing, both financial and social.

Monday to Friday flatmates

There is a growing demand, particularly from the older age groups, for rooms just during the week. Typically, they are commuters who live an hour or more from the city, who wish to cut down on their traveling times.

A fresh start

We have also seen a growing number of those recently separated or divorced, for whom flatsharing offers a social fresh start (and often welcome relief from the financial pressures of a mortgage too large to keep up with on their own).

So, how do I find a flatmate?

Simple. Log on to SpareRoom.co.uk and place a free advert. SpareRoom lists both Rooms available and Rooms wanted, so as well as waiting for the enquiries to start rolling in, you can be proactive and find a suitable flatmate in the Rooms wanted section.

You can specify what you want and what you don't want in a flatmate and we will filter your matches accordingly, optionally emailing you potential flatmates each morning and/or the instant they come in.

Typically you can fill your room within a week!

To give you the best chance of finding the right person in the fastest time, you may opt to make your ad bold. For a minimal amount, you can highlight your ad, upload additional photos and push your ad higher up the search results.

Find out more at www.spareroom.co.uk/advertise

What people have said about us

"Your website is brilliant! Within 2 hours I have received my first viewing!"

W Spencer

"Just to say thanks for a great service and really easy to use site. We now have an ideal tenant for our spare room and will certainly use your service again in the future."

S Baron

"It's amazing! I've never had so many hits from an advert, and I'm an estate agent by day! Excellent service! Thanks."

A Melville

'I would just like to say that I was amazed how well the ad worked on your web site. We found the right person for our room and I am delighted with that. I will certainly be coming back if we need to do the same again. Many thanks.'

S Parnaby

Hope this was guide useful. For further information, please visit www.SpareRoom.co.uk or our specialist info website www.lodgers.com or alternatively email me at matt.hutchinson@spareroom.co.uk



Matt

© SpareRoom.co.uk 2011

Matt Hutchinson