

Your Home and Taxation

Many people rent out part of their home - whether to an individual or to a business. There are a number of tax implications of doing this which must be considered. Remember that tax relief on interest on loans to buy your home has now been abolished (ie MIRAS).

Letting Part of Your Home to an Individual.

Under the "rent a room" scheme the income from this type of letting will be tax free provided the income of letting furnished rooms does not exceed £4,250 per annum (gross).

There will be no loss of capital gains exemptions for lodgers who live as part of the family.

Remember: Your main residence is exempt from capital gains tax when you sell it - provided it has been your only or main residence for the whole period of ownership since 31 March 1982.

Letting Part of Your Home to a Business

The "rent a room" scheme still applies.

If you use part of your house ONLY for business and no other purpose then interest on the relevant amount of borrowing is allowed as a business expense.

A similar proportion of the capital gains exemption will be lost if this interest is charged as a business expense. If the rooms are not exclusively for business purposes then the full exemption will normally be preserved.