Hank Jongen's September column – Boarders and lodgers

Hello everyone.

Have you ever thought about taking in a boarder or lodger to help with household costs?

With the cost of living still front of mind for many people, renting out a spare room can seem like a practical way to bring in extra money. It can also offer company, make better use of your home and help someone find a place to stay. But if you get a Centrelink payment, it's important to understand how board and lodging may affect your income and assets assessments.

A boarder or lodger usually pays you to live in your home. They may have their own room, but they often share spaces like the kitchen, bathroom or living areas. This is different from renting out a separate, self-contained unit to a tenant as that unit may become an assessable asset. With a boarder or lodger, it depends on how the person uses your home and whether any part of the home is set aside only for them.

There are three main things we look at when we assess board and lodging.

First, we consider whether the accommodation is part of your principal home. If you own your home and the boarder or lodger shares your home with you, your home will usually remain exempt as your principal home. However, if part of your home is used only by the boarder or lodger, we may need to look more closely at that arrangement.

Second, we consider whether the person is a near relative. We don't assess board or lodging income if the person is a near relative like a parent, child or sibling. This means the rules can be different if you are helping out a family member compared with taking in someone who is not closely related to you.

Third, we look at what services you provide. This matters because the more you provide, the more it costs you. You might provide accommodation only, accommodation with breakfast, or accommodation with all meals. You may also have extra costs such as electricity, water, cleaning and general household wear and tear.

We only assess part of the money you receive as income because some of it covers your costs. If you provide accommodation only, we treat 70 per cent of the money as income. If you provide accommodation and breakfast, we assess 50 per cent. If you provide accommodation and all meals, we assess 20 per cent. If you have a mortgage on your home or you pay rent, we may also reduce the amount we assess by taking mortgage interest or rent into account.

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If your actual costs are higher and your profit is lower, you can give us evidence so we can reduce the assessable income.

Taking in a boarder or lodger can be a useful option, but it's worth checking the rules before you decide. Call us on 132 300 to speak to our Financial Information Service. Say the words 'Financial Information Service' when asked why you're calling.

Hank Jongen
General Manager
Services Australia