

## Rent-A-Room Relief

### Part 07-01-32

This document should be read in conjunction with section 216A Taxes Consolidation Act 1997

Document last updated June 2024

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## 1. Introduction

Sums arising to an individual in respect of the letting, for residential purposes, of a room or rooms in their home, including sums related to the provision of meals or other services supplied in connection with the letting, may be exempt from income tax where they meet the applicable conditions and are below the annual limit for the tax year in question (see Paragraph 5). The provision covers, for example, sums arising from lettings to students for an academic year or term. These sums would usually be taxable under Case IV or Case V of Schedule D.

This relief, known as rent-a-room relief, was introduced with the aim of increasing the availability of rented residential accommodation. The governing legislation is section 216A Taxes Consolidation Act 1997 (TCA).

## 2. Who can avail of the relief?

The relief applies only to individuals; it does not apply to companies or partnerships. It can apply where sums arise to more than one individual; for example, married couples or civil partners.

## 3. When is the relief not due?

### 3.1 Payments made to immediate family members

An individual cannot avail of rent-a-room relief for payments for accommodation in the family home where those payments are made by

- a child to their parent, or
- a child to their parent's spouse or civil partner.

This restriction applies regardless of whether the child has claimed tax relief on the rent paid.<sup>1</sup> This restriction applies to payments arising on or after 1 January 2007.<sup>2</sup> There is no restriction where rent is paid by other family members, for example, nieces and nephews.

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<sup>1</sup> Section 473 TCA 1997.

<sup>2</sup> Section 14 Finance Act 2007.

### 3.2 Payments made to an office holder or employee

With effect from 1 January 2010, rent-a-room relief does not apply to payments received either directly or indirectly by an individual, or a person connected with the individual, for accommodation provided in the family home where that individual is an office holder or employee of the person making the payment or of a person connected with the payer<sup>3</sup>. This is an anti-avoidance measure that prevents relief where, for example, an individual receives payment from their employer for accommodation provided by the individual in their family home, for individuals visiting the employer on, for example, work related or training trips.

### 3.3 Minimum continuous letting period

With effect from 1 January 2019, the relief does not apply to income arising from letting periods which do not exceed 28 consecutive days, other than where the person using the accommodation

- (i) is resident or ordinarily resident in the State and is incapacitated due to mental or physical infirmity,
- (ii) does so for a minimum of four consecutive days per week for not less than four consecutive weeks, or
- (iii) is a full-time or part-time student in the State.<sup>4</sup>

These scenarios include, for example, lettings for respite care for incapacitated individuals, accommodation for full or part time students, including language students, and four day a week 'digs'. This is an anti-avoidance measure which puts beyond doubt that the relief does not apply to short term tourist accommodation based on home sharing, including where it is provided through online booking sites.

## 4. Qualifying residence

### 4.1 Sole or main residence

The room or rooms must be in a residential premises situated in the State that is occupied by an individual as their sole or main residence during the tax year. If an individual lives in more than one residence, they can only avail of rent-a-room relief in respect of their sole or main residence. In general, an individual's sole or main residence is that individual's home for the greater part of the time and where friends

<sup>3</sup> Section 13 Finance Act 2010

<sup>4</sup> Section 216A(3C) TCA

and correspondents would expect to find them. The individual does not have to own the residence; it can apply where the individual claiming relief is renting their sole or main residence from another party.

#### 4.2 Self-contained unit

It is not possible to let an entire residence and claim rent-a-room relief, because the room or rooms that are let must form part of the residence and the residence must be occupied by the individual receiving the rent as their sole or main residence. The room or rooms can comprise a self-contained unit within the residence such as a basement flat or a converted garage attached to the residence. However, a self-contained unit that is adjacent to the residence but not attached to it cannot qualify for the relief.

#### 4.3 Business use/guest accommodation

The room or rooms must be used for the purposes of residential accommodation. That means the occupants are effectively using the room/s on a long-term basis, either on its/their own or in conjunction with other parts of the residence, as a home. The relief does not apply to room/s that are used for business purposes.

### 5. Limit on amount to be exempted

#### 5.1 Exempt amount

Since 1 January 2017, the annual limit on exempt income for rent-a-room relief is €14,000. In 2015 and 2016 the annual limit was €12,000 and from 2008 to 2014 the annual limit was €10,000. Where more than one individual is entitled to the income, the limit is divided equally between them.

#### 5.2 Income taken into account

The income that is taken into account in determining whether the relief applies is the amount arising to an individual for the use of a room or rooms in the qualifying residence in respect of their use as residential accommodation. Any amounts arising for meals, cleaning, laundry or other similar goods and services that are incidentally provided in connection with the residential use are also taken into account.

#### 5.3 Gross income

In establishing whether the income arising in respect of residential accommodation and ancillary services (see paragraph 5.2) exceeds the exempt limit, the gross amount of that income is taken into account. No deduction is allowed for any expenses that have been incurred in connection with obtaining the income.

This includes the normal expenses of maintaining the let room or rooms as well as any capital allowances<sup>5</sup> on fittings and fixtures that would normally be due were the income to be assessed as rental income (Case V). Such capital allowances are, however, deemed to have been granted – in other words, there is a notional writing down of capital expenditure on furniture, etc., for which wear and tear allowance would, but for this relief, have been granted.

This means that where an individual opts out of rent-a-room relief, the capital allowances deemed to have been allowed for the years of assessment for which the relief was claimed are not allowed in charging the individuals rental income to tax.

## 6. How rent-a-room relief is granted

### 6.1 Income below exempt limit

Where the gross income arising in a year from room rentals and ancillary services (where provided) does not exceed the exemption limit for that year, the income is exempt from income tax, PRSI, and the universal social charge<sup>6</sup>, as the case may be (see paragraph 8.2).

However, where the gross income exceeds the exemption limit, the taxable profits are computed in the normal manner, not just on the amount that exceeds the exemption limit.

Although the relief applies automatically, the rent-a-room scheme does not remove the obligation to make a tax return<sup>7</sup>. An individual who is required to submit an annual return of income must enter the amount of exempt rental income on the return (in the 'Exempt Income' section of the form). Returns of income must be submitted by the return filing date for the year of assessment in question. An extension to this deadline may apply where the Revenue online facility (ROS) is used to pay and file.

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<sup>5</sup> A deduction for wear and tear of fixtures and fittings in furnished lettings is available against rental income. The current rate is 12.5% per annum of the actual cost on a straight-line basis over 8 years (section 284(6) & (7) TCA).

<sup>6</sup> Section 3 Finance Act 2011.

<sup>7</sup> Section 216A(4) TCA

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[...]

## 6.2 Opting out of the relief

An individual is not obliged to avail of rent-a-room relief where the gross income is below the exemption limit. She can instead specifically elect to have the income assessed, in the normal way, as rental income under Case V, or under Case IV in relation to payments arising for the provision of goods or services in connection with renting the room/s. An election must be made for each year for which the individual does not wish the relief to apply. The election must be made in writing on or before the return filing date for the tax year. Where an individual is required to submit an annual tax return, the election is made by marking the relevant box in the 'Exempt Income' section of the return.

## 6.3 Time limit for claiming relief

A four-year claim limitation period applies to most claims for repayment of overpaid tax. This may be relevant where, for example, an individual pays tax on rental income without realising that rent-a-room relief applies to such income. A claim for relief is not possible where the claim is made more than four years after the end of the year in which the rental income arose.<sup>8</sup>

# 7. Interaction of rent-a-room relief with other reliefs

## 7.1 Allowance for rent paid – now abolished

Previously, an individual who paid rent for private rented accommodation that they used as their main residence was entitled to claim tax relief for the rent paid.<sup>9</sup> A tenant of an individual who claimed rent-a-room relief was entitled to claim tax relief for rent paid.

From tax year 2011 onwards, relief under this provision was only available to individuals who were renting a property as of 7 December 2010. The relief was withdrawn on a phased basis from 2011 to 2017 and is no longer available after 31 December 2017. For more information please see Tax and Duty Manual [Part 15-01-11](#).

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<sup>8</sup> Section 865 TCA

<sup>9</sup> Section 473 TCA.

## 7.2 Rent Tax credit

A new Rent Tax Credit was introduced by Finance Act 2022 and applies for the tax years 2022 to 2025 inclusive<sup>10</sup>. Guidance on the new Rent Tax Credit can be found in Tax and Duty Manual [Part 15-01-11A - Rent Tax Credit](#).

The Rent Tax Credit is available, subject to certain conditions where an individual is renting a room in their landlord's sole or main residence and the landlord is claiming rent-a-room relief in respect of the income received from renting that room. However, the rent tax credit is not available in a 'rent-a-room' type arrangement where—

- the tenant and the landlord are related, or
- a parent is paying rent on behalf of their child for a property used to facilitate their attendance at an approved course and that parent is related to the landlord.

## 7.3 Mortgage interest relief / Mortgage Interest Tax Credit

An individual's entitlement to mortgage interest relief<sup>11</sup> or the mortgage interest tax credit<sup>12</sup> on their principal private residence is not affected by the receipt of income that is exempted from tax under the rent-a-room relief scheme. For further information see [TDM 15-01-11B Mortgage Interest Tax Credit](#).

## 7.4 Owner-occupier relief – Living City Initiative

Rent-a-room relief may be claimed by an individual who rents out a room or rooms in their home where that home also qualifies for owner-occupier relief under the Living City Initiative. This relief requires the claimant to use the premises as their sole or main residence during the tax year for which they make a claim. For more information please see Tax and Duty Manual Part 10-13-01.

# 8. Interaction of rent-a-room relief with other taxes

## 8.1 Other rental income

An individual can avail of rent-a-room relief in respect of lettings in their sole or main residence where they also receive rental income from other property. Such income

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<sup>10</sup> Section 473B TCA

<sup>11</sup> Section 244 TCA

<sup>12</sup> Section 473C TCA as introduced in Finance (No. 2) Act 2023

is taxable in the normal way and has no effect on the availability of rent-a-room relief.

## 8.2 PRSI and universal social charge

Where the qualifying conditions for rent-a-room relief are satisfied, the income in respect of which the relief applies is exempt from PRSI and the universal social charge (USC).

Where the qualifying conditions for rent-a-room relief are not satisfied, the income is subject to PRSI and the USC in the normal manner. Please click here for [additional information on the USC](#).

## 8.3 Capital gains tax

Any gains made by an individual on the disposal of their principal private residence are generally exempt from capital gains tax (CGT).<sup>13</sup> Prior to the introduction of rent-a-room relief on 6 April 2001, the CGT exemption was restricted where part of the principal private residence had been let, regardless of the amount of rental income arising. However, since 6 April 2001 the CGT exemption is not restricted in respect of any period for which the vendor has availed of rent-a-room relief.

# 9. Registration of residential tenancies with the RTB

Landlords are generally required to register details of their residential tenancies with the Residential Tenancies Board<sup>14</sup>, including, for example, where the tenancy relates to a self-contained residential unit in the landlord's own residence. However, the requirement to register a tenancy does not apply where the landlord and tenant are sharing the same self-contained unit. Please refer to the [Residential Tenancies Board](#) website for further information. [NB – Revenue is not responsible for the content of external websites.]

# 10. How rent-a-room relief operates – some examples

### Example 1

John is renting a house that he occupies as his sole residence. He sub-let a room during 2023. His tenant paid him gross rent of €13,000. While the room was sub-let John spent €1,500 on repairs on maintaining the let room. John is entitled to rent-a-

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<sup>13</sup> Section 604 TCA

<sup>14</sup> Residential Tenancies Act 2004

room relief for 2022 as his gross income from letting the room did not exceed the limit (€14,000) for that year. However, the expenses of €1,500 are not taken into account as there are no deductions allowed for any expenses that have been incurred in connection with obtaining the income if the relief is granted. On his Form 11 or Form 12, as appropriate, John should enter €13,000 as his income which is subject to rent-a-room relief.

#### **Example 2**

Mary purchased a new house in April 2023 for occupation as her sole residence and decided to let a room. She received rent of €13,000 and €1,500 for providing meals to her tenant. Mary's gross income from letting the room and providing ancillary services was €14,500. As this amount exceeds the limit for 2023 (€14,000), she is not entitled to rent-a-room relief for that year. She is taxable on the total income of €14,500, less any allowable expenses.

#### **Example 3**

Anne is renting a property for several years and to earn some extra income decides to let a room to students in 2022. She receives gross rent including incidentals for food and laundry of €6,000 in 2022. Anne completes an online Form 12 for 2022 as she wishes to claim health expenses incurred in the year. She includes the gross rental income on the exempt income panel on the tax return. If Anne rents the room in 2023 and the income qualifies for rent-a-room relief she must complete an income tax return for 2023.

#### **Example 4**

Denis has a salary of €65,000. He has a rental property (separate to his sole or main residence) for which he received €20,000 gross rental income and on which he incurred allowable expenses of €1,000 (none of which relate to interest on borrowings used in the purchase, improvement or repair of the property).

In 2023 Denis spent €10,000 on preparing a basement flat in his sole residence for letting, €5,000 of which qualifies for wear and tear allowances. He let this flat for €750 per month for November and December 2023. He incurred allowable expenses of €500 on letting and legal fees in connection with this letting.

His taxable income for 2023 is as follows:

**(a) With rent-a-room relief**

	€	€
Salary		65,000
Rental income (other property)	20,000	
Less rental expenses	<u>(1,000)</u>	
[Gross rents (basement) 1,500]		
[Entered on return as exempt, not Case V]		
Net rental income		<u>19,000</u>
Total income for income tax, PRSI and USC purposes		<u>84,000</u>

NB – Although the income from renting the basement in his sole residence qualifies for rent-a-room relief and is therefore exempt from income tax, Denis must enter the income on his Form 11 tax return. No deduction is allowed for letting expenses.]

**(b) Without rent-a-room relief**

	€	€
Salary		65,000
Gross rents (other Property)	20,000	
less rental expenses	<u>(1,000)</u>	19,000
Gross rents (basement)	1,500	
Less rental expenses	<u>(500)</u>	1,000
Less wear and tear allowances (€5,000 @ 12.5%)	<u>(625)</u>	
Net rental income		<u>19,375</u>
Total income for income tax, PRSI and USC purposes		<u>84,375</u>

Denis elects not to claim rent-a-room relief for 2023. He is taxable on the rental income of €1,500 but can use wear and tear allowances (€1,250) and expenses (€500) to create a rental loss of €250 from the letting of the basement flat which is set against his taxable rental income from the other house.

Denis received rents of €9,000 for the basement flat in 2024. There are different implications if he:

- elects to claim rent-a room relief on income from the basement in flat in 2024 or
- continues to declare the rental income from the basement under Case V?

### I. Rent-a-room relief claimed in 2024

If Denis satisfied the necessary conditions and avails of rent-a-room relief, only the rental income from the other property is charged to income tax for 2024.

	€	€
Salary		65,000
Gross rents (other property)	20,000	
Less rental expenses	(1,000)	
[Gross rents (basement)]	9,000	
[Rent-a-room relief claimed as exempt income, not entered as Case V]		
Net rental income		<u>19,000</u>
Total income for income tax, PRSI and USC purposes		<u>84,000</u>

NB – if rent-a-room relief is claimed for the rental income from the basement, wear and tear allowances for that premises cannot be claimed.

### II. Without rent-a-room relief

If Denis elects not to claim rent-a-room relief, the computation is as follows

	€	€
Salary		65,000
Gross rents (other property)	20,000	
Less expenses	(1,000)	
Gross rents (basement)	9,000	
Less wear and tear allowances (5,000 @ 12.5%)	(625)	
Net rental income		<u>27,375</u>
Total income for income tax, PRSI and USC purposes		<u>92,375</u>