



HOME SWEET HOME

Working from home and the associated tax reliefs available (and those not available)

Since the start of the pandemic, millions of employees have been forced to work from home. As with most changes in life, there have been gains and losses, and whilst the pandemic overall has clearly been in the loss category, many have benefited from a re-set of priorities and work life balance. There is a tax advantage available for such employees, which is easy to access. In addition, there has been a relaxation of the rules, up to 5 April 2021, surrounding reimbursed expenditure, covering the situation where employees have purchased equipment to enable them to work from home and have then been reimbursed by the employer.

If your employer has required you to work from home, you have always been able to claim an amount, detailed below, from HMRC for the increased costs, such as light and heat, in respect of the time you are working from home. However, the current claim process only deals with whole tax years, even if you were required to work from home for a single day in the tax year, although this is highly unlikely given the pandemic and the various lockdowns. This change to being able to claim for the whole tax year applies to both 2020/21 and 2021/22.

Additional Household Expenses

Tax relief can be claimed, assuming you have had to work from home, as opposed to you choosing to work from home, on the additional household costs, such as heating, metered water, business calls, home contents insurance, a new broadband connection that are likely to be have been incurred. These household costs do not include fixed costs, such as mortgage interest, rent, council tax which do not change whether you are working from home or not.

Assuming the above criteria are met, then you can claim tax relief on;

- £6 a week from 6 April 2020 (the previous tax year was £4 per week) and you do not need to keep evidence of your extra costs
- The exact amount of extra costs you have incurred above the weekly amount and you will need to have evidence such as receipts, bills etc.

The tax relief that is available will be at your marginal rate of tax. The method for claiming the relief will depend on whether you complete a Self-Assessment tax return. The online portal for making the claim, where you do not complete a self-assessment tax return, was opened in mid-October 2020; the link to start the process is [here](#).

The online claim process asks a few simple questions and depending on your answers takes you to the Self-Assessment route or a direct claim. If you are making the claim directly, you will need a Government Gateway and this will need to be set up if you do not already have one in place – to do this you need your National Insurance Number, a recent payslip or P60 (if for 2020/21) and your passport. Other ID verification options are available but these are the most straightforward.

It is anticipated that most employees will claim the flat rate of £6 per week, given that no evidence of additional expenses is required. The online process, assuming you have a Government Gateway already set up, takes less than 5 minutes. When making the claim, you will be asked when you first starting working from home – if this was the start of lockdown, 23 March 2020, you will also receive an additional amount of tax relief for the two weeks in 2019/20 (at £4 per week). Once agreed by HMRC, the relief is given by way of a change to your tax code in the current tax year. At the time of writing this article, HMRC state they will check the claim by November 2021.

Assuming you started working from home on 23 March 2020, and are claiming for 2020/21, your tax saving, assuming the highest rate of tax you pay will be as follows;

20% tax payer - £64.00
40% tax payer - £128.00
45% tax payer - £144.00

An alternative to this tax relief, is for your employer to pay you £6 per week (or £26 per month) for these expenses and the payment is made to you tax free. However, if this is provided by your employer, you cannot claim the above tax relief.

Equipment, services and supplies

If an employer provides the employee who is working from home with equipment, e.g. a laptop, printer etc, then assuming that they are only for business use, and any private use is insignificant, then there is no taxable benefit. This rule also applies from 16 March 2020 to 5 April 2022, if the employer reimburses the employee for the cost of such equipment, assuming that the person is working from home due to coronavirus. Previously such reimbursements would have been taxable and from 6 April 2022 this rule revives. Where the employer reimburses the employee, the equipment will belong to the employee and therefore there is no taxable benefit should they keep the equipment. Where the employer purchased the equipment, they will have retained the ownership and therefore if ownership is transferred, the employee must pay its market value or be assessed on the value by way of a P11D entry.

Mobile Phones

The tax rules regarding the provision of mobile phones have not changed during the pandemic and hence the main way for mobiles to be provided tax free is where the employer provides the phone, the contract is between the employer and supplier, and the employer pays the contract.

If this is not the case, and the contract is in the name of the employee, the rules are more complex. In summary, they are as follows;

- Where an employee is claiming for itemised business calls, texts and data only (and this is evidenced), the cost reimbursed is not taxable.
- Where an employee is claiming for their fixed call plan (say £40 all-inclusive calls, data, etc), the cost will always be taxable.
- Where an employee is claiming for costs over and above the fixed call plan, if they can demonstrate that the additional cost relates to 100% business use, these costs will not be taxable.
- Where there is no justification for the costs being claimed, and so the split between the business use and personal use cannot be determined, the total claim will be taxable.

Broadband Internet

During the pandemic, working from home with a good broadband connection has become an important requirement for both employers and their employees. If an employee did not have a broadband connection, assuming there was a business led requirement for broadband to be installed, and the business arranged it, the amount can be provided tax free. However, where employees already had a broadband connection, and it is not possible to split the use between business and personal, any costs being reimbursed are taxable. In line with the approach for mobile phones, if it is possible to split the cost between business and personal, a reimbursement of the business element can be made tax free.

Working from home but not in the UK

As the pandemic has continued, and for much longer than originally envisaged by the majority of employers, there are various considerations required, for both the employer and employee, should the employee choose, on an ongoing basis, to work from an overseas base. Whilst this is to be the subject of a separate briefing, care must be taken as the employee could unwittingly be creating a number of issues for the employer, including creating a Permanent Establishment for the employer in the country they are working from (leading to corporation tax obligations) and causing the employer to have potential local payrolling and social security E and NI reporting obligations. There may also be other legal considerations, such as a right to work in that country.

Conclusions

There are various tax considerations for employers and employees which have come to the fore during the pandemic. Whether the working from home allowance for a whole tax year will continue, once offices are permitted to be fully open remains to be seen, but at present HMRC are not splitting the tax years between when people worked from home and were in the office, due to the additional administrative burden this would create. Once the workforce returns to the “new normal”, whatever that looks like, it seems certain HMRC will make further changes to the reliefs available.

The above information is a summary of the detailed tax rules and some of the consequences of working from home.

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