

## **Working from home – claim tax relief for your expenses**

An increasing number of employees work from home some or all of the time. Where they do so, they may be able to claim tax relief for the costs that they incur from working at home, regardless of whether their employer meets those costs.

### **Nature of expenses**

Where an employee works from home, they can claim tax relief for the extra costs that are incurred as a result of working from home. This may include the cost of phone calls from the landline, the costs of electricity and gas to heat and light the workspace, power the computer, and the cost of cleaning the workspace.

### **Wholly, exclusively and necessarily incurred**

The rules on claiming tax relief for employment are strict; relief is only available for those expenses incurred wholly, exclusively and necessarily in the performance of the duties of the employment. This is difficult test to meet.

### **Mixed business and private use**

Tax relief is not available for expenses that have both a work and a private element. This may prevent a deduction for, say, the cost of broadband which is used for both by the family for private use and also for work use. Likewise, no deduction for rent would be permitted unless a room was used exclusively for work, in which case a proportionate amount could be claimed.

### **Voluntarily working at home**

To be allowed to claim tax relief for additional expenses incurred as a result of working from home, the employee must be required to work from home, rather than doing so voluntarily. Under the letter of the law, the employee should be working at home because the duties of the employment demand it, rather than as a matter of personal choice. However, from a practical perspective, if the employee's contract requires that the employee works from home, either part time or on specified days or when required to do by the needs of the job, tax relief should be forthcoming.

### **Employer meets the expenses**

Many employees will be able to reclaim the additional costs of working from home from their employer. If the expenses are such that the employee would be eligible for tax relief, the tax exemption for paid and reimbursed expenses comes into play and the employer and employee can both ignore the reimbursement for tax purposes – there is no tax to pay and nothing to report.

### **Keep it simple**

To avoid the need to keep records and work out the additional costs of working from home, employers can pay a tax-free allowance of £4 per week (£18 per month) to employees who work from home. The amount is the same regardless of whether the employee works at home one day per week or five days a week. It may be possible to pay a higher amount if this is agreed with HMRC.

**Partner note:** ITEPA 2003, ss. 289A, 316A