

WHAT YOU CAN CLAIM. AND HOW?

Self-employed, a company director or an employee? You could claim for the extra expense of working from home.

Self-employed sole trader/partner

Option 1: Simplified expenses.

Claim a flat rate for your allowable expenses based on hours you work at home each month.

Option 2: Proportion of costs.

Calculate the percentage of business use for your home such as utility expenses.

Employee or company director

Option 1: Flat rate.

Use HMRC's allowance of £6 a week. This is an annual allowance of £312 for 2020/21 tax year.

Option 2: Proportion of costs.

Calculate the percentage of business use for your home such as utility expenses.

A CLOSER LOOK

Self-employed sole trader/partner

Option 1: Simplified expenses.

To qualify for the flat rate you need to work a minimum of 25 hours a week from home.

The flat rate rises in line with your business hours:

| | |
|-----------------|-----|
| 25 to 50 hours | £10 |
| 51 to 100 hours | £18 |
| 101 hours + | £26 |

Option 2: Proportion of costs.

Alternatively, you can work out your costs spent on the proportion of personal and business use of your home:

- Calculate the hours your home is used for business
- Next look at the proportion of your home used for business. How many rooms do you have?
- How many are used exclusively for business? What proportion are partially used for business?

CALCULATE YOUR COSTS.

This checklist will help ensure you miss nothing out:

- Light and heat
- Mortgage interest/rent
- Council Tax
- Water Rates
- Insurance
- Broadband
- Telephone
- Broadband
- Repairs specific to your working space
- Cleaning

Employee or company director

Option 1: Flat rate.

This is the simplest option. No receipts are required to prove your expenses.

You can claim £6 a week - an allowance of £312 for the 2020/21 tax year.

It's worth noting: If the employer reimburses the employee or director then HMRC doesn't consider it to be a benefit in kind and it isn't employee taxable. The employer can deduct this as a business expense.

On the other hand, if the employee isn't reimbursed, he or she can make a direct claim for tax relief from HMRC.

Option 2: Proportion of costs.

Ideally the employer should reimburse the employee for homeworking expenses. HMRC doesn't consider it as a benefit in kind and it isn't employee taxable. The employer can also deduct it as a business expense.

EMPLOYEE RESTRICTIONS:

Expenses can only be claimed if they are wholly, necessarily and exclusively incurred through employment duties. This excludes part-business/part private expenses.

Employee homeworking has to be agreed with employer. An employee cannot claim if he or she has chosen to work from home or have not established a working pattern i.e. working two days a week is fine but spending the odd evening clearing emails isn't.

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Claims are also limited to metered use of utilities and itemised telephone/mobile calls. However, if an employee has paid for broadband supply specifically to perform work duties then this is claimable.

Employee or company director

A higher claim is possible by setting up a rental agreement between the director and their limited company.

This allows the company to deduct rental payments from your company's pre-tax profit meaning that Corporation Tax relief will be obtained.

This must be a formal agreement to prevent HMRC classifying this as salary. Plus it needs to be on a commercial basis and at 'arms length'. Also you need to consider Capital Gains Tax issues where any part of your home is used exclusively for business.

LIKE TO TALK ABOUT THIS IN MORE
DETAIL? THAT'S WHY WE'RE HERE.

SO SIMPLY GET IN TOUCH.

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HERE TO ADVISE AND HELP...