



Independent Examiners

www.iel.org.uk

BRIEFING PAPER

WORKING FROM HOME

– Tax Issues –

INDEPENDENT EXAMINERS LIMITED

Sovereign Centre · Yapton Lane · Walberton · West Sussex · BN18 0AS

Tel: 01243 555611 · Email: support@iel.org.uk

Web: www.iel.org.uk

HMRC has recently updated its internal working from home guidelines. This is a summary of the current position. Please note that it is not exhaustive, but I will be updating it as new information is received. Make sure that where appropriate, you consult your accountant and have his approval on claims made under these arrangements.

1. The Tax and NI free sum that can be paid to Home workers (without keeping records) is raised from £2 to £3 per week. This applies to all home workers.
2. Employees who work from home because their job demands it can claim all their additional expenses. If these expenses are not reimbursed by the employer they can claim a tax deduction from their earnings from that employer.
3. Reimbursement: An employee may be reimbursed expenses incurred on accommodation, goods or services, provided:
 - a. Private use is insignificant
 - b. Supplies made outside the employers premises; their sole use is in performance of duties.
 - c. Examples: furniture, equipment, computers, secretarial assistance, couriers, post, stationery, telephone, internet, rent. Everything that is needed to allow an employee to do their job.
 - d. For some items there will be a benefits charge: vehicle, extension, conversion or alteration of accommodation. Mobile phones have their own rules.
 - e. Checklist of household expenses that can be claimed (proportionately where appropriate):
 - i. Light and heat
 - ii. Business rates if charged
 - iii. Internet access (subject to below)
 - iv. Additional insurance
 - v. Telephone calls (not line rental)
 - vi. Cleaning (if extra cleaning is required)
 - vii. Metered water
4. Employees working from home by choice: If there is a home working agreement in place, all reasonable expenses may be reimbursed without tax or NI being deducted.
 - a. These expenses should be negotiated with the employer, (not with HMRC). However if HMRC find them excessive, they can challenge them later, as disguised remuneration.
 - b. If the expenses claimed are above the £3 a week limit, they will need to be supported by claims based on actual costs supported by receipts.

5. Broadband and internet charges: If when the employment begins, broadband is already installed, there is no additional expense to be reimbursed. Any payments made in this respect must be subject to tax and NI. However if broadband needs to be installed, this is an additional expense which can be reimbursed.
6. Travelling expenses: Apart from the 40p per mile (for the first 10,000 miles), we understand that HMRC will accept claims without receipts for the following; Breakfast - £5, Lunch - £6, Evening meal - £10, overnight stay £60 + meals.
7. What does HMRC allow its own staff? UHY Hacker Young used the Freedom of Information Act to elicit the following information: They disclosed that staff do not have to submit receipts to cover claims, and some expenses can be claimed even though no money has been forked out.
 - Overnight stay in London - £100
 - Evening meal - £20
 - Meal allowance (when out of their office for more than 5 hours - £6.50, or £14 when away for more than 10 hours.
 - Drivers can claim 5p per mile for each passenger they carry
 - If staff choose to stay with friends or relatives when away, they can claim £25.

HMRC denies that it operates double standards, so these allowances could be used instead of those covered in 6 above.

8. How it works for one charity.

This is an e-mail I received from a very competent charity book-keeper in September 2007.

...I spoke to xxxx xxxx at HMRC at 9.45 on Friday xx of xxxx. The call was recorded so can be referenced at any time in the future. Explained that our office is closing and we want to give £50 a month to each of the 3 employees as a contribution towards the additional costs they will incur working from home. This is to cover additional heat, light, electricity and space taken up with work equipment. This was to cover costs and was not a benefit. She went and checked with a colleague and came back and said it was acceptable and would not be liable for tax or NI. They advised her to have a 'working from home' policy, with a clause in the employment contract to confirm that that the employee agrees to work from home and that £50 a month will be paid free of tax and NI as a contribution to the additional costs incurred.

Acknowledgements to Nicola Ross Martin, UHY Hacker Young and anyone else whose work I have inadvertently cribbed from.

Daryl Martin

COPYRIGHT:

This publication is the copyright of Independent Examiners Ltd. and may not be reproduced without permission. If you would like to reproduce or publish this material, permission should be sought in advance by emailing support@iel.org.uk or telephoning 01243 555611

DISCLAIMER:

This guide is intended only to give very general advice in relation to the topics covered. These guidelines should not be relied upon as a substitute for obtaining specific and more detailed advice in relation to a particular matter. This material may be drawn from a variety of sources and we give credit where we can. If we have failed to do this on any occasion please let us know so we can put it right.

INDEPENDENT EXAMINERS LIMITED

Sovereign Centre · Yapton Lane · Walberton · West Sussex · BN18 0AS

Tel: 01243 555611 · Email: support@iel.org.uk

Web: www.iel.org.uk