

## Working from Home – Sole Traders

Nowadays many of us are working from home. The question arises: what expenses can I claim against tax?

For the self-employed, working from home may mean a full-time home workshop or office, or simply occasional use for record-keeping, while most of the worker's time is spent out on the road.

The general rule for claiming expenses by the self-employed is whether the expense is incurred **wholly and exclusively** for the purposes of the trade. This rule has always been strictly interpreted, and traditionally has meant that, for example, the rental element of home telephone bills could not be claimed. The argument was that, because the rental is necessary before any calls whatever can be made, it was not exclusively for business; however, the charges for business calls themselves could be claimed (to the extent that they could be shown to be for business, by reference to the bill).

But recent new guidance from HMRC has modified and relaxed this view; they now say that wholly and exclusively applies "when part of the home is being used for the business then that is the sole use for that part at that time". So a room could be a home office during the day, and a playroom in the evening, and part of the expense of running the home can therefore be allowed; but it can't be a playroom at the same time as it is an office - which is probably just as well!

So how much can be claimed? It depends on the facts of the particular case - the amount will depend on the total household expenses; how much space is used, and for how long.

Household expenses: these include mortgage interest (but not capital – you may need to check your mortgage statement), insurance, council tax, general decorating and maintenance, cleaning, utilities, telephone and broadband.

Area might be one bedroom – say 15% of the living space (ignore kitchens and bathrooms).

How long the space is used for will vary depending on the nature of the work done – in some cases 50 hours a week or more; in others only a couple of hours.

In summary, someone who works full-time at home and has a large mortgage may be able to make a significant claim for use of the home; even occasional use for record-keeping may be well worth a claim.

There are some useful examples on the HMRC website at <http://www.hmrc.gov.uk/manuals/bimmanual/BIM47825.htm>

Two questions which often arise at this point are whether use of the home means that the householder should pay business rates; and whether exemption from capital gains tax for the private residence is lost. I can offer comfort on these points; the important factor is whether there is any *exclusive* use of part of the home. If not – as in the example above, where a room is part office, part playroom, there should be no difficulty. The Valuation Office has a useful guide at [http://www.voa.gov.uk/publications/public\\_fact\\_sheets/working\\_from\\_home.html](http://www.voa.gov.uk/publications/public_fact_sheets/working_from_home.html)