

## Working from Home – Employees

This article looks at the expenses which can be claimed by *employees* under “homeworking arrangements”. I’ll say straight away that there is much less scope for employees than for the self-employed.

These rules may be relevant to directors of small companies, such as those who have chosen to operate as a company rather than a sole trader, and are employees of their own company.

There are two situations:

- ◆ when the employer makes a payment to the employee (lets call him Jim) for working from home,
- ◆ and when the employer does not make a payment, and Jim has to make a claim either on his tax return, or on form P87. (This form can be used for all claims by Jim for unreimbursed work expenses, such as travel – but remember commuting is not allowable – and professional subscriptions).

### Rule 1

**No payment by employer.** Jim can claim £3 per week without supporting evidence, such as calculations of the additional oil or gas used for heating. The benefit to Jim is not actually £3 per week, but 20/40% of £3, depending on his tax rate. To claim more, it will be necessary to take meter readings before “clocking on” and again when finishing, to calculate the cost, or find some other method of measuring the cost of working at home. I hope Jim’s meters are conveniently located!

The rules are very strict, and the claim is only allowable if Jim is performing “substantive duties” which cannot be performed elsewhere, for example because the office does not have suitable facilities for the task.

- ◆ preparatory reading for a meeting does not count – it’s not “substantive” (even if it’s essential!)
- ◆ working at home through choice rather than necessity does not count
- ◆ but working at home because the firm has closed its local office does count.

### Rule 2

**Payment by employer.** This can apply when there is a regular arrangement to work at home, for either part or all of Jim’s time. The rule is more relaxed than Rule 1. Again, a £3 pw payment can be made without evidence of the actual costs, and in this case, Jim actually gets the £3, with no tax deducted. Jim can be paid more than this, either by

calculating actual costs, as above, or if his employer has agreed a reasonable scale payment with HMRC.

Comparing Rules 1 & 2, it is clearly better for Jim if his employer pays, and it would be worth Jim foregoing £3 pw of normal (taxable) salary for this modest benefit.

This may seem like a lot of fuss over £3 per week. However there are other possible tax-free payments for employees, which can in total add up to a significant package.

See the article on **Salary Sacrifice**.