

19 March 2020

## Payments for working from home

### Homeworking Allowance

Employers can reimburse employees for reasonable **additional costs** they incur while working at home under homeworking arrangements. This will include the additional costs of heating, lighting and metered water. Any increased charges for Internet access, home contents insurance or business telephone calls can also be covered, but not a portion of existing bills where there is no increase.

Council tax does not increase because of home working, but in the unlikely event that homeworking leads to liability for business rates the additional cost could be reimbursed.

An employee has no automatic right to any payment of expenses for working from home, unless agreed by the employer (either upon appointment or later), preferably in writing.

### Tax exempt payments

If an employer has chosen to pay a homeworking allowance, they can pay up to:

- £4 a week/£18 per month prior to 5 April 2020, or
- £6 a week/£27 per month from 6 April 2020

and treat these payments as exempt from tax, without further evidence, provided that:

- The employee needs to work from home (HMRC's online guidance says "*either because equipment they need is not available at their workplace, or their work means they have to live too far away from the workplace to travel there every day*", but Section 316A of the Income Tax (Earnings and Pension) Act 2003 simply says "*regularly performs some or all of the duties of the employment at home*")
- the amount paid is not more than their additional household expenses
- the amount paid is not more than the current weekly limit

### Payments above the limit

A payment above the weekly limit can still be tax-exempt, but the employee must provide (and the employer must retain) evidence of their additional costs (for example, extra gas, electricity and water) and the payment must do no more than cover these costs.

Employees will need to identify the additional cost of heating, lighting, water and power. This could be based on the energy usage of the equipment, the hours of use involved and the charges they are paying to the utility providers. Equipment power consumption can be found in the manual or on the manufacturer's website.

### **Multiple employers**

Where two or more employers pay the same person a homeworking allowance, they can each pay up to £18 a month tax free, provided that each employer is satisfied that the total amount paid (£36 if there are 2 employers) does not exceed the additional household expenses involved.

If the amounts paid exceeds the employee's extra costs, anything extra is taxable pay.

### **Telephone and internet**

Where a council reimburses telephone and internet costs, these are only exempt from tax in certain circumstances and the council should read the guidance carefully or take specific advice on the individual circumstances. If an employee already has telephone and internet connection, a contribution towards the existing cost is likely to be taxable.

Only where a specific connection is provided solely for business use is the payment likely to be exempt from tax and National Insurance. Any such payments should be supported by evidence of the costs involved.

### **Equipment**

Where an employer provides equipment, services and supplies to an employee who works from home, they do not have to report this or pay tax or National Insurance if these are only used for business purposes, or if private use is insignificant. This is different from a homeworking allowance, which is about extra household costs.

### **Guidance**

Guidance on all types of expenses is available online from HMRC, please read it:

<https://www.gov.uk/expenses-and-benefits-a-to-z>

<https://www.gov.uk/expenses-and-benefits-homeworking>

<https://www.gov.uk/expenses-and-benefits-homeworking/whats-exempt>

<https://www.gov.uk/expenses-and-benefits-home-phones>

<https://www.gov.uk/expenses-and-benefits-mobile-phones>

<https://www.gov.uk/expenses-benefits-subscriptions-professional-fees>

<https://www.gov.uk/expenses-and-benefits-travel>

<https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim21611>

<https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim01472>

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