Working from home?

Tax incentives you may be able to claim 2021-22

In this short update we have listed some of the tax incentives you may be able to claim if you choose or are required to work from home.

If you are employed:

- Employers can provide the equipment and supplies that an employee needs to work from home, such as office furniture, stationery, a computer and suchlike, without a taxable benefit arising, if ownership of the equipment remains with the employer and private use is not significant.
- Employers can also pay employees a tax-free allowance of £6 per week (£26 per month) to cover the cost of additional household expenses incurred because of working from home.
- If employers do not pay the above allowance (£26 per month), employees can claim an equivalent deduction from their taxable income.

If you are self-employed:

- If you are self-employed and working from home, expenses are deductible if they are wholly and exclusively incurred for the purposes of the business. This will apply to costs incurred in running a home office, such as cleaning, heat and light, Wi-Fi costs etc.
- If you don't want to keep a track of actual costs you can claim a tax office approved flat rate deduction. This ranges from £10 to £26 per month and depends on hours of business use.

If you run a company from home:

- Directors can charge their company a rent for use of a home office, but rents received in this way may be taxable.
- A company can meet costs paid by a director that are exclusively for business purposes.
- Beware claiming for the exclusive business use of space in your home as this may create a capital gains tax charge when you sell your home. This can be avoided if there is a duality of use, i.e., your home office doubles as a spare bedroom or storage area.

Need more help on this topic?

If you want to capitalize on the tax-free perks that are available to home workers, but you are unsure how to set up the arrangement in the most tax efficient way, please call, we can help you consider the options available.