

## **Tax implications of working from home**

Home working has become more commonplace – especially during the pandemic – whether remote working from the office or setting up your own business. However, there are tax implications to consider.

### **Employees**

The limits on tax relief for working from home have been removed for 2020/21. HMRC is permitting a claim for the entire year regardless of how many weeks of the year an employee has actually had to work from home. Employees can claim a tax-free amount of £6 a week to cover the additional costs of working from home from 6 April 2020, without the need to provide supporting evidence. HMRC has set up an online portal to make the claim process easier.

However, you can't claim if your employer is reimbursing the £6 a week allowance (or if you complete a self-assessment tax return). Relief is given by adjusting the 2020/21 PAYE coding, reducing PAYE over the remainder of the year.

### **Self-employed**

If you are self-employed there are two methods you can use to claim for additional running costs. You can calculate the proportion of your household running costs that relate to the business (which can be time-consuming), or alternatively if you work from home more than 25 hours a month you can claim 'simplified expenses' on a flat rate basis. This is currently £10 per month if you work 25-50 hours a month, £18 per month if you work

51-100 hours per month and £26 per month for over 100 hours.

As long as you only use a small part of your home, such as a bedroom or study to work from or to sell goods by post then business rates don't normally apply. However, if for example you live above your shop, clients visit your property to buy goods or services, you employ other people who work at your property or you've made changes to your property in order to run your business, e.g. converted the garage, then we would suggest you contact the Valuation Office Agency (VOA) to find out if you should be paying business rates.



One other tax issue to consider is capital gains tax. If the room or rooms you use to work in at home have dual use – they have a private use as well as business function – then Capital Gains Tax (CGT) shouldn't apply. However, if you have a specific office space, room or workshop that is only used for work purposes you will need to consider CGT if you decide to sell your property.

If you are an employer and you are unsure what information you should be supplying to HMRC regarding your home workers, or alternatively if you are self-employed and need help with your expenses and tax return please seek advice from your accountant.

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