

Working from home – expenses and tax (Lecture B1348 – 9.41 minutes)

Employees who work from home for some or all of the week have a limited range of expenses available to claim. This article looks at the key points to remember.

Travelling Expenses

Where the employer offers to reimburse travelling expenses for trips to the main office this is very unlikely to attract tax relief. This is because any journey with the employee's home at one end can only be tax free if the other end of the journey is a temporary workplace. Where the employee works from home for part of the week and at the office for the remainder, this is travel between home and the permanent workplace and is therefore regarded as 'ordinary commuting' which is not allowable for tax.

This means that if the employer reimburses this travel or contributes towards it, the amount is taxable as pay (not a benefit in kind) and should therefore be processed through the payroll and be subject to PAYE and NIC in the same way as any other pay.

Temporary workplace

A temporary workplace is somewhere the employee goes to perform the duties of the employment but attends the place to perform a task of limited duration or for some other temporary purpose.

When working from home for part of the week, trips to the office are neither to perform a task of limited duration, nor for another temporary purpose, the journey is merely made to perform the duties of the employment.

Once it has been established that a workplace is a temporary workplace, this is then subject to the limitation of the 24-month rule.

24-month rule

When an employee works at a temporary workplace, if they spend a substantial amount of their time there (at least 40% of their working time) for a period which is expected to exceed 24 months, the workplace is no longer a temporary workplace, and journeys from home lose their tax-free status.

The key part of this test is that tax free status is lost as soon as it is expected that the period will last more than 24 months rather than at the point it exceeds that time period.

Expenses at home

Employees can receive £6 per week tax free from their employer to contribute to heat and light and other household expenses. In the absence of a payment by the employer it is very unlikely that most employees would be able to claim any other form of tax relief on household expenses.

Telephone / internet expenses

If payments are made towards the cost of telephone or internet this can be made in addition to the £6 per week, but the payments will have to exclude private use by the employee.

Although HMRC's guidance does recognise that in some cases, additional internet costs might be incurred due to home working, it is unlikely in current times that additional costs would be incurred over and above what an employee would incur privately, so no tax relief would be available. In any event if the contract is in the name of the employee this can give rise to a national insurance liability, as the employer is meeting liabilities which strictly belong to the employee.

Mobile telephone

The employer could provide a mobile phone to the employee for work use. Even if the employee makes significant private use of the phone, it is an exempt benefit giving rise to no tax charge provided the contract for the phone is in the name of the employer.

Contributed by Rebecca Benneyworth