

SUPPORTING HOMEWORKING EMPLOYEES: TAX RELIEFS AVAILABLE TO THEM



With the announcement that schools will close to most pupils, almost everyone who can work at home will be doing so from 23 March if they are not already. This follows the PM's call to "stop non-essential contact with others and stop all unnecessary travel".

Setting aside the logistical, technological and data security issues of running an office-based business with its employees working in multiple locations, employers are also having to navigate the complex employment tax rules that apply to payments made to employees and whether these are taxable or not. This note describes the main rules applicable to homeworking employees.

What payment can I make to my employees to compensate them for using their home as a workplace?

Where an employee is working from home under "homeworking arrangements", their employer can reimburse the incremental costs incurred by the employee at a flat rate of £6/week or, if records are kept to justify the costs, the actual amounts spent.

"Homeworking arrangements" exist where, under an agreement between the employer and the employee, the employee works at home regularly under those arrangements. The arrangements need not be in writing and they do not need to apply to all employees.

While the government is recommending that employees work at home, it is expected that this will be accepted by HMRC as a "homeworking arrangement". The sustained period of homeworking is "regular" and it is mainly happening on instruction from the employer which would represent an "agreement".

Most of the costs an employee incurs in relation to their home are incurred regardless of whether they use it for work, for example, mortgage interest, rent, council tax or water rates. These expenses do not increase with use so these cannot be included in the incremental cost of working at home.

However, an employer can reimburse incremental costs such as additional costs of heating and lighting the work area, the cost of business telephone calls or the metered cost of increased water use.

This exemption cannot be claimed where the payment is made under a salary sacrifice scheme (i.e. the employee agrees to reduce their taxable salary by £6 per week in exchange for a tax-free reimbursement of £6 of homeworking costs).

If the employer does not make this payment to its employees, they cannot claim this on their tax return or a form P87 (see below) as a deduction from their earnings so this exemption only applies to payments made by the employer.

As access to technology is essential to effective homeworking, can I pay for my employees' broadband costs?

The monthly cost of an employee's broadband connection does not change with usage so HMRC will not allow a tax/NI exempt reimbursement of broadband costs. Any payment to employees towards an existing broadband connection would need to be put through the payroll in the same way as a payment of salary.

However, if the employee does not already pay for a broadband internet connection at home, and needs one in order to work from home under "homeworking arrangements", the broadband fee is an additional household expense that the employer can reimburse, tax-free as a homeworking expense.

What equipment or facilities can I make available to my employees without creating a tax problem for them?

There are certain essential items that employees need from their employers to enable them to work from home. The ownership of these items remains with the employer but they are made available to the employee to use in their home.

There is no tax or NI where an employer provides their employees with supplies and services that:

- are provided other than on the employer's premises (e.g. employees who work at home or while travelling), and
- are provided for the sole purpose of enabling the employee to perform the duties of the employment, and
- the employee uses in performing the duties of the employment, and providing any use for the employee's private purposes is not significant.

