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## HOME OFFICE GARDEN SHED OR WORKING POD – TAX ISSUES TO CONSIDER FOR SELF EMPLOYED INDIVIDUALS



The millions of people throughout the UK, now opting to work from home, has been the catalyst for the rising interest in the possibilities of buying or building a work-related shed, pod or garden home office.

As a self employed individual you have different tax implications to consider than a employer or employee. That being said, there are still numerous benefits offered through the use of a garden home office. In this Broadcast we cover the benefits and drawbacks of the following in relation to building a garden home office:

- Capital Allowances and Income Tax
- Capital Gains Tax
- VAT

If this is something that you are considering then any such plan requires close scrutiny. If you convert a shed, buy or build a new garden pod to use as your home office, you need to consider the tax implications.

### **Capital Allowances and Income Tax**

As a self employed individual you are able to claim capital allowances by offsetting this against your tax on your business profits. Running costs such as heating and lighting, water rates (if the supply of water is separately metered from your home) are all tax-deductible. Repairs, including redecoration costs are also tax-deductible.

## Capital Gains Tax (CGT)

When it comes to the selling of your main residence, you are entitled to a tax exemption called Principal Private Residence Relief (PPR) and don't have to pay CGT on any gains made from the sale of the residence. However, when a permanent garden home office is included with the property, and is used exclusively for business purposes, this relief will be restricted. When used exclusively for business purposes, that part will be subject to CGT, as it was all business and not your PPR. Therefore there will be little to no relief available on the proportions used exclusively for business. However, if there is dual purpose, where the space is used both for business and personal use, then you can still claim the main residence exemption on the whole property.

This business restriction can be avoided if the garden office is a structure that is able to be uninstalled and moved. IN this case, as it is not part of the property, there will be no CGT issue.

## VAT – the drawbacks

In relation to the ongoing running costs of the home office, VAT is also calculated based on the measurement of 'business use' versus 'personal use'.

VAT incurred on the cost of building the structure, furniture or furnishing of the office can only be fully reclaimed if it is used solely for business purposes. If the garden home office is being used for both business and private means, only the business proportion of VAT can be reclaimed.

Please note: if you use the VAT flat rate scheme this is decidedly more complicated and you must seek specific advice on your particular circumstances.

## Next Steps

To better understand the tax implications and to determine which option best suits your personal circumstances, we suggest that you speak to a member of our tax team for further clarification.

Call us on **01753 888211** or email **info@nhllp.com** we would be happy to assist.