

HOMEWORKERS' EXPENSES – TEMPORARY TAX EXEMPTION



The Government has introduced a temporary tax exemption and National Insurance disregard to ensure that home office equipment purchased by employees as a result of the COVID-19 outbreak, will not attract tax and NICs liabilities where reimbursed by the employer.

This temporary change applies for 2019/20 from 16 March 2020, and for the 2020/21 tax year.

To be eligible for the exemption the expenditure must meet the following two conditions:

- The equipment is obtained for the sole purpose of enabling the employee to work from home as a result of COVID-19; and
- The provision of the equipment would have been exempt from income tax if it had been provided directly to the employee by or on behalf of the employer.

Mobile phones

If an employer provides a mobile phone and SIM card without a restriction on private use, limited to one per employee, this is non-taxable.

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Internet connections

If an employee already pays for broadband, then no additional expenses can be claimed. However, if a broadband internet connection is needed to work from home and one was not already available, the broadband fee can be reimbursed by the employer and is non-taxable. In this case, the broadband is provided for business and any private use must be limited.

Laptops, tablets, computers, and office supplies

If items are purchased and mainly used for business purposes with incidental private use, these will be non-taxable.

Where the employer does not reimburse the employee for purchased items, the employee can claim tax relief for the expenditure on their tax return (or form P87) as long as the amount claimed is incurred 'wholly, exclusively and necessarily in the performance of their duties of employment'. Employees will need to keep records of their purchase and claim for the exact amount.

Additional household costs of working from home

Payment or reimbursement to employees of up to £6 a week from 6 April 2020 is non-taxable for additional household expenses incurred when an employee is required to work from home.

If an employer wishes to pay more than the guideline rate of £6 per week tax-free, then it is recommended that the employer should agree a scale rate in advance with HMRC. Failing that, records will need to be kept of the actual additional costs incurred by each employee.

Temporary accommodation

If an employee needs to self-isolate but cannot do so in their own home, the employer may reimburse hotel expenses and subsistence costs but such expenses will be taxable.

We hope you have found this information of use.

For any more details on this, please contact a member of our tax team, call 01753 888211 or email info@nhllp.com