

Homeworking Employment Tax Issues

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Employment Tax Issues

Homeworking issues to consider:

- What is homeworking
- Expenses
- Benefits
- Travel and subsistence

Homeworking

- In general an employee's 'normal place of work' is where they carry out the duties of their employment
- However, working from home, even on a regular basis does not necessarily result in the home becoming a 'normal place of work'
- Difficult to agree with HMRC that home is 'normal place of work' – unless duties require them to work there rather than anywhere else
- Where the home is not a 'normal place of work', relief may still be available for some costs where homeworking arrangements exist
- For homeworking, employer and employee should have agreement that work is to be performed at home on a regular basis – does not have to be every day but can be say one day a week
- Working at home in the evenings (after a day in the office) does not necessarily constitute homeworking

Homeworking expenses

- However, even though a home is not the 'normal place of work', an employee may be able to claim expenses for working at home
- Relief is available for additional expenses incurred by working at home such as:
 - Electricity
 - Gas
 - Business rates
- However not for costs such as:
 - Council tax
 - Rent
 - Mortgage

Payments for working at home

- Employer can reimburse additional costs incurred as result of working at home, however evidence of expenditure would be required; or
- Employer can pay £3 per week without any supporting evidence and this should not give rise to tax and NIC liabilities
- If no employer payments, employee can claim deduction
- However conditions for employee deductions are stricter, e.g. must be substantive duties, no appropriate facilities at the office, not based on choice

Other Issues

- Should consider other implications for example:
 - Capital Gains Tax
 - Business rates
 - Insurances
 - Health and Safety

Telephones and mobile phones

- Dedicated business use only - lines in the company name should not give rise to PAYE/NIC liabilities
- Mixed use – only itemised business calls entitled to tax and NIC relief (and none of the rental charge)
- Company mobile phones – no benefit charge even if personal use

Broadband and PDAs

- Broadband – potential relief where additional cost is incurred (e.g. employee did not already have broadband)
- If employee already has broadband in place any reimbursement could be liable to tax and NIC
- HMRC contend PDA is a computer and therefore any personal use, e.g. mobile phone element, could give rise to a benefit charge

Travel expenses

- The employee's office (not their home) often remains the normal place of work, therefore any home to office travel payments could liable to tax and NIC
- Should consider which employee journeys from home are business and which are personal

Other opportunities

- Car allowances are subject to PAYE and NIC together with mileage payments
- Where mileage paid is less than HMRC tax free rates employee can obtain the excess tax relief from HMRC
- May be possible to take advantage of the potential excess NIC relief
- Benefit of company cars and fuel for private use give rise to tax and NIC liabilities
- If employees have significant business mileage it may be best to consider alternatives
- If many employees are site, area or road based it may be possible to restructure pay, benefits and expenses to increase take home by agreeing tax and NIC free scale rate payments with HMRC and restructuring salary