

# ACTIVE PRACTICE UPDATES

MAY 2020



## WORKING FROM HOME DURING COVID-19

Can employees reclaim any expenses?

On Monday 16 March 2020, Prime Minister Boris Johnson told the public to work from home where possible in an attempt to contain the ongoing coronavirus outbreak in the UK.

For more than 1.7 million people it was business as usual, as they already worked from home for their main job, according to the Office for National Statistics' most recent Labour Force Survey published in March 2020.

But for the remaining 30m employees in the UK, lockdown has represented quite the cultural shift. While some have been furloughed for at least three weeks, others have lost their jobs or have childcare commitments, making it nigh on impossible to work from home during the pandemic.

Those who are able to work from home have probably enjoyed the joy of ditching the daily commute, experienced the increasingly blurred lines between work and home life, and the potential lows of isolation.

Most office-based workers will see their household bills increase as a result of being on the computer for at least seven-and-a-half hours a day, while broadband bills could soar, too.

While the self-employed have long been used to deducting certain expenses incurred through working at home from their turnover, the same is not true for employees.

The rules regarding what they can claim are much stricter, although they do have some statutory rights.

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### HEMWORKING RULES

Under normal circumstances, regularly working from home usually has to be formally approved by your employer and written into your employment contract.

If this is the case, specific rules can provide tax relief for additional expenses you incur while working at home.

This can include reimbursement by your employer for additional household expenses, providing office equipment – such as computers for private use – and travel costs for attendance.

Usually, where working at home is sporadic or optional, HMRC does not allow for tax relief to cover any expenses, and the test of proving your home is a workplace is normally difficult to meet.

However, due to Government restrictions on who can travel to work, it seems likely that HMRC will accept working from home is not optional for most employees and more will qualify. The Revenue, however, has not given any official indication on this.

Should your employer wish to reimburse you for your homeworking expenses, there are two ways of doing it.

If, however, your employer is unable to reimburse you via either of these routes, you can claim tax relief using either method through self-assessment or by completing a P87 online.

You cannot claim for anything that is used for both business and private use, and the expense must be solely incurred for work.

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### HOUSEHOLD EXPENSES

Following the Government's decision last month to extend lockdown measures by a further three weeks, most people will be working from home at least until 7 May 2020.

For all bar the key workers, that will mean around seven weeks of homeworking before the next review into relaxing the lockdown is due.

Your employer may be able to reimburse you for additional household expenses incurred during that time. This can include, for example:

- heating and lighting costs
- additional gas or electricity
- metered water use
- telephone calls
- internet access.

Incurred costs must relate specifically to a room being used to work within your home, such as an office or study, and they must be additional costs.

Fixed costs – mortgage interest, rent, council tax, water rates – whether you work at home or not, are not eligible for the relief.

Similarly, spending on office equipment or furniture is also excluded from being reimbursed without you paying a tax and national insurance charge.

However, these can be provided by your employer directly – without tax implications – provided the sole purpose of the equipment is to enable you to perform your work and private use is insignificant.

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## WEEKLY TAX LIMITS

HMRC does not expect you to calculate the precise amount of allowable additional costs you have incurred while working at home during the coronavirus crisis, or at any other time.

The Revenue will accept reimbursements of up to £6 a week (from 6 April 2020, prior to this date £4 a week), or £26 a month (£18 before 6 April 2020) if you are paid monthly, without the need for supporting paperwork. You are not required to justify that figure for each week you work from home.

If you are reimbursed more than £6 a week or £26 a month you will be expected to keep records and to show how your figure has been calculated. Failure to do so will result in tax and national insurance on the extra amount.

For example, it would be difficult to prove if you are making and receiving a lot of calls on your personal mobile phone as most packages include free phone calls.

However, if you have to pay more to increase your mobile data allowance or you exceed it and are penalised, you could easily demonstrate that to HMRC if it exceeds £6 a week or £26 a month in 2020/21.

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## HARDSHIP AND ACCOMMODATION

Many employers are tightening their belts in the current climate, reducing staff hours and salaries where possible.

Some, however, will have the capacity to support valued employees who are really up against it.

It's possible for an employer to provide a tax-free salary advance or loan of up to £10,000 throughout the whole tax year.

On the other hand, if you need to go into self-isolation but can't do so at home and your employer temporarily puts you up in a hotel, you would be liable to tax.

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## REPORTING BENEFITS TO HMRC

Where expenses reimbursed to employees, or paid by employers on behalf of employees, are directly related to the unusual working arrangements necessary to cope with the coronavirus outbreak but not covered by the exemptions, these will need reporting through the payroll or on form P11D.

For example, if your employer reimburses the cost of buying office equipment to use in your home it will need to be reported to HMRC via the above routes.

However, if your employer has provided these items directly to you to enable you to perform your duties at home, as long as any private use is insignificant, this doesn't need to be reported.

A beer fridge or ping-pong table, like the one back in the office, obviously couldn't be claimed in either scenario.

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## COULD IT SPARK A PERMANENT SHIFT?

With businesses forced to embrace remote working and staff becoming increasingly used to homeworking, the coronavirus crisis could permanently shift working patterns in the UK.

Firms, such as Zoom, have grabbed the opportunity to thrust video communication platforms into the limelight, while Google and Microsoft are offering free access to some premium tools.

Many employees of firms who told them to work from home are probably starting to question why they had to go into the office in the first place, especially with the technology already in place.

There are advantages for businesses, too, assuming employees have proven you can trust them to work without direct supervision during the COVID-19 crisis.

For example, as an employer, do you really need to be tied into a lengthy contract to occupy an expensive bricks-and-mortar office space when the lockdown restrictions are eventually lifted?

At the very least, if only a portion of your workforce is on site on any given day, you may be able to downsize into a smaller office, saving on rent and operating costs.

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