

WORKING FROM HOME DURING THE CORONAVIRUS (COVID-19) EMERGENCY

A GUIDE TO EXPENSES AND BENEFITS FOR EMPLOYERS AND EMPLOYEES

May 2020

The tax rules relating to expenses and benefits for employees working from home are complex but maybe up until the current emergency measures would only apply to a few. Now with so many businesses premises closed and millions of employees having to work from home, this is now relevant to so many.

Thankfully, the government and HM Revenue & Customs (HMRC) have recognised this and have introduced guides and amendments to legislation in view of the emergency measures.

Here is guide to some of the main issues: -

Which employees may be affected?

Employees working from home because:

- their workplace is closed
- they are following advice to self-isolate

It does not apply to furloughed workers who are eligible for the Coronavirus Job Retention Scheme.

Employees additional home working expenses

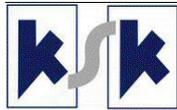
Where an employee works regularly from home under agreed “homeworking” arrangements their employer may pay up to £6 per week tax-free (increased from £4 per week from 6th April 2020).

Homeworking arrangements mean an agreement between the employer and employee under which the employee works from home regularly as part of their employment (not occasionally or informally at evenings or weekends).

On 26th March 2020, HMRC updated its guidance which confirmed that it will accept that employees who work from home either because their employer’s workplace is closed or the employees are following advice to self-isolate, fall within the homeworking arrangements.

The allowance is meant to cover additional household expenses, primarily additional heating and lighting costs. A payment of up to £6 per week can be made tax-free without any requirement for the employee to keep evidence of the additional costs.

If the employee’s additional homeworking costs exceed the tax-free allowance, the employer can reimburse the higher amount, although records need to be kept in evidence of the costs and where necessary, details of how the reimbursed amounts have been calculated.



TIP: we recommend that where employees are working from home, a written homeworking agreement is put in place, detailing the homeworking arrangements and the expenses covered. We can supply guidance on drafting such agreements.

Office furniture and computer equipment for working from home

Generally, if the employer purchases furniture and equipment to enable an employee to work from home and if there is no “significant private use” (see below), no taxable benefit arises. Due to the complexities of the employee’s benefits code, this would not necessarily be the case if the employee made the purchases and sought reimbursement from the employer. On 13th May 2020, this anomaly was addressed when a Treasury announcement confirmed that as a temporary measure for 2020/21, employers will be able to reimburse such expenses to employees without a tax charge arising. Further details will be published later this month when it is expected that the temporary measures will cover expenses incurred from 16th March 2020.

Mobile phones and SIM cards

Employers can provide a mobile phone and SIM card tax-free without any restriction on private use.

Broadband

If an employee is already paying for broadband at home, then no additional expense can be claimed.

If a broadband internet connection is needed to work from home and one was not already available, then the broadband fee can be reimbursed by the employer tax-free. Private use should be limited; it is advisable to have a documented agreement setting out the terms of use.

Additional costs of broadband would usually be included within the tax-free homeworking allowance.

Office stationery etc.

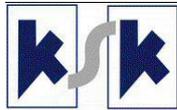
Where an employee purchases stamps, stationery, and other office consumables for the performance of their duties of employment, the employer can reimburse these expenses tax-free.

Home telephone calls and line rental

If an employer pays or reimburses an employee for their home telephone line; the payment or reimbursement is taxed as earnings from employment. The reimbursement of the costs of business calls can be made tax-free but where a homeworking allowance is being paid, the cost of business calls would be included. If the costs of business calls is over and above the homeworking allowance detailed records of the expenses will need to be provided.

The line rental cost of an additional telephone line for business use only at the employee’s home should not be a taxable benefit, but detailed records and a terms of use agreement should be kept.

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Personal protective equipment (PPE)

The provision by an employer of PPE for employees in the workplace is tax-free. This would include hand gel, face masks and protective gloves. HMRC have not yet commented on the provision of PPE for the use by employees when travelling to work, when say, using public transport.

Employer provided loans

An advance of salary or loan to help an employee at a time of hardship counts as an employment-related loan. Where the total value of loans provided in a tax year do not exceed £10,000, they are tax-free.

Temporary accommodation

If an employee needs to self-isolate but cannot do so in their own home, any reimbursement of hotel and/or subsistence expenses would be taxable.

Significant private use

This term is not defined in law, however, HMRC do require that the employer shows that where an item is provided to an employee there is no significant private use. A practical way of demonstrating this is to have a clearly worded policy on usage, setting out the circumstances in which private use may be made. Ideally such an agreement should be backed up by an employee signed statement acknowledging the policy.

If an employer decides not to recover the costs of private use, it should be made as commercial decision and not as a reward to the employee.

The measurement of significant private use is not one of time spent, it should be based on your employee's duties and the need for them to have equipment or services provided to enable them to perform their duties of employment.

Further Guidance

This is not an exhaustive list and there will be many instances that may not be specifically covered. We can help guide you in dealing with your particular circumstances.

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