

WORKING FROM HOME

If you are working from home, what are the tax implications?

Expenses

You are allowed to claim a fixed deduction for working from home of £156 per annum (£3 p/w).

You can claim more than this in some circumstances:

- if the expenses you incur are more than £156; and
- you carry out substantive duty (i.e. client contract work) from home, rather than just company administration.

To claim a higher level of expenses:

1 Add up all your household costs:

Heat and light
Home phone (if not already claimed on business)
Household insurance
Cleaning and miscellaneous running
Water
Council Tax
Mortgage interest (not capital)

2 These amounts should then be apportioned by reference to

- (i) the number of rooms in the house (excluding kitchens, hallways and bathrooms) and;
- (ii) the proportion of business use.

EG if 1 room of 5 is used 50% of the time for business, the claim will be household running costs x 1/5 x 50%.

Capital Gains Tax & Business Rates

Claiming a use of home as office figure does not impact on the long term capital gains tax status of your home, nor make you liable for business rates, so long as you do not have an area of your home set aside exclusively for business.

Insurance

Don't forget to make sure your household insurance covers business equipment. It's a good idea to tell your insurers you work from home.