



Working from Home - Employee Benefits (Updated 19/05/2020)

Non-key workers are encouraged to work from home in the current and foreseeable environment. This brings different challenges and one of these will be the additional costs which arise when working from home. Below is a recap of the benefits rules for reimbursement of expenses.

Working at home

Employers can make tax-exempt payments to an employee in respect of reasonable additional costs incurred for working at home. This must be under a homeworking arrangement where the employee regularly works at home, but also where employees are working from home due to coronavirus (COVID-19).

Payment or reimbursement to employees of up to £4 a week before 5 April 2020, and £6 a week after 6 April 2020 is non-taxable for additional house-hold expenses incurred when an employee is working from home.

If payments exceed these limits, the employer should keep records to provide evidence that the higher payments were wholly in respect of additional household expenses incurred by the employee in working from home.

Such costs include electricity, heating or broadband.

The exemption for expenses and benefits matched by an allowable deduction does not apply if the expenses are paid as part of a salary sacrifice arrangement.

Payment or reimbursement of business expenses

Payment or reimbursement of stationery or postage costs incurred for business purposes only are not taxable benefits.

COVID-19: Exemption for reimbursed home office equipment

The government is introducing a year-long exemption that means employers will not have to pay tax or national insurance contributions (NIC) on reimbursement of staff expenses for home office equipment purchased to enable them to work from home during the COVID-19 crisis.

In a written statement, Jesse Norman, The Financial Secretary to the Treasury, confirmed that the measure is being legislated. It will have effect from 16 March 2020 to 5 April 2021.

To qualify for the exemption, the expenditure must meet the following two conditions:

- the equipment is for the sole purpose of enabling the employee to work from home as a result of the coronavirus outbreak; and
- had the equipment been paid for and provided by the employer it would have been exempt from income tax.
- This could include: computer equipment, office furniture or internet access, for example.



Mobile Phones

If an employer provides an employee with a mobile phone, this is a tax-exempt benefit even if the employer is paying for the employee's personal telephone calls. The exemption is limited to one mobile phone per employee.

It is common in practice for employees, particularly those who are not office based, to be provided with a company mobile phone. HMRC recognise that there will inevitably be some personal calls made by the employee, but they have chosen not to treat this as a taxable benefit.

There is no exemption for phones made available to members of the employee's family or household.

Employees can claim reimbursement for business calls incurred while using their own mobile, excluding VAT, if the cost falls outside of their phone plan and is clearly identifiable on the invoice.

Laptops, tablets, computers and office supplies

Laptops, tablets, computers and office supplies provided to employees by the employer and mainly used for business purposes and with no significant private use are non-taxable.

Broadband

If the employee already pays for broadband no additional expenses can be claimed.

If the employee does not already pay for a broadband internet connection at home and needs one in order to work from home under homeworking arrangements, the broadband fee is an additional household expense that the employer can reimburse tax free. In this case the broadband is provided for business and any private use must be limited.

Employer Provided Loans - £10,000

A salary advance or loan to help employees at a time of hardship counts as an employment-related loan. Loans with a value below £10,000 in a tax year are non-taxable.

The employee will have no taxable benefit if the aggregate of all loans outstanding throughout the tax year is £10,000 or less.

The exemption is not available if the loan is paid as part of a salary sacrifice arrangement.

The impact of an optional remuneration arrangement (salary sacrifice) is not to change the nature of the taxation of the benefit, rather the amount under charge. Therefore, in the absence of voluntary payroll, the employer will need to include the loan in the employee's P11D and account for Class 1A National Insurance, not Class 1 NIC.

PAYE settlement agreement (PSA)

Any expenses or benefits related to COVID-19 can be reported on the employer's PAYE settlement agreement, such as:

Payment or reimbursement of home to work costs which counts as ordinary commuting.

Reimbursing expenses for office equipment purchased by employees, such as a desk and a chair.

If your employee needs to self-isolate but cannot do so in their own home, the employer can reimburse hotel expenses and subsistence costs, which are taxable benefits.

We are here to help you so do feel free to contact us should you have any questions; Viraj.Mehta@bournerbullock.co.uk