

Finance Bill 2025-26

Representation from the Association of Taxation Technicians (ATT)

Clauses 20 and 21: Updates to exemptions for expenditure deductible from employment income

Executive Summary

Clause 20 includes a new statutory exemption for the provision of home working equipment, eye tests and related special corrective appliances, and flu vaccinations. We welcome this, as it means there will be consistent treatment regardless of whether the costs are paid for directly by the employer or are reimbursed to the employee.

However, we feel that the scope of the exemption should be widened to include COVID vaccines.

Clause 21 removes the ability for employees to claim tax relief for additional household expenses incurred as a result of working from home, where these costs are not reimbursed by the employer.

We welcome the ability for employers to continue to reimburse genuine additional household costs of homeworking tax free. However, we feel that the fixed rate allowance should be increased to take account of increases in costs – especially energy costs – since the fixed rate allowance was last increased in April 2020.

1. Background

- 1.1. Existing legislation provides exemptions for eye tests and home working equipment, but employers have historically had to rely on trivial benefit rules to provide flu vaccinations without income tax or National Insurance implications. All of these exemptions currently only apply when the expenditure is arranged directly by the employer or, in the case of eye tests and flu vaccinations, the employer provides a non-cash voucher that the employee can use.
- 1.2. Currently, where these payments are instead incurred by the employee and reimbursed by the employer, there are income tax and Class 1 National Insurance charges via the payroll. This means that employees who are reimbursed will be out of pocket for the tax and National Insurance, and employers will also have to bear Class 1 National Insurance contributions on the amount reimbursed.
- 1.3. Separately, employees who work from home under homeworking arrangements with their employer are able to be compensated for additional household costs (such as additional utility bills and business telephone calls) without income tax or National Insurance implications, either based on actual additional domestic costs or alternatively at a £6 per week fixed rate. Where employers do not reimburse these costs, but employees are required to work from home, employees can instead claim income tax relief from HMRC, calculated using either method.
- 1.4. The [HMRC policy paper](#) states that more than half of claims by employees for tax relief for homeworking expenses have not been eligible, for instance where the employee *chooses* to work from home for part of their working week.

2. Changes introduced in Finance Bill 2025-26

- 2.1. Clause 20 introduces a new statutory income tax exemption for the provision of home working equipment, eye tests and related special corrective appliances, and flu vaccinations. This will give specific relief for those costs, regardless of whether arranged directly by the employer or reimbursed to the employee. Equivalent regulations are being introduced under Section 3(3) SSCBA 1992 for National Insurance purposes.
 - 2.2. Clause 21 introduces a new restriction so that employees will no longer be able to claim tax relief for additional household expenses incurred as a result of working from home.
 - 2.3. The ability of employers to reimburse the additional costs of homeworking, whether based on the actual additional household costs or the £6 per week fixed rate allowance, remains unaffected. However, no changes have been made to the fixed rate allowance since April 2020. In practice, employees will often opt for the fixed rate allowance to avoid the administrative burden of quantifying the actual additional household costs. This method also saves HMRC time and resources in having to ensure claims based on a proportion of actual additional costs are reasonable.
- 3. Consequences of proposed change**
- 3.1. There will be consistency in the income tax and National Insurance treatment of providing home working equipment, eye tests and related special corrective appliances and flu vaccinations.
 - 3.2. The proposed exemption does not currently extend to the provision of COVID vaccines, which some employers provide, or might provide if there were no income tax or National Insurance consequences for doing so. COVID vaccines often cost more than flu vaccines, so the trivial benefits exemption (which sets a £50 limit) is unlikely to be available in most cases. Expanding the scope of the exemption in Clause 20 to include COVID vaccines could encourage employers to offer these, which could reduce workplace absences.
 - 3.3. The restriction on claiming income tax relief on home working costs should prevent cases of relief being claimed where it is not due. There will, however, be cases where employees who are genuinely home based will lose tax relief and will suffer financially if their employers are unwilling to compensate them for additional costs arising from home-working.
 - 3.4. We welcome the continued ability for employers to reimburse genuine additional homeworking costs without income tax or National Insurance implications. However, the £6 per week fixed rate allowance that can be paid does not take account of increases in costs since April 2020. In particular energy prices have risen significantly since then – the Energy Price Cap for a dual-fuel, direct debit customer with typical consumption has risen by more than 61%¹ since April 2020 – which means that employees may be out of pocket based on the increased energy costs being incurred whilst working from home.

¹ Rising from £1089 in Winter 2019-20 to £1758 in Jan-Mar 2026, an increase of 61.4% ([source: Ofgem](#))

4. Recommendations

- 4.1. We recommend consideration be given to extending the scope of the new exemption for flu vaccines to include COVID vaccines.
- 4.2. Where employers continue to reimburse genuine additional costs of homeworking, we feel that the £6 per week fixed rate allowance should be increased to take account of increases in costs, especially energy costs, since April 2020.

Association of Taxation Technicians

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Note:

The Association of Taxation Technicians

The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has over 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.