

Employment Taxes:
An introductory guide to the tax implications of working from home and other related expenses and benefits



Chartered
Institute of
Taxation

Excellence in Taxation

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Introduction to Employer expenses payments and employees' claims for tax relief

This guide has been produced by the Chartered Institute of Taxation (CIOT) to help employees and employers understand the tax implications when employees are working from home.

This guide is intended for general guidance only, no responsibility can be accepted by the CIOT for loss occasioned to you or any other person acting or refraining from action as a result of any material in this guide.

If you wish to discuss any specific matter with a member, you can search for a local Chartered Tax Adviser (CTA) via our online directory which is available on our website <http://www.tax.org.uk/homepage> (click on 'Find a CTA' or click on <https://pilot-portal.tax.org.uk/utilities/ciot/find-a-member>). You will no doubt wish to discuss fees with the member you select during your first contact.

The basics

HMRC has published guidance for employers to "Check which expenses are taxable if your employee works from home due to coronavirus (COVID-19)". This has been reproduced in the Appendix and can also be read online at: <https://www.gov.uk/guidance/check-which-expenses-are-taxable-if-your-employee-works-from-home-due-to-coronavirus-covid-19>.

Generally, where expenses payments are made to, or benefits-in-kind are provided for, an employee they are deemed to have been made or provided by reason of that employment. They are regarded as part of the reward for the job. Consequently, the payments or benefits are taxable on the employee.

However, some expenses payments and benefits-in-kind are exempt from tax and, generally, employers can make tax and NIC free payments to an employee in respect of reasonable additional costs incurred for working at home, unless the employee is only working from home informally or occasionally.

This guide considers in more detail the main exemptions likely to apply where an employee is working from home. These include:

- ***Employer homeworking payments***
- ***Employer homeworking additional payments***
- ***Employer-provided equipment***
- ***Mobile phones***
- ***Home phones***
- ***Internet connection***
- ***Travel from home to a workplace***

We also look at the circumstances in which an employee can make a claim to HM Revenue & Customs (HMRC) for tax relief on the additional costs incurred in working from home, where that expense has not been met or reimbursed by the employer:

- **Unreimbursed homeworking expenses**

LITRG guides

The Low Incomes Tax Reform Group (LITRG) have produced a number of tax guides (<https://www.litrg.org.uk/tax-guides>) which employees may find helpful, including:

- Coronavirus - Access LITRG's latest guide on tax and related benefits - <https://www.litrg.org.uk/tax-guides/coronavirus-guidance>
- Employment - How to check your coding notice, as well as looking at employment expenses and benefits - <https://www.litrg.org.uk/tax-guides/employment>
- Employment benefits and expenses – including information on What if I incur expenses in connection with my job?, What travel expenses can I claim? and What tax relief is there for employees who work from home? - <https://www.litrg.org.uk/tax-guides/employed/employment-benefits-and-expenses>

HM Revenue & Customs (HMRC) guidance

There is further guidance on expenses and benefits on Gov.UK, including:

- Expenses and benefits for employers - <https://www.gov.uk/employer-reporting-expenses-benefits>
- Expenses and benefits: A to Z - <https://www.gov.uk/expenses-and-benefits-a-to-z>
- Expenses and benefits: homeworking - <https://www.gov.uk/expenses-and-benefits-homeworking>
- Expenses and benefits for directors and employees - a tax guide: 480 - <https://www.gov.uk/government/collections/expenses-and-benefits-for-directors-and-employees-a-tax-guide-480>
- 490: Employee travel - a tax and National Insurance contributions guide - <https://www.gov.uk/government/publications/490-employee-travel-a-tax-and-nics-guide>
- Employment Income Manual - HMRC internal manual - <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual>

Employer payments towards additional household costs incurred by employees who work at home

[Section 316A, Income Taxes (Earnings and Pensions) Act 2003 – Homeworker's additional household expenses]

[HMRC Employment Income Manual at EIM01471+ - Employment income: employees who work at home: arrangement of guidance - <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim01471>]

Where an employee works regularly from home under agreed '[homeworking arrangements](#)' (see below), their employer may pay up to £6 per week **tax-free** (see below) from 6 April 2020 (£4 per week up to 5 April 2020) without requiring supporting evidence of the cost.

If the employer pays more, then they must either:

- keep supporting evidence to show that the payment is wholly for additional household expenses incurred by the employee in carrying out the duties at home, or
- seek an arrangement with HMRC whereby they can pay a higher amount without a need to keep supporting evidence, or
- tax the excess.

Homeworking arrangements

A homeworking arrangement exists where there are arrangements between the employer and the employee such that the employee must work at home regularly under those arrangements. While the arrangements need not be in writing it is advisable that they are. The arrangements do not need to apply to all employees.

Note that the exemption does not apply where an employee works at home informally and not by arrangement with the employer. For example, it will not apply where an employee simply takes work home in the evenings. It only applies where an employee works at home by arrangement with the employer instead of working on the employer's premises.

HMRC's guidance indicates that where an employee is working from home due to COVID-19 either because the employee's workplace has closed or the employee is following advice to self-isolate, a homeworking arrangement will exist for this period. In any other case where an employee is working from home as part of an employer's response to COVID-19 it is advisable to agree with the employee in writing that homeworking arrangements exist.

Homeworking exemption

Tax exempt payments can be made to meet or reimburse reasonable additional household expenses that an employee incurs in carrying out the duties of the employment at home under homeworking arrangements.

Typically, this will include the additional costs of heating and lighting the work area and, if applicable, the metered cost

of increased water use. There might also be increased charges for internet access, home contents insurance or business telephone calls. Where working at home leads to a liability for business rates the additional cost incurred can also be included.

Note that it may be advisable for employees to check that their home insurance permits working from home and employers should check their insurances as regards equipment used outside the workplace.

The additional household costs must be reasonable and must be incurred in carrying out the employee's duties. This excludes costs that would be the same whether or not the employee works at home, for example mortgage interest, rent, council tax or water rates. It also excludes expenses that put the employee into a position to work at home, for example building alterations or the cost of furniture or office equipment (but see below).

Broadband

As noted above, the additional household expenses may include an employee's broadband charges in certain circumstances. If an employee who begins to work from home under homeworking arrangements is already paying for a broadband internet connection at home, there is no additional expense to be claimed. If the employer reimburses the employee's broadband internet charges in such circumstances the reimbursement is taxable. But 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 include within tax-free homeworking payments (see also below). In this case, the broadband would be provided for business use and any private use must be insignificant.

Homeworking exempt amount

An employer can agree to make a tax-free payment to an employee of £6 per week (£4 to 5 April 2020) where the employee is working regularly at home under a homeworking arrangement without the employer having to justify the amount paid.

If the £6 guideline rate is paid the employee does not have to keep any records to demonstrate the additional expenditure.

The £6 per week is likely to be sufficient for most cases, particularly where the additional costs are only for heating and lighting the work area.

However, greater amounts can be paid where the employee provides the employer with evidence to justify them and the employer agrees to pay that greater amount. This is likely to be relevant where the additional household costs go beyond gas, electricity and metered water, and include, for example, broadband costs (see above) and the cost of business telephone calls (if not included in an existing contract). Records and evidence need to be kept showing how the payments have been computed.

Employees' un-reimbursed household and equipment costs

[Section 336, ITEPA 2003 – Deductions for expenses: the general rule]

[HMRC EIM at EIM32760+ - Home: working from home - <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim32760>]

Office at home

Employees may be able to make a claim for tax relief on the difference between the cost of additional household expenses arising from working from home and the tax-free payment (if any) received from the employer contributing to these costs.

For example, an employee produces evidence that his additional household expenses amount to £9 per week. However, his employer makes a contribution of £6 per week towards those expenses. That contribution is exempt from tax under Section 316A. The amount the employee is able to claim tax relief on as a deduction from earnings is therefore £3 per week (from 6 April 2020), being the difference between his allowable, additional expenditure of £9 per week and his employer's reimbursement of £6 per week.

For a claim for tax relief on household expenses to be made it is necessary to evidence the expense has been incurred wholly, exclusively and necessarily in the performance of the duties of the employment. HMRC accept that these conditions are met where the following circumstances apply:

- the duties that the employee performs at home are substantive duties of the employment. "Substantive duties" are duties that an employee has to carry out and that represent all or part of the central duties of the employment;
- those duties cannot be performed without the use of appropriate facilities;
- no such appropriate facilities are available to the employee on the employer's premises (or the nature of the job requires the employee to live so far from the employer's premises that it is unreasonable to expect him or her to travel to those premises on a daily basis); and
- at no time either before or after the employment contract is drawn up is the employee able to choose between working at the employer's premises or elsewhere.

Where an employer's premises is closed or access is restricted as a result of the employer's response to COVID-19 and the employee is required to continue to perform the duties of their employment at home as a consequence (i.e. a 'homeworking arrangement' exists) HMRC may agree that the third bullet point above is met. This said, our understanding is that HMRC will only accept a homeworking arrangement exists for the purposes of an employee making a claim for tax relief for their additional household expenses where no facilities were available for the employee to work at the employers premises and there was no choice available to the employee other than to work from home.

Note also that at the time of writing clarification is awaited as to whether HMRC accept that for where an employee is working from home due to COVID-19 the fourth bullet point above will be treated as met for the period during which

the employee's workplace is closed and the employee has no choice other than to work from home.

Equipment

Generally, where an employee provides their own equipment in order to work at home no tax relief is available for the cost of that equipment.

However, where plant or machinery, such as a computer is necessarily provided by an employee, for use in the performance of the duties, the employee may be entitled to a deduction by way of capital allowances for depreciation related to its business use. No deduction is available however if the employee's employer would have provided the plant or machinery necessary to do the job, but the employee chooses to provide it instead.

Employer's provision of assets

[Sections 62, 203, 205 & 205A, ITEPA 2003]

[HMRC's EIM Manual at EIM21640+ - Asset transferred to a director or employee at undervalue - <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim21640> and EIM21873+ - Asset made available without transfer - <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim21873>]

If an employer gifts an asset to an employee, or sells it to the employee at less than the market value, a benefit-in-kind arises and the employee will pay tax (and the employer Class 1A NICs) on the value of the asset, or difference in value and amount paid.

A tax charge also usually arises where an employer provides an employee with the use of an asset, such as furniture or a TV set. The 'value' of the asset is usually the private use proportion of 20% of the cost of the asset and this is taxable as a benefit-in-kind. There are, however, a number of exemptions from this tax charge. We look at these below.

Equipment provided solely to carry out the duties of employment

Normally, equipment given solely to carry out the duties of employment is exempt from tax. The exemption is retained where there is some private use and that private use is 'insignificant'. However, where the equipment is also used outside work and that private use is significant, the exemption does not apply and a benefit-in-kind tax charge will arise.

The exemption would include office equipment and consumables provided by an employer to an employee for use other than at the employer's premises, and which are used by the employee in performing the duties of their employment, so long as private use is prohibited or insignificant. The conditions for exemption in this respect are:

- the employer's sole purpose in providing the office equipment must be to allow the employee to perform the duties of their employment
- any use of the equipment for private purposes by the employee is not significant
- that the equipment is neither the provision of a motor vehicle, boat or aircraft, nor involves the extension, conversion or alteration of living accommodation or a building on land adjacent to it, or the construction of a building on such land.

Equipment provided for disabled employees

Employees with a disability are not taxable on the benefit of the private use of equipment or services given by their employer to allow them to take up or to continue work (for example, a wheelchair or hearing aid).

Mobile phones and SIM cards

The provision by an employer to an employee of one mobile phone and SIM card including any line rental and calls for

that phone paid directly by an employer is exempt from tax, unless any of these can be converted into money by the employee, irrespective of whether there is any private use (i.e. there is no restriction on private use).

Money an employer pays to an employee to use their own mobile phone is however taxable. This said, an employer can reimburse the out of contract itemised business calls an employee incurs using their own mobile phone. Similarly, an employee can claim tax relief on the cost of out of contract unreimbursed business calls.

Employer's expenses reimbursements

[Section 289A, ITEPA 2003 – exemption for paid or reimbursed expenses]

[HMRC EIM Manual at EIM30210+ - Exemption for amounts which would otherwise be deductible: Introduction - <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim30210>]

Employers can pay or reimburse qualifying expenses in full. If the qualifying conditions are met these payments are tax-free. We consider below three expenses that are likely to arise where an employee is working from home and whether such expenses reimbursements are taxable.

Office stationery etc

The reimbursement by an employer to an employee of the cost of purchasing, for example, stamps, stationery and items of equipment for use by the employee in the performance of the duties of their employment is not taxable.

Office Equipment

The reimbursement by an employer to an employee of the cost of purchasing, for example, office furniture, computers, printers etc is taxable. HMRC say that the tax due can be reported and accounted for via the employer's PAYE Settlement Agreement (PSA).

The position may, however, be different where an employee makes a payment on their employer's behalf. For example, where an employer authorises an employee to purchase a monitor on the employer's behalf for delivery to the employee's home and for use by the employee in the performance of their duties. It would be advisable to seek tax advice in these circumstances (and, at the very least, it may be advisable for the invoice to be in the employer's name and business address, with the employee's address as only the delivery address).

Personal Protective Equipment (PPE)

The provision by an employer to an employee of PPE, including for example hand-gel or face masks, at the employer's workplace is not taxable. What is not clear is whether a tax liability arises where an employer provides employees with PPE for a journey to and from work by, for example, public transport.

Telephone calls and line rental

Where an employer pays or reimburses the cost of an employee's home telephone line the payment or reimbursement is taxed as earnings from the employment. The reimbursement of the cost of business calls only is tax-free but note that the cost of business calls will be included in the exemption for additional household expenses (see above) where the employee has a homeworking arrangement and the employer makes tax-free payments to the employee as a result of that arrangement.

Where an employer subscribes for a telephone line to be installed in the employee's home the cost to the employer is treated as earnings of the employee. Where a 'second' line is installed (for example, the employee has their own personal line and the employer pays for a dedicated business line) and this is restricted to business use only, the cost

to the employer is unlikely to be treated as earnings of the employee.

To the extent that an employer does not reimburse the cost of business calls an employee is entitled to claim tax relief by way of a deduction against earnings in respect of the cost of necessary business calls. Normally, no deduction is permitted for any part of the rental or standing charge for a telephone installed at the employee's home but where there is a genuine business need for a second telephone line at home and that line is used exclusively for business calls, a claim for a deduction for the rental of the second line is permitted (where not reimbursed by the employer).

Record keeping

We would suggest that employers record separately any expenses or benefits which are related to COVID-19. For example, expenses claim forms could include an indicator that an expense is in relation to COVID-19 and this could then be recorded in the employer's systems.

Where a COVID-19 related expense or benefit is taxable HMRC indicate that an employer can settle the tax and NIC due via their PAYE Settlement Agreement (PSA) rather than the employee (and employer) having to account for tax via payroll and P11D systems. This will allow employers to make a decision as to whether a particular expense or benefit is taxable at a later date rather than when the expense or benefit arises.

Employees Travel expenses – Working from home

[Sections 337, 338 & 339, ITEPA 2003]

[HMRC's EIM Manual at EIM31800+ - Deductions: travel expenses: general: contents - <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim31800>]

We consider below the tax treatment of business travel by employees and what counts as 'business travel' where an employee is based at home (either permanently or temporarily).

In general, the same rules apply where an employee personally pays for the travel (and is or is not reimbursed by the employer) and where the cost of the travel is met directly by the employer.

Where an employer does not reimburse in full the cost of qualifying business travel, employees are entitled to claim tax relief for the unreimbursed costs they are obliged to incur in travelling in the performance of their duties of their employment, or travelling to or from a place they have to attend in the performance of their duties – as long as the journey is not ordinary commuting or private travel.

Ordinary commuting

The cost of 'ordinary commuting' is not tax deductible and any expenses reimbursement received from an employer to meet the cost of commuting is generally taxable.

The term 'ordinary commuting' means any travel between a permanent workplace (i.e. your 'normal' place of work) and:

- home, or
- any other place which is not a workplace of that employment.

Home to work travel

In some cases, an employee may incur 'double' costs when commuting for work. For example, the employee has a rail season ticket but chooses to drive to work instead to avoid using public transport. While the employee may be entitled to claim a refund on their season ticket, if they cannot there is clearly a double cost incurred. In such circumstances, our understanding is that any reimbursement by an employer for the extra cost will be taxable.

Some employers may require employees (e.g. essential workers that are required to attend their normal workplace) to travel by taxi to ensure social distancing requirements are met (or require employees who would normally travel by public transport to use their own cars to meet social distancing requirements). Normally any costs met by the employer in such circumstances are taxable. This said, we understand that this is being looked at by HMRC.

Note that where a car-sharing arrangement exists between employees and this is temporarily unavailable the cost to an employer of a taxi home for an employee is exempt from tax.

See also below in relation to late-night taxis and disruption to public transport.

Exemption for travel plans

This general rule above for ordinary commuting does not apply to certain specific benefits provided through a 'travel plan'. Examples of what could be included in a travel plan include:

- a works bus provided by an employer that is available to all employees generally to transport them to and from work, and
- cycles or cycling safety equipment.

Travel in the performance of the employee's duties

The most common example of travelling in the performance of an employee's duties is travel between one workplace and another in connection with a single employment. The cost of such travel is incurred in actually carrying out the duties of the employment and is, normally, a tax deductible expense. However, the tax treatment can be different where one of the workplaces is the employee's home!

Travel to a place where attendance is in the performance of the employee's duties

It is generally the case that where an employee makes a journey to or from a 'temporary workplace' which the employee has to attend to carry out the duties of their employment the cost of travel is a tax deductible expense. A typical example might be where an employee has to travel directly between home and a client's office. It excludes journeys that constitute 'ordinary commuting' or 'private travel'.

Temporary workplace

A workplace will be a temporary workplace if an employee goes there for a temporary purpose for a limited duration – so long as that duration does not exceed 24 months and the duration is not the whole, or almost all, the length of their employment contract.

It is unclear at the present time whether HMRC will automatically accept that employees who are temporarily required to work from home rather than at their employer's premises in response to the COVID-19 crises can treat their home as a temporary workplace. We have asked HMRC for clarification and will update this guide when the position is clearer.

Therefore, it is important to consider whether, objectively, home is a workplace. If home is a workplace then qualifying travel will be a tax deductible expense.

Working from home

Where an employee performs substantive duties of their employment at home as an objective requirement of the job, their home is likely to be a workplace for the purposes of the 'travelling in the performance of the duties' rule.

Where this is the case the employee will be entitled to tax relief for the expenses of travelling from home to other workplaces as their travel is in the performance of their duties.

For example, where an employee lives in one part of the country and the company's nearest office is in another part of the country, it is not practical to attend that office daily and therefore if the employee is required to carry out the duties of that employment from home the employee will be entitled to tax relief for the expenses incurred in travelling from home to the company's office as well as any expenses for journeys to other work places (e.g. in visiting clients).

Thus, if objectively, an employee is currently required to work from home because they are not permitted to travel to their company's offices, most travel that they are required to undertake (where government guidelines permit) is likely to be travel in the performance of the duties of the employment and, thus, tax deductible.

Note, however, that where an employee is required to work at home on some days and at their company's offices on others, the travel between home and the company's offices on the days they are required to be there will be 'ordinary commuting' and not tax deductible.

Emergency call-out expenses

Where an employee has to travel to their permanent workplace unexpectedly / in an emergency, the cost of that journey does not normally qualify for tax relief. The same applies where the worker is on stand-by and is called out to attend their permanent workplace. Exceptionally, where an employee is required to perform duties both at home and while travelling in response to an emergency at a permanent workplace, the travel may be treated as a journey between two workplaces and, thus, tax relievable.

Employees using their own vehicle for business travel

Where an employee uses their own vehicle for a qualifying business journey (see above) an employer can make an "Approved Mileage Allowance Payment" (AMAP) to the employee. The approved mileage rates are 25p per mile for the first 10,000 business miles each tax year and 25p per mile thereafter. These payments are tax and NIC free. Where payments exceed the approved rates, the excess is taxable.

Where an employer does not make a mileage allowance payment, or makes a payment at less than the approved rates, an employee can make a claim for tax-relief on the difference between the approved rates and any tax-free reimbursement received from their employer. For example, an employee does 15,000 business miles and the employer reimburses the employee tax-free at a rate of 17p per mile, the employee can make a claim for the difference between 10,000 @ 45p plus 5,000 @ 25p less 15,000 @ 17p (i.e. £4,500 + £1,250 - £2,550 = £3,200). Tax relief will be given at the employee's marginal rate of tax (i.e. 20%, 40 or 45%, or the equivalent Scottish income tax rates if applicable).

Other employment related income tax exemptions that may be relevant during the COVID-19 crisis

We consider below some other benefit-in-kind tax exemptions that may be relevant at this time.

Employer-provided Loans

There is a benefit-in-kind tax exemption for loans from employers to employees up to £10,000. No tax charge arises where the total balance outstanding on all such loans throughout a tax year does not exceed £10,000. A salary advance is treated as a loan for these purposes.

If a loan is written-off or waived by the employer (rather than being repaid by the employee) the loan becomes taxable earnings at the point it is waived etc. For example, an employer provides an employee with a season ticket loan of £6,000, this is exempt from tax assuming there are no other loans because it is less than £10,000. The employee repays £500 per month. If, say, the employee was to make 6 months of repayments and the employer was to write off the remainder of the loan then the £3,000 written off is taxable as earnings.

Health-screening and medical check-ups

The provision by an employer to an employee of a maximum of one health-screening assessment and one medical check-up in any year is exempt from tax.

‘Health-screening assessment’ means an assessment to identify employees who might be at particular risk of ill-health.

‘Medical check-up’ means a physical examination of the employee by a health professional for (and only for) determining the employee’s state of health.

Counselling services to redundant employees and welfare counselling services to employees generally

The provision by an employer to an employee of the benefit of counselling services to redundant employees and welfare counselling, where this is made available to all employees generally on similar terms, is exempt from tax. For this purpose welfare counselling does not include:

- any medical treatment
- advice on finance or tax (other than debt counselling)
- advice on leisure or recreation
- legal advice

Late-night taxis

Where an employer pays for an employee's taxi for a journey from work to home, this represents a benefit unless four late-night working conditions are satisfied and the number of journeys is no more than 60 a year.

An employee who gets a taxi from work to home once a week (52 times in a year) does not qualify for this exemption unless all the late-night working conditions are satisfied, even though they've been provided with a taxi on fewer than 60 occasions in the year.

The late-night conditions that must be satisfied are:

1. The employee is needed to work later than usual and until at least 9pm.
2. Such late-night working occurs irregularly.
3. By the time the employee stops work, either public transport has stopped or it would not be reasonable to expect the employee to use it.
4. The transport provided is by taxi or equivalent road transport.

The 9pm rule – most restaurant or public house employees usually work later than 9pm and consequently when doing so they do not work later than usual, so they cannot satisfy the first condition.

The 9pm rule – this condition is intended to apply when someone is needed, on occasion, to work later than usual and until at least 9pm on an irregular basis.

Public transport – this condition is met where an employee's journey home requires taking two or more forms of public transport and one of those has stopped by the time of the journey home.

Disruption to public transport caused by strikes

Where public transport has been disrupted by strikes or industrial action an employee may incur extra costs travelling to or from their place of work. Where the employer provides reasonable amounts towards the cost or meets the costs directly the employee is entitled to tax relief for the amount paid by their employer. But where an employee spends more on ordinary commuting because of a disruption and the employer does not reimburse that sum, the employee is not entitled to tax relief for the extra expense.

It is unclear at present whether disruptions to public transport arising as a response to government advice in dealing with the COVID-19 crises will fall to be treated in the same way as above. We expect that government will clarify this point in due course.

Accommodation

Where an employer pays for or reimburses the cost of accommodation (for example, because an employee needs to self-isolate away from other family members, so cannot stay in their own home), the expense (including substance costs) is taxable.

However, where an employer pays or reimburses the cost of overnight accommodation and subsistence as part of qualifying business travel (i.e. where the employee is travelling on business and has to stay away from home as a result) the expense is not taxable.

APPENDIX

Guidance from HMRC:

Check which expenses are taxable if your employee works from home due to coronavirus (COVID-19)

Find out what equipment, services or supplies are taxable if your employees are working from home due to coronavirus (COVID-19).

Published 26 March 2020

From:

[HM Revenue & Customs](#)

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Who is affected

You could be affected if any of your employees are working from home due to coronavirus (COVID-19), either because:

- your workplace has closed
- they are following advice to self-isolate

Who is not affected

Furloughed workers who are eligible for the [Coronavirus Job Retention Scheme](#).

Type of equipment, service or supply

Mobile phones and SIM cards (no restriction on private use)

If you provide a mobile phone and SIM card without a restriction on private use, limited to one per employee, this is non-taxable.

Broadband

If your employee already pays for broadband, then no additional expenses 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 you and is non-taxable.

In this case, the broadband is provided for business and any private use must be limited.

Laptops, tablets, computers, and office supplies

If these are mainly used for business purposes and not [significant private use](#), these are non-taxable.

Reimbursing expenses for office equipment your employee has bought

This is taxable and should be reported on your [PAYE Settlement Agreements](#).

Additional expenses like electricity, heating or broadband

Payment or reimbursement to your employees of up to £4 a week (£6 a week from 6 April 2020) is non-taxable for the additional household expenses incurred when your employee is working from home.

If the claim is above this amount, then your employee will need to:

- check with you beforehand to see if you will make these payments
- keep receipts

Employer provided loans

A salary advance or loan to help your employee at a time of hardship counts as an employment-related loan.

Loans provided with a value less than £10,000 in a tax year are non-taxable.

[Further information on loans.](#)

Temporary accommodation

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

[Further information on accommodation expenses.](#)

Employees using their own vehicle for business

You can pay approved mileage allowance payments of 45p per mile up to 10,000 miles (25p per mile thereafter) free of tax and National Insurance contributions.

If you do not pay mileage allowance, your employee can claim tax relief through their Personal Tax Account.

[Further information on approved mileage allowance payments.](#)

Significant private use

For items which are taxable, exemptions for work related benefits must show that there is no significant private use.

HMRC accepts that where:

- your policy about private use is clearly stated to your employee and sets out the circumstances in which private use may be made (this may include making the conditions clear in employment contracts or asking employees to sign a statement acknowledging company policy on what use is allowed and any disciplinary consequences if the policy is not followed)
- any decision of the employer not to recover the costs of private use is a commercial decision, rather than rewarding your employee

Significant private use should not be based on the time spent on different uses. It should be based on your employee's duties and the need for them to have the equipment or services provided so they can do their job.

Record keeping

You do not have to keep detailed records of every instance of private use to prove a claim for exemption.

How to report to HMRC

Taxable expenses or benefits

Any expenses or benefits which are related to coronavirus can be reported on your PAYE Settlement Agreement.

This means you can settle tax and National Insurance contributions on any expenses or benefits, even though the responsibility would usually be on your employee, or on both you and your employee.

This applies to coronavirus related items only, for example, a new desk can go onto the PAYE Settlement Agreement, but a new sofa cannot.

If you are currently [payrolling benefits in kind](#), you may continue to report expenses and benefits through your payroll. You may also continue to report expenses and benefits through P11D returns.

Non-taxable expenses or benefits

Do not report to HMRC.

[Further information on non-taxable expenses or benefits for employees.](#)

Contact HMRC

Contact HMRC if you're an employer and need help and support on paying tax due to coronavirus.

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