

TAX RELIEF WHEN WORKING FROM HOME

Introduction

In this Bulletin we will be looking at homeworking and where to get additional information before highlighting the issue of tax relief when working remotely.

Homeworking: before and during (and after?) Covid

Even before the Coronavirus Pandemic swept across the UK, an increasing number of people aspired to greater flexibility in their jobs so that they could achieve a better work life balance, perhaps because of a need to accommodate caring responsibilities into busy lives. For those able to work from home, the added advantage was the savings that could be made by a reduction in travel costs.

Evidence for this was beginning to emerge in pre Pandemic ORR¹ Rail Usage Reports that showed a gradual decline in the purchase of railway season tickets but an increase in passengers travelling on daily returns.

With the advent of the Pandemic, the Governments of the UK introduced three separate Lockdowns and issued

instructions for people to work from home where they could. Subsequently, employers closed their offices and many employees found themselves at home, setting up a workspace on the kitchen table or in the spare room whilst also ensuring that their Broadband links were able to cope with the new way of working.

The prolonged period of staff working from home, followed by the subsequent ending of government CV19 measures requiring this form of working, now means that employees are having to think about what it means to return to the office.

In some businesses, especially in GB rail,^{2 3} this means that home working may continue for at least the time being as risk assessments recognise that now is not a time to expose people to the increasing threat of the Delta variant of Covid which is causing so many new cases – and just at a time when the UK Government has withdrawn the legal underpinnings behind previously enforceable measures.

¹ Office of Rail and Road

² ORR Agreement at: <https://www.tssa.org.uk/en/whats-new/news/index.cfm/office-of-rail-and-road-guidance-on-covid-measures>.

³ TSSA guidance for reps on the agreement can be found at: <https://www.tssa.org.uk/en/whats-new/news/index.cfm/covid-19-advice-to-reps-on-orr-guidance>

Homeworking: will it catch on?

On the other hand, working from home for at least part of the working week may become the new norm for many employees. This is because one of the effects of staff working from home has been that it has given employers a chance to re-evaluate their attitudes to insisting staff work from an office. Research by the Chartered Institute of Personnel and Development (CIPD) published in April 2021, revealed that 33% of employers had experienced an increase in productivity whilst another 38% had seen no change, a combined figure of 71%.⁴,

Recognising the productivity gains, alongside an increasing desire from workers to have more flexibility about where and when they work - as well as no doubt the advantages of being able to cut building lease and other costs – has meant some employers have either already or are actively considering regularising homeworking in some form.

TSSA action on homeworking

By far and away, the largest railway employer in Britain is Network Rail. It is also the company where TSSA has the largest number of members. In July 2020, the Union ran its “Remote Respect” survey that received over 3,000 responses⁵ and which showed that:

- Whilst issues of anxiety, internet connection and communication with colleagues were

highlighted, 95% of respondents wanted flexibility in their future working environment;

- 70% wanted a combination of working in the office and from home (ie, off site);
- 55% found it easy to work effectively from home;
- 50% thought they could work from home indefinitely.

Subsequently, TSSA took the issue up with the company but despite initially promising signs, a more recent lack of consistent application and a failure to consult on measures has led to a dispute situation arising.

Homeworking: sources of advice for reps and members

There are many factors to consider about homeworking (also known as remote working) and reps either involved in such discussions or being asked by members to raise this issue should be aware that they can find guidance from the following sources:

- The Labour Research Department booklet: “Negotiating the new homeworking landscape – a guide for union reps.” The booklet can be purchased for £11.25 from LRD and reps can claim a refund from their branch;
- ACAS: “Working from Home”. A guide which lists a number of factors to be considered. Available at:

⁴ Available at: <https://www.cipd.co.uk/about/media/press/010421homeworking-increased-productivity#gref>

⁵ See results at: <https://mailchi.mp/tssa/remote-respect-survey-results>

<https://www.acas.org.uk/workin-g-from-home>

- ACAS “Example Homeworking Policy”, following on from the previous guide, can be found at: <https://www.acas.org.uk/example-homeworking-policy>
- CIPD article: “Coronavirus (COVID-19): Flexible working during the pandemic and beyond.” The article is aimed at employers but useful for reps and which can be found at: <https://www.cipd.co.uk/knowledge/fundamentals/relations/flexible-working/during-COVID-19-and-beyond#ref>

Homeworking: are there any tax implications

There may be tax implications for people who work from home. This sounds very ominous but in what follows we attempt to highlight how this situation may arise, what is considered and what may be claimed:

- Additional costs of working from home:
 - Since 6th April 2020, £6.00 a week or £26.00 for monthly paid employees (£4.00 a week or £18 a month before that date)⁶ may be paid by the employer or claimed as tax relief by the employee⁷ to cover “reasonable additional costs” incurred by the homeworking employee;⁸

- Those additional costs are for things like heating and lighting, additional insurance, metered water, telephone or internet access charges. Costs that remain the same, such as mortgage interest, rent, Council Tax or water rates cannot be claimed for;
- The flat rate amount also applies to part time staff as well and does not have to be pro-rated;⁹
- To qualify, employees need some sort of home working agreement where they regularly work at home. For the tax years 2020/21 and 2021/22, the Government decided that employees required to work from home some or part of the time due to the Coronavirus Pandemic fulfilled the homeworking agreement criteria.¹⁰ It is expected that the homeworking agreement criteria will be reintroduced by HMRC for 2022/23;
- For tax years 2020-21 and 2021-22, Crowe Global report that HMRC will allow employees to claim for the whole of the tax years 2020-21 and 2021-22 as long as they worked from home for even one day in each period;
- ATT note, “there is no need for the employer to justify the

⁶ See: <https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim32815>

⁷ See: “Return to Office and Hybrid Working” by Andy Hamman, Director, Employment Tax, at Crowe Global. Published 9th June 2021 at: <https://www.crowe.com/uk/insights/return-to-office-and-hybrid-working>

⁸ See ATT article.

⁹ ATT “Home Sweet Home: tax relief and home working” updated 30th June 2021 and available at: <https://www.att.org.uk/home-sweet-home-%E2%80%93-tax-relief-home-working>

¹⁰ See: “Which employees are eligible” section in ATT Home Sweet Home article above.

expenditure and the employee does not need to keep records of their additional cost.”

However, that is different if the employee seeks to claim above the amounts quoted above as they would be required to provide evidence in the form of receipts;

- Reimbursement for purchasing office equipment

No tax liability arises where employers provide office equipment directly to their employees working at home.

Where employees purchase equipment like desks, chairs, monitors, etc and then claim reimbursement, their claim will be subject to tax.

During the two Covid tax years (as described above) this tax requirement will not apply;¹¹

- Travel costs

The issue here is that of whether homeworking is an occasional, informal matter or whether a proper homeworking agreement is in place:

- *Working from the office*

An employee provided with a designated workspace in their employer’s premises is likely to be regarded as permanently employed at that location. They are unable to claim reimbursement for travelling to their work location and, if they

do, it will be subject to tax.

- *No formal agreement but ad hoc or occasional option*

This remains the situation where a person may occasionally take work home for an evening or if they arrange to work from home for a day.

- *Formal agreement at employer’s request*

However, if a formal home working agreement is in place which would probably involve the employee having a dedicated workspace in their home, the situation can be different. The key element is that the “agreement cannot have originated from the request of the employee. The employer must initiate any such arrangement on the basis that no dedicated office space is available (present or future) at the firms offices/premises.”¹² On this basis, “the costs of travel to any other workplace (of the employer or perhaps customers/clients) would not be taxable, if reimbursed.”

All of this may sound terribly complicated but the crux is if reimbursement for travel is not available then the employee will not encounter the tax issue.

Reps’ Action

Reps and branches are asked to share the contents of this Bulletin with their members and colleagues.

¹¹ Crowe Global article as previously referenced.

¹² See Crow Global article.

TSSA would stress the need to read and thoroughly, and objectively, digest the contents of the documents, referenced in the footnotes and suggested for further reading below before raising any claims with your employer. This is especially true of the taxation issues (which your employer may even be willing to help you with).

Acknowledgements and references

TSSA wishes to acknowledge all of the sources that appear in the footnotes and which were used to produce this Bulletin.

Further reading and information on taxation issues

Tax is a complicated subject. The following online articles have been consulted and TSSA wants to credit the professional authors who have compiled them:

“Return to Office and Hybrid Working”
by Andy Hamman, Director,
Employment Tax at Crowe Global.
Published 9th June 2021. Article
available at:
<https://www.crowe.com/uk/insights/return-to-office-and-hybrid-working>

“Home Sweet Home – tax relief and home working” published by
Association of Taxation Technicians.
Updated 30th June 2021. Available at:
<https://www.att.org.uk/home-sweet-home-%E2%80%93-tax-relief-home-working>

“HMRC Internal Manual: Employment Income Manual.” Updated 23rd April 2021. Available at:
[https://www.gov.uk/hmrc-internal-](https://www.gov.uk/hmrc-internal-manuals/employment-income-manual)

[manuals/employment-income-manual/eim32815](https://www.gov.uk/hmrc-internal-manuals/employment-income-manual/eim32815)

“Employee Expenses: Homeworking rules and expenses” published by Tax Aid. Available at:

<https://taxaid.org.uk/guides/information/issues-for-employees/employee-expenses/homeworking-rules-and-expenses>

Disclaimer

TSSA is not in a position to be able to give tax advice. What appears in this Reps Bulletin is meant to enable reps and members to consider the potential issues. For professional advice, members should approach an appropriately qualified tax professional.