



WFH and What it Means for Your Taxes

Businesses around the world are seeing the substantial benefits of remote working post-Covid-19. However, the new 'norm' that WFH brings comes with potential tax implications for employees working from home likely to incur higher bills than they would have done if they had spent all day in the workplace.

James Turner, Director, Turner Little

Businesses around the world are seeing the substantial benefits of remote working post-Covid-19. With more flexible work policies in place, and workers considering this new normal, the standard 9-to-5 workday is fast becoming a thing of the past.

A common concern amongst millions of people, however, is what, if any, concessions employees can claim because of their new workplace arrangements. Even before the pandemic, employees working from home could claim for increased costs, like heating or electricity bills, for the specified time at home. So, what's changed now?

During the 2020 lockdown, the UK's HM Revenue & Customs (HMRC) launched an online portal that allowed you to claim a whole year's tax relief, even if you only needed to work from home for a day. This applies to 2020- and 2021- tax years, allowing many employees to get two years' tax relief, worth up to £280.

Is everyone eligible to claim?

Unfortunately, not everyone is eligible to claim tax relief, so you'll need to check first using a government tool (<https://www.tax.service.gov.uk/claim-tax-relief-expenses/only-claiming-working-from-home-tax-relief>). To make a claim, you must:

- Have been instructed to work from home by your employer. Employees who choose to work from home cannot claim tax relief.
- Declare that you have incurred specific extra costs as a result of working from home.
- Not be receiving a working from home allowance directly from your employer.
- Not pay tax by self-assessment.

How much can I claim?

By claiming tax relief, yourself and not from your employer, the amount you can claim depends on your income tax rate. It's also important to note working-from-home tax relief is an individual benefit, so multiple people in one household can claim:

- Basic-rate taxpayers get a tax relief of 20% on £6, which equates to £1.20 a week, or £62 per year.

- Higher-rate taxpayers get a tax relief of 40% on £6, which equates to £2.40 a week, or £125 per year.
- Top-rate taxpayers get a tax relief of 45% on £6, which equates to £2.70 a week, or £140.40 per year.

If your costs have incurred an increase of more than £6 per week, you can claim more, but you will need to apportion these extra costs specifically to the fact you're working from home.

If you didn't claim during the 2020-21 tax year but worked from home, you can backdate your claim for up to four years. This means you would receive a full year's payment in your next payslip.

How do I claim?

To claim working-from-home tax relief, employees can apply for free via GOV.UK (<https://www.gov.uk>). Once your application is approved, your tax code will be adjusted for the tax year. That way, your employer will know how much to take from your pay.

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James Turner
Director
Turner Little

Tel: +44 (0) 1904 73101

<https://www.turnerlittle.com/>

James Turner, Director at Company Formation Specialists, Turner Little, has a proven track record in helping clients maximize their assets in creative and bespoke ways. He is directly responsible for sales and marketing, with considerable specialist knowledge of UK and offshore banking.

James doesn't just have drive in the world of business. In his spare time, he has a passion for fast cars and boats.

