

Working From Home Allowance

Due to the impact of COVID-19 many employees have been working from home and may be eligible for a tax-free allowance/tax relief. **Employers have the option to give an allowance of up to £6 a week tax free to employees working from home OR employees can claim tax relief on £6 a week.**

Employer reimbursement

Employers can give an allowance of up to £6 a week tax free (£26 per month) to employees who are regularly working from home **to help cover additional expenses** incurred while doing so.

Per HMRC guidance an employee is working from home regularly if it is frequent and follows a pattern. There must be a requirement for the employee to work at home and it is recommended to have this in writing.

During the COVID-19 pandemic, HMRC will accept employees working from home due to their employer's premises closure or if they are following advice to self-isolate. **Employees are eligible for the tax-free allowance from the date the employer agreed they could work from home or from when the initial government advice to work at home was announced.**



There is no requirement for the employer to pay an allowance to employees – it is something employers can choose to do. The allowance is in addition to the employee's contracted pay.

Employee tax relief

If the employer decides not to pay an allowance, employees are eligible to claim tax relief on £6 a week. This equates to a tax saving of £1.20 per week for a basic rate taxpayer and £2.40 a week for a higher rate taxpayer. **The employee will not receive this as a cheque but rather as an adjustment to their tax code and their net pay adjusted.**

Due to the impact of COVID-19, HMRC have changed the requirements for claiming this tax relief. For the tax year 2020/21 employees need only to have been required to work from home for one day in the year and incurred additional expenses doing so, to claim tax relief for the whole year.

Employees must claim this relief themselves and HMRC have created a dedicated web page to help employees make their claim: <https://www.gov.uk/tax-relief-for-employees>

Key considerations

It is important that both employers and employees understand that **only one of the above options is permissible** i.e. the employer pays the employee a tax-free allowance OR the employee claims tax relief through HMRC. The employee cannot receive the allowance and make a separate claim with HMRC for tax relief. If employers are considering paying their staff the £6 per week allowance, we recommend that they inform staff that they should not also make a claim for the tax relief and if they have done so already, they should contact HMRC.

The requirements for working from home have been relaxed in the current tax year (2020/21) due to the COVID-19 pandemic. Employers who would like to continue to pay this allowance in future years will need to make sure their employees continue to meet HMRC's home working requirements.

If you need advice on anything covered in this article, please email info@thomsoncooper.com or call 01383 628800.



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