

Working from home allowances for partners

At the outset of the COVID-19 pandemic, HMRC announced the extension of the working from home allowance for employees, and made it easier to claim where staff have been required to work from home as a result of the various lockdowns.

There is a similar allowance that can be claimed by the self-employed and therefore applies to partners in partnerships.

The allowance is intended to cover the additional costs of running your household when working from home, such as water, heat, and light. It also includes an apportionment of rent, mortgage interest, council tax, insurance, etc. The basis of the claim can either be actual expenditure incurred or the simplified flat-rate scheme.

Actual expenditure

Determining the actual costs of working from home is not a straightforward calculation. Various factors need to be considered including the hours worked, the length of time it was used for, and the amount of space used – for example, if a spare room is used for eight hours a day across nine months, and the room takes up one tenth of the size of the house, then all these factors will be needed to calculate the proportion of additional costs available to claim.

Partners will need to carefully consider claims made relating to business use. Claiming that a room, in particular a garden office, was used exclusively for business purposes could impact on Capital Gains Tax (CGT) when the property is sold, as private residence relief may no longer be applicable. Records will need to be retained for at least six years, perhaps longer if a CGT claim is involved. Exclusive use may cause problems with council tax (ie do business rates apply?) and home insurance policies.

Flat-rate scheme

The simplified scheme depends on the number of hours worked during a calendar month, which may vary depending on holidays, sickness, part-time hours, and other non-working periods.

Partners who are required to keep timesheets may find these useful in determining the hours worked to support a claim.

Depending on the hours worked, the amounts that can be claimed are as follows:

Hours worked in a calendar month	Monthly deduction
25-50	£10
51-100	£18
101 or more	£26

Thus, the maximum claim would be £312 per partner, generating tax and National Insurance relief of around £146 for additional rate taxpayers and £131 for partners paying higher rates of tax.

The flat-rate scheme is not available if the partnership includes a limited company as one of its members.

How to administer the claim

Each claim should be assessed independently, and the rates claimed will vary depending on each partner.

Partners could submit an expense claim for costs incurred and be reimbursed by the partnership; the cost would then be a deduction against profits within the partnership accounts.

If costs are not reimbursed, claims could be included as an adjustment to the partnership's tax return. The relevant claim for each partner should be set against their own profit share rather than split equally across the partnership.

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Partners should not make claims independently through their personal tax returns as this could lead to an enquiry if HMRC cannot reconcile the profit share on the partnership return to that reported individually.

What else can be claimed

Any extra assets bought for use at home, such as chairs, desks, and computer and printing equipment could be available for capital allowance claims.

Telephone line rental and call charges, either landline or mobile, and internet costs are not included within the working from home allowance. The business element of these could therefore be claimed separately. However, with the expanded use of computer-based phone calls through Skype or Teams, and video-conferencing apps like Zoom, the actual business-apportioned cost of these may be limited.

Which option to choose

Each partnership will need to decide for itself.

Actual expenditure may be higher claim than the flat-rate scheme but will be more complicated to administer, and detailed records will need to be kept justifying the calculations used.

The flat-rate scheme may result in a lower claim but is much easier to administer and claims could be based on record-keeping through timesheets that might already be available.



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