



PAYMENTS BY EMPLOYERS TOWARDS THE INCIDENTAL COSTS OF HOMEWORKING

Who is likely to be affected?

1. Employees who regularly work at home under agreed flexible working arrangements and whose employer contributes to any additional household costs they incur in doing so.

General description of the measure

2. When an employer contributes to additional household costs incurred by an employee, who works some or all of the time at home, the employee would normally be chargeable to income tax on the payment. This measure means that employers will be able to meet some or all of the incidental household costs incurred by employees who work at home without it giving rise to a tax charge. Such payments can already be made without giving rise to a NICs liability.

Operative date

3. 6 April 2003.

Current law and proposed revisions

4. Under income tax law any payment by an employer towards additional household costs incurred by an employee who works at home would normally give rise to a tax charge in the hands of the employee. The proposal announced today will introduce a specific exemption covering such payments.

5. To minimise the need for record-keeping employers will be able to pay up to £2 per week (£104 per year) without supporting evidence of the costs the employee has incurred.

6. If an employer pays more than that amount, the exemption will still be available but the employer must provide supporting evidence that the payment is

wholly in respect of additional household expenses incurred by the employee in carrying out his duties at home.

Further advice

7. If you have any questions about this change, please contact the Public Enquiry Unit on 020 7438 6420 to 6425.

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