

Tax Frequently Asked Questions

Who should read this?	Managers and employees who have tax related questions regarding flexible working.
What does it cover?	Information about how tax could be affected by flexible working. This advice is current as at May 2014. For detailed up to date advice please consult Her Majesty's Revenue and Customs (HMRC) web site at www.hmrc.gov.uk
Related articles in Toolkit	Introduction to Flexible Working Modern and Flexible Working A-Z

How is tax relevant to homeworking?

Tax and insurance implications apply if WCC gives or provides anything other than pay to its employees. If we provide equipment for home or flexible working we must:

- *check whether it is taxable or liable for National Insurance Contributions (NICs) as expenses or benefits;*
- *keep records of all expenses and benefits, whether or not they are taxable or liable for NICs;*
- *provide details to our employees of the amount of expenses and benefits paid.*

Employers must fill out a form called P11D(b) if they have provided benefits or expenses which are taxable or subject to Class 1A National insurance contributions (or form P9D for employees earning less than £8,500 a year).

What can be provided for home and flexible working without incurring a tax or NIC liability?

The HMRC website gives detailed advice at <http://www.hmrc.gov.uk/payerti/exb/a-z/h/homeworking.htm>

HMRC recognise that increasing numbers of employees do some or all of their work at home. WCC as the employer may:

- *provide equipment or services at the employee's home*
- *provide computer facilities at the employee's home*
- *make a contribution towards the employee's household bills.*

If certain conditions are met there is no tax charge or any liability for NICs in any of these cases.

Date of Issue :	February 2016	Next Review :	February 2019	Last Review :
Last Reviewed by	Robert Land			Date EIA Undertaken
Policy Owner	Sue Evans, Head of HR and OD			Page 1 of 3

What are these conditions?

The HMRC web site states:

'Where an employer provides equipment, services or supplies to an employee working at home, there is no tax charge or liability for Class 1A NICs on them if:

- *they are used by the employee for work and any private use is not significant and*
- *they are provided for the sole purpose of allowing the employee to work at home.*

This exemption from tax and NICs covers:

- *office furniture and equipment (for example desks, storage cabinets and so on)*
- *normal office or workshop supplies or materials*
- *computer equipment and Internet access*
- *home telephone lines in some circumstances.....'.*

What does private use being 'not significant' mean?

HMRC define what needs to be in place in order for this test to be met.

Firstly, the employer needs to clearly set out the policy about private use and ask employees to sign a statement acknowledging this policy. This is incorporated into the form that staff sign to accept the conditions for flexible working, so it is important that staff are asked to do this. Please refer to the Flexible Working Agreement form.

Secondly, the employer needs to make a decision not to recover any costs associated with employee's private use as a commercial decision rather than as a desire to reward the employee. WCC has taken this decision.

**Therefore, for flexible workers, as long as staff fill in the form,
keep private use of WCC equipment to a sensible minimum,
and don't allow family or friends to use WCC equipment,
there should be no tax and NIC implications.**

Date of Issue :	February 2016	Next Review :	February 2019	Last Review :
Last Reviewed by	Robert Land			Date EIA Undertaken
Policy Owner	Sue Evans, Head of HR and OD			Page 1 of 3

However, please read on for more detailed advice on items applicable to designated home workers particularly home telephone lines.

What are the tax implications of WCC providing a home telephone line and paying for costs of calls?

There is no tax or NI liability if WCC contracts with the provider to install the phone line and pay for the calls, the line is provided solely for business use and private calls are insignificant. There are tax and NI implications if the employee contracts with the provider for the line and is reimbursed for the line and for the cost of calls. This should be avoided. The rules are complex so for full details please see <http://www.hmrc.gov.uk/manuals/eimanual/EIM21615.htm>

What about mobile phones?

There is no tax and NI liability for one mobile phone bought by WCC and provided to the employee even if private calls are allowed as long as it is for the employee's sole use and not their household or family. However things start to get a lot more complicated if it is the employee's phone and WCC pays for the rental or any other costs, so this is best avoided.

What happens if we transfer equipment to staff, for example when they leave?

*Be aware that if you transfer equipment provided for home and flexible working to staff, for example when they leave WCC, **there is a tax and NI liability**. For more details please see : <http://www.hmrc.gov.uk/payerti/exb/a-z/a/assets-transferred.htm>*

What are the tax implications of WCC paying for household bill costs?

Where a member of staff is a designated home worker, WCC may wish to make some payment towards increased household bill costs. In this case WCC can make payments to the employee tax free and without any liability for NICs. This payment can be up to £4 a week or £18 per month for monthly paid employees with effect from 2012-13 onwards without any further paperwork being required. If payments are made over this amount then evidence must be gathered and retained to show that the amount paid is no greater than the additional costs incurred by the employee (for example bills before the employee started working from home, and afterwards). For more details please see : <http://www.hmrc.gov.uk/payerti/exb/a-z/h/homeworking.htm>

Date of Issue :	February 2016	Next Review :	February 2019	Last Review :
Last Reviewed by	Robert Land			Date EIA Undertaken
Policy Owner	Sue Evans, Head of HR and OD			Page 1 of 3