

FINANCE
Lagom.



The Lagom Finance Working From Home Guide

EVERYTHING YOU NEED TO KNOW
ABOUT WORKING FROM HOME



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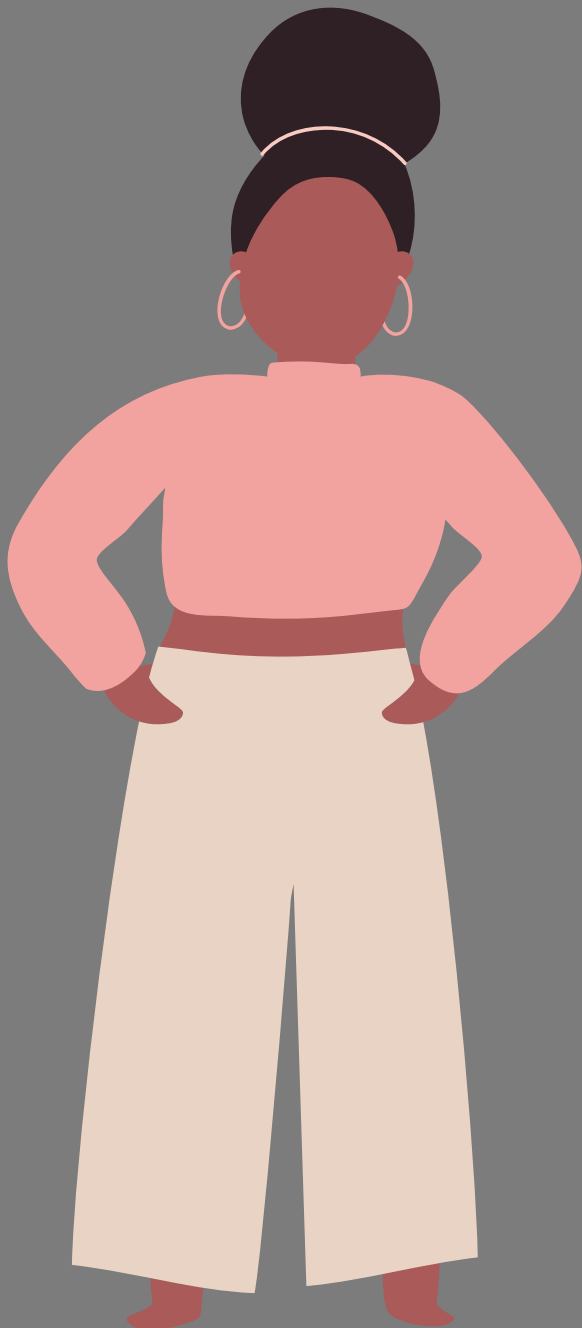
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01

INTRODUCTION





INTRODUCTION

TO YOUR WORKING FROM HOME GUIDE

Being self employed and working from home often go hand in hand but for many, the legal rules around making your home your place of work can be confusing. Knowing how best to work from home, what you can claim for and how it affects your tax helps to give your business a boost and gives you peace of mind. So, let's start with the basics...

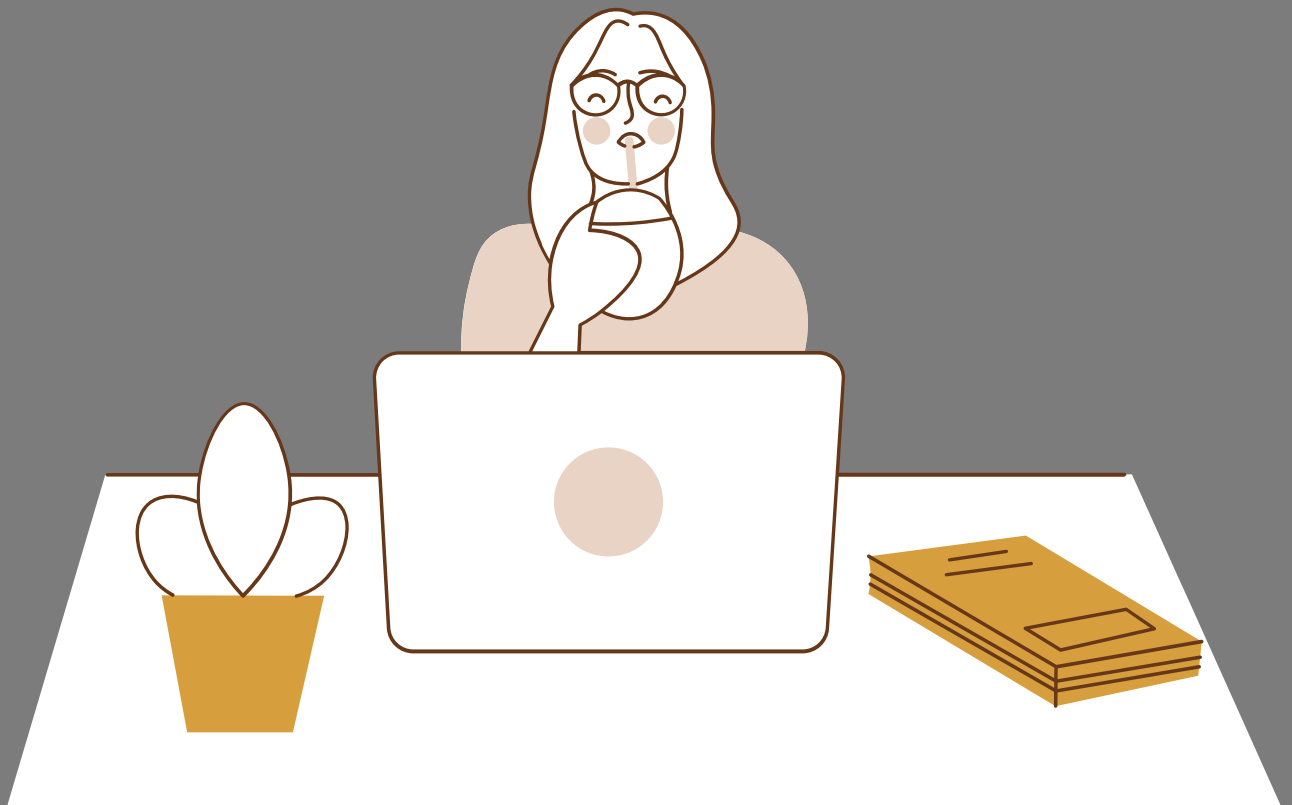
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02

WORKING FROM HOME

101

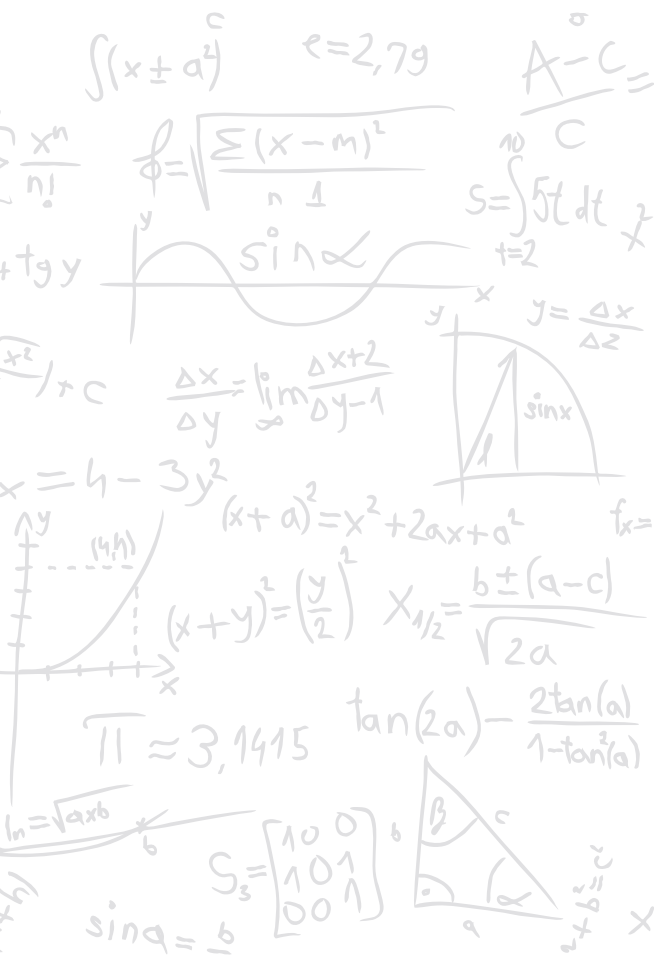


WHO ARE YOU?

Software also helps with something called reconciliation. This is the process of matching your transactions with your balance. An important part of the bookkeeping process is ensuring that your incomings and outgoings match your bank balance and there are no discrepancies, no dodgy or unnamed transactions and no unexpected surprises. Having this software at your fingertips is particularly useful for digital nomads. No need to ring the bank, simply check the app.



THE MINIMAL AMOUNTS AND SIMPLIFIED METHODS



If you work from home, you can claim the minimal amount of £6 per week for the tax year 2020-2021. That's £312 for the year if you're working from home for 52 weeks.

Alternatively you can claim a fixed rate based on the amount of days you've worked from home. This is easy to work out as long as you record your working hours when working from home. This is known as The Simplified Method and is popular with sole traders.

If you work from home for between 25 and 50 hours a month you may claim £10 per month. If you work from home for between 51 and 100 hours a month you may claim £18 per month. If you work from home for 101 hours or more a month you may claim £26 per month.



THE DIY CALCULATION METHOD

Also popular with sole traders is the DIY Calculation Method. Calculate your tax allowance as a percentage of your home bills and expenses. Browse the list of living expenses below to find out what qualifies and what you can claim using this method.

Do note that if you are the director of a limited company and you charge your own company a substantial amount to rent your home as an office space, you will need to declare this rent on your self assessment tax return as income.

THE HOME OFFICE METHOD

If you can build an office in the garden, convert a shed into a designated workspace it's a great idea to do so. As long as the office isn't a permanent fixture and can be moved to another location – a shed is perfect for this – then you can claim 100% of it on your tax return.



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LIVING EXPENSES



MORTGAGE

If you're paying off a mortgage on your home and you're self employed you're entitled to claim a portion of the interest tax free from HMRC. You can't claim for the capital repayment.



This is usually to cover the rooms you work in. So, for example, if you work in the living room and your bedroom, you can claim for these two rooms out of say, the five rooms in your house, so two fifths of your total rent.

COUNCIL TAX

You can also claim a percentage of your council tax. However, depending on how much you use your home for business, you may have to pay business rates rather than your actual council tax.



RENT

If you're the director of a limited company you can charge your company rent whilst working from home. However, if you're self employed, you can't do this. What you can do is this – if you're renting your home from a landlord, you can claim for a portion of the rent.



LIGHT AND HEAT

You can claim the business proportion of your gas and electricity costs for lighting and heating in the rooms you work in – similarly to your rent claims.

PHONE AND BROADBAND

When you claim for your phone bill and broadband costs you can claim for actual usage, rather than the cost per room. So claiming for minutes and data against your business is fairly straightforward, especially if you have a separate work phone.

If you're claiming for line rental you'll have to calculate how much time you spend online or on the phone for business purposes and how much is for personal use.



HOME REPAIRS

If you need to pay for a repair in your home office or a room that you always use for business, you can claim the full cost – you don't have to divide the cost by the number of rooms in your house, like with your rent claims.

CONT...

If you need to make a repair to your whole house – fixing the boiler or the roof for example – you can calculate the total available to claim in the same way that you would your rent. So the cost in your five-room home would be one fifth of the total cost.

If for example you're redoing your kitchen, you can't claim for that. This doesn't contribute to your business. However, if you'd like to buy an ergonomic chair so you can work at your kitchen table, you can claim for that, no problem.

WATER

Generally, if you work from home, you wouldn't usually claim for water use through your business as a self employed person. However, there are exceptions. If you grow flowers, fruits or vegetables or perhaps run a car washing service from your home, you can apply for the full cost of the water used for your business by contacting your water supplier.

If you have any questions about living expenses, working from home, paying tax and HMRC get in touch.



04

CONCLUSION



CONCLUSION

For many of us working from home is no longer a choice, whether self employed or otherwise. Knowing what you're entitled to and how best to balance your incomings, outgoings and approach your tax payments is essential to running your business, but also to ensuring peace of mind and good mental health.

It's not always easy to work at home, as drawing a line between personal time and time spent on your business can be challenging. Make sure you're claiming for business hours, business spaces and the resources you use for work, and taking the downtime you need. If you have any questions about working from home, don't hesitate to drop me a line

Becki



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