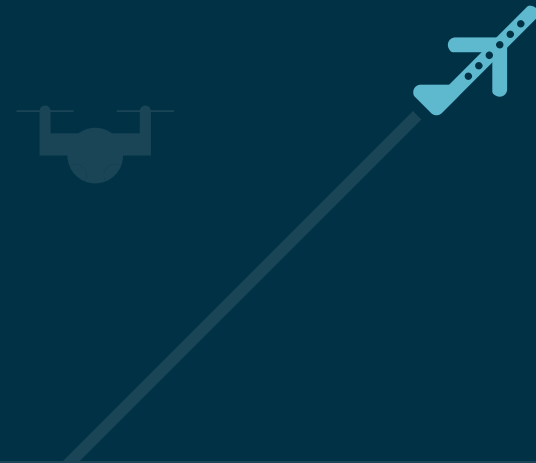


Hybrid working: the tax implications



With working from home the 'new normal' for many, employers need to be clear about the tax implications and consider tax-efficient benefits for the return to the workplace.



The starting point

The employer and employee need to be clear about the tax implications of working from home. Where expense payments are made to – or benefits in kind provided for – an employee, they are generally taxable on the employee. However, a number of exemptions apply in the context of homeworking. Employers should carefully consider whether any of these apply to their arrangements.

Employer-provided equipment

Will home office equipment such as laptops be provided by the employer? If it is provided directly to an employee then an exemption may apply. It is important that a policy is adopted on the use of equipment provided for private use, making it clear that the property continues to belong to the employer.



Employee provides the equipment

What if the employee buys the equipment and is reimbursed by their employer for the cost? Generally, this will be taxable as employment income. A temporary exemption from income tax and National Insurance contributions (NICs) may be available where an employer reimburses the cost to an employee of purchasing home office equipment (provided conditions are satisfied). It is hoped that HMRC will extend this exemption, and perhaps even make it permanent, given the seismic shift from the office to homeworking.

Homeworking household expenses

What about other expenses such as increased electricity and heating costs? An employer can make a payment to an employee for the reasonable additional costs the employee incurs while working from home, provided that the employee is doing so under “homeworking arrangements”. These should be properly documented, and to fall within the exemption the employee must, in fact, work from home regularly. An employer can make a flat-rate payment of up to £6 per week tax-free where homeworking arrangements exist, or agree a greater scale rate payment with HMRC.

Broadband

If an employee already pays for a broadband connection then any reimbursement of the cost of the connection by the employer will be subject to income tax and NICs (as there is no additional household expense as a result of the homeworking arrangements). However, if the employee does not have a home broadband connection and needs such a connection in order to work from home, then the cost can be reimbursed tax-free by the employer.



Travel

What if an employee works from home and is occasionally required to travel to the office? The tax treatment of travel expenses is a complex area, involving considerations such as the objective requirements of the job, whether the expenses are incurred in “ordinary commuting”, and identifying permanent and temporary workplaces.

Managing the return to work

The shift to homeworking seems set to continue for the foreseeable future. However, employers will also be mindful of managing the return to work, either on a full or partial basis. What tax incentives are available to employers wishing to encourage a return to work?

Although the range of tax-efficient salary sacrifice arrangements have been restricted in recent years, a number of important benefits continue to attract tax relief (due to their wider societal benefits). An employer may also consider other possible tax-exempt benefits.



Cycle to work

With many employees nervous about using public transport, one option could be to provide a cycle to work scheme. Such schemes are popular, well-established and offer relief from income tax and NICs.

The removal of the £1,000 cap has opened up options for non-standard bikes, such as electric bikes. Note that electric scooters cannot currently be hired under the scheme, although it remains to be seen whether this will change in the future.



Ultra low emission vehicles

There are income tax and NICs advantages when an employee's salary is reduced in exchange for the provision of an ultra-low emission vehicle (ULEV) as a benefit in kind.

An ULEV is a vehicle that emits less than 75g of carbon dioxide for every kilometre travelled (including electric cars).



Workplace parking for cars or motorbikes

Whilst employees working in cities or town centres might welcome this option, it is likely to be less attractive for employers with a green agenda.



Workplace charging

Employees charging their own electric vehicle at work are not liable to pay tax on the value of the electricity used.



Looking ahead

HMRC has responded to the changes triggered by the coronavirus pandemic with new, temporary measures – and no doubt these will be extended in due course. With decarbonisation high on the agenda, employers will also be keeping an eye on any measures introduced in relation to environmentally friendly ways of travelling.

About Osborne Clarke and Contacts

How we can help

At Osborne Clarke we have a dedicated team of incentives lawyers who advise on employee benefits and tax issues. They work closely with experts in other aspects of homeworking, such as our employment and health and safety teams.

We can help guide you through the tax rules and exemptions, to ensure that you comply with your PAYE and reporting obligations.

Employee share plans can also be used to incentivise, reward and retain your key employees. We advise on the full range of plans, including tax-advantaged arrangements which offer significant tax reliefs (provided conditions are met).

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