
PRACTICE NOTE

PN 213/20

Date: 30 April 2020

Employees Working from Home Special Arrangements for Household Expenses Reimbursed by Employer

Introduction

All expenses incurred by an employee and repaid by their employer must be treated as remuneration, put through the payroll and be subject to deduction of ITIP, unless the employer has been granted a dispensation to reimburse certain expenses without deducting ITIP.

Where the employer has not been granted a dispensation, the employee is able to claim any expenses that were wholly and exclusively incurred in relation to their employment as deductions against their taxable remuneration on their personal income tax return.

Working from Home - Special Arrangements

The special measures to manage the impact of the COVID-19 pandemic on the Island require as many employees as possible to work from home when, under normal circumstances, their employer would not require them to do so.

In recognition of this, special 'Working from Home Arrangements' are being introduced from today and will apply retrospectively from 2 March 2020 which will simplify the reporting requirements when an employer makes a flat rate payment to cover additional household expenditure incurred by an employee working from home.

Under the special Working from Home Arrangements an employer will be able to reimburse an amount of up to £8 per week or up to £35 per month without reporting it through the payroll. In effect, an amount below these levels will qualify for an automatic dispensation.

Under the Working from Home Arrangements the employer will not have to justify the amount paid to each employee provided that it is equal to, or less than these amounts, and the employee does not have to keep any records to demonstrate that they incurred the additional expenditure.

An employer can make greater weekly or monthly payments to the employee, but these would fall outside the Working from Home Arrangements. Payments in excess of the 'Working from Home Arrangements' flat rate should be considered as remuneration and reported via the payroll.

Provision of Assets/Services for Use at Home

The provision of assets and services for use at home are not included under the Working from Home Arrangements. These should be dealt with in line with the normal benefit in kind rules.

Administration

Employers are not required to make a claim to the Assessor before making payments under the Working from Home Arrangements. Provided that the conditions above are met for the period in which the payments are made:

- the payments can be made without the being reported via the payroll, and
- the payments will not constitute taxable remuneration in the hands of the employee (N.B. the employee must not also make a claim for relief for the expenses that they incurred)

It is recommended that employers keep a record of the working from home arrangements that they have put into place and the employees that are working from home under these arrangements, as these may be required for inspection under the ITIP Regulations.

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This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.