

HOW DO I CALCULATE MY WORKING FROM HOME EXPENSES IN 5 STEPS

1

Count up all the rooms in your home

WHAT COUNTS AS A ROOM?

HMRC says that you can count "normal living spaces" as rooms, so you should exclude any hallways or bathrooms from your calculation.



★ TIP FROM SEAN

Alternatively, you could base your calculation on floor space. Calculate the floor space of each room used for business purposes as a percentage of overall floor space and use that ratio to apply to your bills in step 3.

HOW DO I CALCULATE THE PERCENTAGE OF USE?

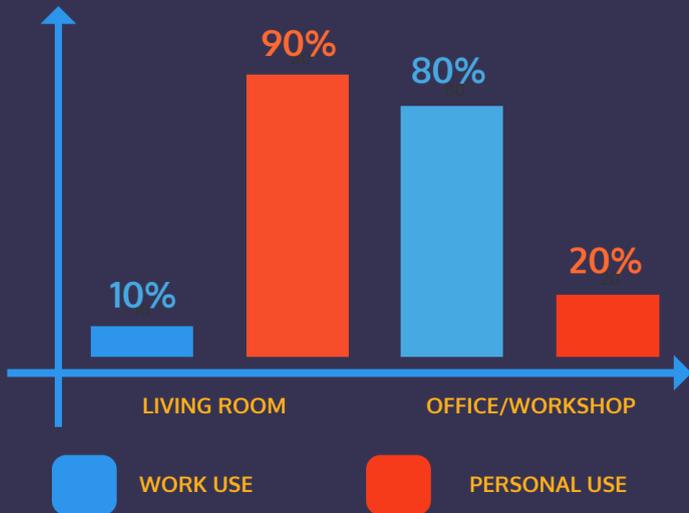
Calculate the percentage considering the total number of hours that you spend in a room. For example, if you use your living room for 10 hours in a day and spend an hour a day dedicated to doing work in the living room, your business usage of the living room would be 10%.

★ TIP FROM SEAN:

If you have a dedicated office, it's a good idea to also use that room for something else - for example, an office that doubles as a workshop. That's because if you dedicate an entire room to business use, you will need to pay Capital Gains Tax on that room if you sell your home!

2

Identify the rooms that you work in, and for how long



COSTS YOU CAN APPLY THIS CALCULATION TO:

- Gas
- Electricity

OTHER COSTS:

HMRC says that unless you formalise a rental agreement of your home business space to your company you can't claim tax relief for fixed costs, since you would pay them whether or not you worked at home. That means that you can't claim tax relief for fixed costs like:

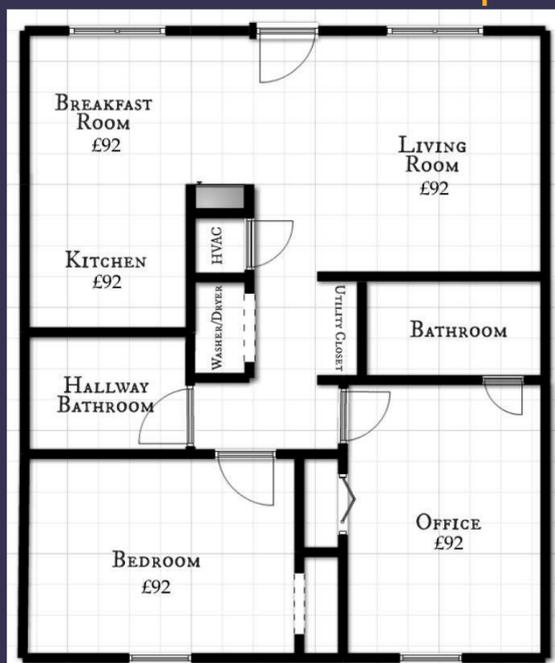
- Mortgage payments
- Home insurance
- Repairs and cleaning bills
- Rent
- Council tax

3

For each bill, evenly divide the cost by the number of rooms*

$$£460 \div 5 = £92 \text{ PER ROOM}$$

* This method does not apply to broadband and telephone line rental costs. Instead, simply calculate the percentage of costs based on the volume of business use of the line. Please note, you should only claim costs of actual calls or use, and shouldn't claim any part of the line rental costs (unless you didn't already have a home phone or broadband line and needed to have one installed in order to be able to work from home).



LIVING ROOM

ROOM COST X WORK USE

$$£92 \times 10\%$$

=

£9.20

OFFICE/WORKSHOP

ROOM COST X WORK USE

$$£92 \times 80\%$$

=

£73.60

4

Apply the percentage of work use to the relevant room costs

5

Enter the total business usage amount into your accounts

TOTAL BUSINESS USAGE

$$£9.20 + £73.60$$

=

£82.80

NEW EXPENSE:

Category

Use of home

Amount

£82.80

Description

Heating bill