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Accountancy

Use of Home Expenses for Sole Traders

If you're self-employed and you work from home, you're allowed to claim part of the running costs of your home as an expense, which will save you some tax. But how much can you claim, and how do you work it out?

Choosing the right method

If you're a sole-trader rather than trading through a limited company, you have the option to use the simplified accounting method, which allows a flat rate calculation for business use of home.

The flat rate method will save you time, but it could leave you claiming less than you'd like, so you also have the option to calculate your use of home expenses by analysing the actual cost. The method you choose will depend on how much you work from home and how important it is for you to save time.

The Flat Rate Method

The flat rate method is based on the number of hours you work from home:

- 25-50 hours: £10/month
- 51-100 hours: £18/month
- 101 hours or more: £26/month

The flat-rate method covers the costs for heat, light and power which still leaves you able to claim other costs like rent, council tax and phone/broadband.



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Analysing the cost

If you prefer to analyse the cost rather than using the flat rate method, HMRC state that you must apportion the running costs of your home on a “fair and reasonable” basis between the business element and the private element that relates to your actually living there. Here’s one established method:

1. Count the number of rooms in your home
2. Identify how many of those rooms you use for business
3. Estimate the percentage of business usage for those rooms
4. Divide the running costs of your home accordingly

For example, imagine:

- You have 10 rooms in your home
- You use one of them for business
- 90% of the usage of that room is for business

You would add up all the costs you can claim, and multiply that figure by 1/10, and claim 90% of the result.

So, in this example, if the claimable costs come to £500, you’d claim £45

$$£500 \times 1/10 = £50$$

$$£50 \times 90\% = £45$$

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What Home Running costs Can you Claim?

Here are some examples of cost you might be able to claim for. This is not an exhaustive list, and if you're unsure about what you should claim please check with your accountant.

Mortgage – If you're self-employed and buying your home, you may be able to claim a portion of the interest, though you're not allowed to claim any of the capital repayment

Rent – you can't charge your business rent, because you legally you are the business, but if you're renting your home you could claim a portion of the rent

Council tax – you may be able to claim part of your council tax cost. However, you might have to pay business rates depending on how much you use your home for business

Light and heat – you can claim part of the cost of lighting and heating the rooms you use for business

Property repairs – If the repair is to the whole house, you'd calculate the business cost as we've already explained. However, repairs that relate solely to the parts of your home that you use for business can be included in full, subject to the business use of that room, rather than split up by the number of rooms in your home.

Telephone and broadband – these are not apportioned according to the number of rooms in your home. Instead you'll base your claim on the on what your actual business use of the line is.

Water – if your business uses a lot of water, you'd need to arrange with the water company for your business usage to be separately charged. If your use of water for business is only minor, you can't claim any of the cost.

If you have any questions please contact your accountant or call us on **01296 468 483**.

**If you still have questions or if
we can help in any way please
call Orange Genie today!**

**Speak to your
accountant!**

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