

e-Working and Tax

Part 05-02-13

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1. Introduction

Revenue accepts that an employee will incur additional utility expenses in the performance of his or her duties while working from home. This manual contains guidance on e-working. It specifically relates to the income tax treatment of e-workers, sometimes referred to as remote workers, for the purpose of claiming income tax relief for expenses incurred by the individual during periods of working from home/remote working. Furthermore, it deals with other ancillary issues around e-working such as the provision of equipment by the employer, certain exemptions under Benefit-In-Kind (BIK) and clarification regarding the 'normal place of work' for e-workers.

2. What is e-Working?

Generally, e-working is regarded as a method of working, using information and communication technology, in which the work-related activity that is carried out is not bound to any particular location.

e-Working includes:

- working at home either on a full-time or part-time basis; or
- working some of the time at home and the remainder in the office.

e-Working involves:

- logging onto the employer's computer system remotely;
- sending and receiving email, data or files remotely;
- developing ideas, products and services remotely.

The arrangements referred to in this manual apply only to e-workers/remote workers. These arrangements do not extend to employees who, in the normal course of employment, choose to bring some work home in the evening or at weekends, etc.

Example 1 – Employee does not qualify as an e-worker

Jack works for Horizon Limited. He is the company's IT officer for the north Dublin area. The company would be happy for Jack to work from its offices in south Dublin, but Jack prefers to travel from his home in north Dublin to clients' premises and return directly to his home. Jack spends time in the evenings preparing reports on the daily visits. Jack is not an e-worker and his employer is not entitled to pay the €3.20 per day tax free (see 4.1). In addition, Jack has no entitlement to make a claim for any costs incurred while working at home as the costs would not be incurred wholly, exclusively and necessarily in the performance of the duties of the employment.

3. Conditions for an Employee to Qualify as an e-Worker

In order for an employee to qualify as an e-worker, for the purposes of claiming income tax relief for expenses incurred in working from home, the following conditions must be met.

- There must be a formal agreement in place between the employer and the employee under which the employee is required to work from home;
- An employee must be required to perform substantive duties of the employment at home; and
- An employee must be required to work for substantial periods at home.

Example 2 – Conditions met to qualify as an e-worker

Horizon Limited employs a team of 15 people. The company operates from a small office which has only room for the director and a secretary. There is no room for the team who are recruited on the basis that they will work from home. The employer is entitled to pay each employee €3.20 per day tax free to cover additional costs incurred in working from home. If the employer does not make this payment, the employee may be entitled to make a claim under section 114 TCA 1997 in respect of vouched expenses incurred wholly, exclusively and necessarily in the performance of the duties of the employment.

Example 3 – Conditions not met to qualify as an e-worker

Mick is a travelling salesman. He leaves his home to visit clients and, on the days, where the clients are located close to Mick's home, he may return home early to carry out some work such as inputting invoices on his laptop. The main duty of Mick's employment is that of a salesperson and the substantive duties of his employment are carried out at the clients' premises. The fact that he carries out ancillary work at home does not make him an e-worker.

4. Treatment of Expenses Incurred by an e-Worker

It is acknowledged that e-workers will incur certain expenditure in the performance of the duties of their employment when working remotely or when working from home. These expense items such as additional heating, electricity and broadband costs are allowed as a tax deduction for income tax purposes. However, it should be noted that capital items such as laptops, computers, office equipment and office furniture purchased by an employee are not allowable deductions under s. 114 of the Taxes Consolidation Act (TCA) 1997.

The employer can choose to make a contribution of €3.20 per day tax free to employees to reimburse him or her for the costs incurred in working from home or alternatively the employee can make a claim directly to Revenue at the end of the year for such costs as set out below.

4.1 Employer makes payment of €3.20 per day for e-worker expenses

Revenue allow an employer to make payments of up to €3.20 per day tax free to employees who satisfy the conditions for the relief. Amounts in excess of €3.20 paid by the employer should be subjected to income tax, PRSI and USC as normal. Records of payments made must be retained by the employer for the purpose of any potential future Revenue compliance intervention.

4.2 Employer does not make payment towards e-worker expenses

Where an employer does **not** pay €3.20 per day to an e-worker, the employee is not entitled to claim a round sum of €3.20 per day. Where additional expenses are incurred, the employee is entitled to claim the following:

- Electricity and heat - 10% of cost of electricity and heat apportioned on the basis of the number of days worked from home over the year.
- Broadband - 30% of the cost of broadband apportioned on the basis of the number of days worked from home over the year. This concession, commencing in tax year 2020, will apply for the duration of the pandemic.

To claim an allowable e-working expense, the employee must have incurred the cost and it is the responsibility of the employee to retain proof of payment. If an expense is shared between two or more people, the cost can be apportioned based on the amount paid by each individual. Any reimbursement of expenses by the employer, such as the allowance in [4.1](#) above, should be deducted from such a claim.

Note: Employees referred to in [4.1](#) and [4.2](#) retain their statutory right to claim a deduction under section 114 of the Taxes Consolidation Act (TCA) 1997, in respect of actual vouched expenses incurred **wholly, exclusively and necessarily** in the performance of the duties of their employment, and that test is strictly applied. Tax and Duty Manual [Part 05-02-20](#) sets out the general rules on deductions of expenses in employment.

5. e-Working and Covid-19 Concessions

Where the Government recommends that employers allow their employees to work from home to support the national public health objectives, as in the case of Covid-19, the treatment of expenses as set out in [paragraph 4](#) apply.

Furthermore, existing e-working guidance provides a tax deduction for e-workers for vouched expenditure incurred for electricity and heat. Revenue is willing to accept that 30% of the cost of broadband, apportioned on the basis of the number of days worked from home over the year, may also be claimed. This concession, commencing in the tax year 2020, will apply for the duration of the pandemic.

6. Calculation of Allowable Relief

The example below outlines the approach for employees claiming relief for allowable e-working expenses, i.e. expenses that are incurred wholly, exclusively and necessarily in the performance of the duties of their employment.

Example 4 – Calculation of allowable expenses.

Eve works 180 days in total during the year, and 90 of these days are from home.

The annual amount of expenses incurred by Eve on allowable utility bills is €1,750 on electricity and heat and €430 on broadband. These amounts should be apportioned based on the number of days working from home over the year, and then a further apportionment for business use.

The portion of utility bills and broadband that applies to e-working days is:	
$\frac{\text{Allowable utility bills X No. of e-Working days}}{365 \text{ days}}$	
Electricity & Heat	Broadband
$\frac{€1,750 \times 90}{365} = €432$	$\frac{€430 \times 90}{365} = €106$
Revenue is willing to accept that the average proportion of the cost of electricity and heat attributable to work is 10%.	Revenue is willing to accept that the average proportion of broadband attributable to work is 30%.
€432 @ 10% = €43.00 (amount due for Electricity and Heat)	€106 @ 30% = €32.00 (amount due for Broadband)

Therefore, the total amount of e-working expenses that would be claimed under 'Remote Working (e-Working) Expenses' is €43.00 + €32.00 = **€75.00** (this is the total e-working expense amount due). Eve pays tax at the higher rate of 40%, so she will be entitled to a tax credit of €30 (€75 x .40 = €30)

7. Making a Claim

e-Working expenses can be claimed by completing an Income Tax return. An individual can complete this form on the Revenue website as follows:

- sign into [myAccount](#);
- click on 'Review your tax' link in PAYE Services;
- select the Income Tax return for the relevant tax year;
- click 'Your Job'
- select 'Remote Working (e-Working) Expenses' in the 'Tax Credits and Reliefs' page and insert the amount of expense at the 'Amount Claimed' section.

As a claim may be selected for future examination, all documentation relating to a claim should be retained for a period of six years from the end of the tax year to which the claim relates.

8. Provision by Employers of Computers & Other Equipment

Under an e-working arrangement an individual's employer may provide equipment, such as:

- computers, (including laptops or hand-held computers);
- printers;
- scanners;
- fax machines;
- software.

to enable him or her work from home. Section 118 of the TCA 1997 stipulates that where the provision of such items is primarily for business use, a BIK charge will not be imposed on the employee in respect of incidental private use. The provision of a telephone line, broadband, etc. for business use will also not give rise to a BIK charge, where private use of the connection is incidental.

Additionally, the provision of other equipment, such as office furniture, etc., by the employer to enable the employee work from home will not attract a BIK charge, where the equipment is provided primarily for business use.

9. Normal Place of Work and e-Working

Generally, if an employee works part-time in the office and part-time at home, the normal place of work is the office. Similarly, in the current situation of Covid-19 where an employee is required to work at home full time for the duration of the pandemic, the normal place of work is the office. Note that under no circumstances may expenses be reimbursed tax free in relation to travel between a person's home and his or her place of work. Likewise, subsistence expenses may not be paid without deduction of tax in respect of periods spent in an individual's home. The rules on determining normal place of work are discussed in more detail in Tax and Duty Manual [Part 05-01-06](#).

Example 5 - Normal place of work for e-working and travel expenses

Mary works as a computer programmer. She works in the Galway office 3 days per week and from home 2 days per week. There is a formal e-working agreement in place between Mary and her employer. Mary's employer pays her €6.40 per week (€3.20 x 2) in respect of expenditure incurred in the performance of her duties from home.

Mary occasionally travels to clients' premises to carry out maintenance on computer systems. These calls can take place when Mary is due in the office or due to be working at home. Mary's normal place of work is the Galway office. When Mary travels to clients' premises, she is entitled to claim travel and subsistence expenses, subject to the normal rules, in respect of journeys between the shorter of:

- (i) home to the client's premises; and
- (ii) Galway office to the client's premises.

If Mary receives €3.20 from her employer for the same day that she is claiming travel and subsistence expenses in respect of visiting a client's premises, then the €3.20 will be regarded as pay for that day and taxed accordingly.

10. Universal Social Charge (USC)

USC is payable on gross income including notional pay, i.e. BIK. As the provision of equipment by an employer to facilitate an e-worker carry out his or her work-related duties does not generally attract a BIK charge, there is no additional USC liability imposed on the provision of this work-related equipment to an employee. Likewise, the daily payment of €3.20 ([see 4.1](#)) is not chargeable to USC.

11. Capital Gains Tax (CGT)

Where an e-working employee uses any part of his or her home for e-work purposes, the CGT exemption for Principal Private Residences will not be restricted.

12. Local Property Tax (LPT)

There is no reduction of LPT due on a residential property in relation to the owner using a room in his or her home to carry out work-related activities.