

## e-Working and Tax

### Part 05-02-13

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## 1. Introduction

This manual contains guidance on the tax treatment of e-workers and remote workers.

### 1.1 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.

## 2. Home Expenses of e-Workers

### 2.1 Conditions for relief

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

## 2.2 Payment by an Employer

e-Workers will incur certain expenditure in the performance of their duties from home, such as additional heating and electricity costs. Revenue allows an employer to make payments up to €3.20 per day to employees who satisfy the conditions for the relief, without deducting PAYE, PRSI, or USC. Amounts in excess of €3.20 paid by the employer should be subjected to tax. Records of payments made must be retained by the employer for the purpose of any potential future Revenue compliance intervention.

## 2.3 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. However, employees 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. Where an employee decides to make such a claim, any reimbursement of expenses by the employer, such as the allowance in 2.2, should be deducted from such a claim.

Tax and Duty Manual [Part 05-02-20](#) sets out the general rules on deductions of expenses in employment.

### Example 1

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 2.1). 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.

### Example 2

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**

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.

**Example 4**

Where the Government recommends that employers allow employees to work from home to support national public health objectives, as in the case of Covid-19, the employer may pay the employee up to €3.20 per day tax free to cover the additional costs of 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 – see paragraph 2.4 and 2.5.

**2.4 e-Working calculation for claim by employee**

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.

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

The annual amount paid on allowable utility bills (heating and electricity) is €1,750:

The portion of utility bills that applies to e-working days is:

Allowable utility bills x No. of e-working days

365 days

$\frac{€1,750 \times 90}{365} = €432$

365

This amount (€432) should then be apportioned between use for employment purposes and private use.

Revenue are willing to accept that the average proportion of the house attributable to a home office is 10%. Therefore, in this example the amount of e-working expenses that would be 'Other PAYE Expenses' is  $€432 \times 10\% = \mathbf{€43.00}$  (this is the e-working expense amount due).

## 2.5 Method of claiming e-Working expenses

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;
- select 'Other PAYE 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.

## 3. Provision of Computers & other Additional 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 Benefit-In-Kind (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.

## 4. e-Working Normal Place of Work

If an employee works part-time in the office and part-time at home/full-time at home, 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 e-Working - Normal Place of Work

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.

## 5. 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. Likewise, the daily payment of €3.20 (see 2.2) is not chargeable to USC.

## 6. 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.

## 7. 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.

A more recent version of this manual is available.