RESOURCE GUIDE · HERMIT BUSINESS SOLUTIONS

Working From Home Expenses: What Self-Employed Sole Traders Can Claim

The flat rate scheme and actual costs both remain available. ***Here is how to pick between them.***

Why this matters

If you are self-employed and work from home, you have two ways to claim for the extra cost: HMRC's flat rate scheme or a proportion of your actual household costs. Neither has changed this year. Choosing the right one and keeping the right records behind it can make a genuine difference to your tax bill.

Your two options

- The flat rate scheme: a fixed monthly amount based on hours worked from home, no receipts needed for the covered costs.
- Actual costs: a proportion of your real household bills, based on the space and time your home office actually takes up.
- You can compare both using HMRC's simplified expenses checker before deciding which one to use.
- You are free to switch between the two methods from one tax year to the next as your circumstances change.

Using the flat rate

If you work 25 hours or more a month from home you can use HMRC's flat rate instead of working out actual costs. This covers general household bills such as heating and electricity, but not phone or internet, which you still claim separately based on business use.

The flat rate is simple and needs very little record keeping but it will not reflect unusually high running costs. If your bills are well above average, actual costs are worth working out for comparison.

Self-employed flat rate: hours worked vs monthly allowance

This flat rate is optional. Weigh it up against your actual costs using HMRC's simplified expenses checker before deciding which to use.

Hours worked from home per month	Flat rate you can claim
25 to 50 hours	£10 a month
51 to 100 hours	£18 a month
101 hours or more	£26 a month

Claiming actual costs instead

You can claim a proportion of your actual costs (mortgage interest, rent, council tax, insurance, and utilities) based on the number of rooms used for business and the time spent working there. This can produce a larger deduction if your home office costs are high but it needs proper records to support the claim.

One point worth flagging: describing part of your home as used entirely for business, with no personal use at all, can in some circumstances affect your Council Tax band, create a business rates liability or reduce the Capital Gains Tax relief you would otherwise get when you sell the property. Keeping at least some non-business use of the room generally avoids this.

A GOOD IDEA

Keep a simple log of the hours you work from home each month, even under the flat rate scheme. It takes minutes to maintain and means you are never scrambling for evidence if HMRC ever asks how you arrived at your claim.

What to do next

- Use HMRC's simplified expenses checker to see whether the flat rate or actual costs work out better for you this year.
- Start a simple monthly log of hours worked from home or of the household bills you plan to apportion.
- Review your choice each year. What works best can change if your working pattern or costs change.
- Not sure which method suits you, or want a hand pulling the actual costs together? Get in touch and we will talk it through.