

## Explanatory Note

# Clause 20: Fixed-rate deductions for use of home for business purposes

## Summary

1. This measure introduces amendments to the simplified expenses provisions contained in the Income Tax (Trading and Other Income) Act (ITTOIA) 2005. The purpose of the amendments is to clarify how those provisions should be applied for partnerships in respect of the use of home and where business premises are also a home.

## Details of the clause

2. Clause 20 introduces amendments to Chapter 5A, Part 2 of the Income Tax (Trading and Other Income) Act 2005 - sections 94H and 94I.
3. Subsections (3) and (6) of Clause 20 amend subsections (1) and (5) of section 94H ITTOIA 2005 to ensure that, when considering a home used for the purposes of a trade, then the provision applies to a partner's home in the same way as it does to an individual's home.
4. Subsection (4) amends subsection (4) and Subsection (5) introduces new subsections (4A) and (4B) to section 94H to define qualifying work. The new subsections also ensure that where work is undertaken by more than one individual in the home, then any hour spent wholly and exclusively for the purposes of the trade is counted only once.
5. Subsection (7) of the clause introduces a new subsection (5A) to section 94H to ensure that, when a firm makes a claim to use a simplified expense deduction for a partner's home, it must consistently use the same rules for deductions for other partners' homes.
6. Subsections (8) and (9) amend section 94I(1)(b) to ensure that where premises are used, both as a home and as business premises, the provisions apply equally to situations where it is a partner that occupies the premises as a home.
7. Subsection (10) introduces a new subsection (6A) to section 94I. This is to ensure that where an individual or partnership has more than one premises, that are used both for business and as a home, then any claim to use the simplified expense deduction in respect of the expenses of these premises must be applied to all such premises.
8. Subsection (11) confirms that the amendments introduced by this clause will apply for the tax year 2016 to 2017 and subsequent years.

## Background note

9. The government is committed to making tax easier, quicker and simpler for small business. Simplified expenses was one of the measures introduced in 2013 as a consequence of a report by the Office of Tax Simplification and a formal consultation. It was always intended that the provisions would apply equally to most partnerships and individuals and the purpose of these amendments is to clarify two of the provisions and thus ensure they are in line with the policy objectives.
10. These amendments have been introduced to ensure that partnerships can fully access the simplified expenses regime that was introduced by Finance Act 2013. They will also ensure that where an individual or partnership has more than one premises that are used both for business and as a home then any claim to use the simplified expense deduction in respect of the expenses of these premises must be applied to all such premises. These changes will come into effect for the 2016 to 2017 and following years.
11. If you have any questions about this change, or comments on the legislation, please contact Steven Phillips on 03000 575485 (email: [steven.phillips@hmrc.gsi.gov.uk](mailto:steven.phillips@hmrc.gsi.gov.uk)).