

## 1 Fixed-rate deductions for use of home for business purposes

- (1) In Part 2 of ITTOIA 2005 (trading income), Chapter 5A (trade profits: deductions allowable at a fixed rate) is amended as follows.
- (2) Section 94H (use of home for business purposes) is amended as follows.
- (3) In subsection (1), for the words from “in respect of” to the end substitute “in respect of –
  - (a) the use of the person’s home for the purposes of the trade, or
  - (b) where the person is a firm, the use of a partner’s home for those purposes.”
- (4) In subsection (4), for the words from “work done” to the end substitute “qualifying work.
  - (4A) “Qualifying work” means –
    - (a) work done by the person, or any employee of the person, in the person’s home wholly and exclusively for the purposes of the trade, or
    - (b) where the person is a firm, work done by a partner, or any employee of the firm, in the partner’s home wholly and exclusively for those purposes.
  - (4B) Where more than one person does qualifying work in the same home at the same time, any hour spent wholly and exclusively on that work is to be taken into account only once for the purposes of subsection (4).”
- (5) In subsection (5), after “person” insert “, or, where the person is a firm, a partner of the firm,”.
- (6) After subsection (5) insert –

“(5A) Where a firm makes a deduction for a period under this section in respect of the use of a partner’s home for the purposes of a trade, the only deduction which the firm may make for the period in respect of the use of any other partner’s home for those purposes is a deduction under this section.”
- (7) Section 94I (premises used both as a home and as business premises) is amended as follows.
- (8) In subsection (1)(b), for “used by the person as a home,” substitute “used as a home by –
  - (i) the person carrying on the trade, or
  - (ii) where that person is a firm, a partner of the firm,”.
- (9) After subsection (6) insert –

“(6A) Where a person makes a deduction for a period under this section in respect of expenses incurred in relation to premises falling within subsection (1)(b), the only deduction which the person may make for the period in respect of expenses incurred in relation to any other premises falling within subsection (1)(b) is a deduction under this section.”
- (10) The amendments made by this section have effect for the tax year 2015-16 and subsequent tax years.

**EXPLANATORY NOTE**

**DEDUCTIONS AT A FIXED RATE**

**SUMMARY**

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

**DETAILS OF THE CLAUSE**

2. Clause [X] 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 (5) of Clause [X] 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 introduces new subsections (4A) and (4B) to section 94H to define qualifying work and to 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 (6) 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 any other partner's homes.

6. Subsection (8) amends 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 (9) introduces a new subsection (6A) to section 94I. This is to ensure that where a 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 (10) confirms that the amendments introduced by this clause will apply for the tax year 2015/16 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 (OTS) 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.

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)).