

## **B15 BUSINESS EXPENSES - USE OF HOME AS AN OFFICE (section 7)**

### **Introduction – Statutory Position**

Section 7 of the Law states that the profits of a business shall be computed in accordance with the ordinary commercial principles applicable to the computation of profits of that business. No deduction shall be permitted in respect of expenditure “except so far as it is laid out or expended wholly and exclusively for the purposes of the business”.

Where part of the home is used as an office, “wholly and exclusively” is not interpreted as meaning that business expenditure must be separately billed or that part of the home must be permanently set aside for business purposes to the exclusion of any other purpose. However it does mean that, when part of the home is being used for the business, it is the sole purpose of that part of the home at that time.

If part of a self-employed person’s home is set aside solely for business purposes for a period of time, then a claim for a deduction in respect of the additional costs incurred, on that part of the building for that period, is allowable. The additional costs would include the cost of lighting and heating the part of the home used, but would not include a proportion of general costs such as, for example, cadastre, as these costs would apply to the whole house regardless of whether there is any business use of a part of it. What is allowable would depend on the particular facts of the case, including the extent and nature of the business activities undertaken in the home and a claim should provide sufficient information to show how the amount claimed has been computed.

### **Concessional Treatment**

Where part of the home is used as an office the Director is prepared to accept a standard deduction of **£8** per week (£3 to 2019) as a claim for the additional costs incurred, in place of a full computation under the strict statutory basis.

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