



Working from Home

Why work from home....

New analysis from Direct Line for Business, based on data from the Office for National Statistics, reveals that just over half of all UK small firms are run from the home of the business owner.

The findings show that there are currently 2.5 million home-based business owners in the UK, representing just over half (52%) of the total number of UK SMEs. These home-based business owners now account for 8% of the UK's total workforce.

Men are more than twice as likely as women to run their own business from home, with 1.7 million male home business owners across the country, compared to around 818,000 female home business owners.

So why are home based businesses taking off:

1. Your start-up costs are low
2. You can do it part time when it suits you
3. With wages frozen and costs rising it can provide a useful additional income
4. It's easy to be price competitive with low overheads
5. The Internet makes it easy to sell your goods and services
6. Your social capital can be used to generate sales ie use your contacts and connections
7. There could tax advantages – employees generally pay more tax than sole traders
8. Some clients prefer the personal touch
9. It could be start of something big

Here are some tax deductions that can be claimed:

You can claim a proportion (based on the number of rooms and hours of business use) of your household expenses

- Mortgage interest or rent
- Council tax
- Water rates
- Repairs and maintenance
- Building and contents insurance
- Electricity
- Gas, oil or other heating costs
- Cleaning
- Telephone (based on usage)
- Broadband

Or you could claim £4 per week without the need to keep records.

If you are VAT registered you may be able to reclaim the business use proportion of your costs.

You reclaim 100% of the VAT on equipment purchased for your business.

You can also claim capital allowances on equipment.

But watch out for planning constraints and check your insurance cover.

Working from home has many advantages but to avoid problems speak to your accountant first.

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