

EXPLANATORY MEMORANDUM TO
THE SOCIAL SECURITY CONTRIBUTIONS (DISREGARDED PAYMENTS)
(CORONAVIRUS) REGULATIONS 2020

2020 No. 525

1. Introduction

- 1.1 This explanatory memorandum has been prepared by HM Revenue and Customs (HMRC) on behalf of HM Treasury and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument introduces a temporary disregard (for the 2020-21 tax year) so that employees who have been encouraged to work from home as a result of Covid-19, and subsequently purchased home office equipment will not be liable to a Class 1 National Insurance Contributions (NICs) charge if the costs are reimbursed by their employer.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 None.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

- 3.2 As the instrument is not subject to parliamentary procedure there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is the United Kingdom.
4.2 The territorial application of this instrument is the United Kingdom.

5. European Convention on Human Rights

- 5.1 As this measure is subject to negative resolution procedure and does not amend primary legislation no statement is required.

6. Legislative Context

- 6.1 The tax and NICs treatment of the provision and purchase of home office equipment varies depending how the equipment is acquired: equipment provided to employees by their employer does not face a tax or NICs charge.
6.2 Where an employee incurs a cost ‘wholly, exclusively and necessarily in the performance of duties of their employment’ there is also a tax exemption and NICs disregard.

- 6.3 However, the rules mean that where an employee buys their own home office equipment and is reimbursed by their employer there is no tax relief, and ordinarily there would be a Class 1 NIC charge on the reimbursement. This is because the expense incurred puts the employee in a position to do their duties and is therefore not incurred in performance of their duties. This principle is not limited to home office equipment.
- 6.4 To provide effective support for employees for the duration of the coronavirus lockdown period a new tax exemption is being introduced under section 210 of the Income Tax Earnings and Pensions Act 2003 (ITEPA 2003) (power to exempt minor benefits) to ensure that employer reimbursed home office equipment expenses are exempt from tax. The income tax exemption will be provided for in the Income Tax (Exemption for Coronavirus Related Home Office Expenses) Regulations 2020.
- 6.5 This measure legislates the corresponding NICs disregard under powers conferred by sections 3(2) and (3) of the Social Security Contributions and Benefits Act 1992 and sections 3(2) and (3) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- 6.6 For the expenditure to be eligible for relief it must meet the following two conditions:
- i. that equipment is obtained for the sole purpose of enabling the employee to work from home as a result of the coronavirus outbreak, and
 - ii. the provision of the equipment would have been exempt from income tax under section 316 of ITEPA if it had been provided directly to the employee by or on behalf of the employer.
- 6.7 The disregard is temporary and will have effect for payments made on or after the day on which the Regulations come into force until the end of the tax year 2020-21.
- 6.8 The Secretary of State for Work and Pensions and the Northern Ireland Department for Communities have concurred to the making of the final text of this instrument.

7. Policy background

What is being done and why?

- 7.1 Covid-19 means a very high number of employees are working from home and for many employers and employees the most efficient way of ensuring employees have equipment at home is for the employee to buy it and be reimbursed by the employer. Under the current rules this reimbursement would be subject to tax and Class 1 NICs.
- 7.2 Given the pressing nature of the Covid-19 situation, to minimise burdens on employers during this period and reduce the risks associated with non-compliance, regulations will be introduced to exempt from tax and disregard for NICs reimbursed expenses that cover home office equipment for a limited time. This will ensure that employees receive the reimbursement free from tax and NICs and make it easier for them to gain access to equipment and remain productive as they work from home.
- 7.3 Home office equipment in these regulations is equipment deemed necessary for the employee to work from home and can, for example, include a desk, a laptop or other necessary computer accessories.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 No consolidation is required.

10. Consultation outcome

10.1 No consultation has been held as this is a minor change which is wholly relieving to the taxpayer and employers.

11. Guidance

11.1 New guidance relating to employer reimbursed home office equipment can be found in the [National Insurance Manual](#) on gov.uk which will be uploaded once the policy comes into effect in May.

12. Impact

12.1 The impact on business, charities or voluntary bodies is expected to be positive, as employees who purchase home office equipment and are reimbursed by the employer, will no longer have to pay tax and NICs on the reimbursed expense for the 2020-21 tax year. The administrative burden on these businesses and civil society organisations is expected to be negligible. There will be a one-off cost in the form of familiarisation with the change. There are not expected to be any ongoing costs. There will be one-off savings from not having to report information on reimbursed expenses for this year. Customer experience is expected to stay broadly the same as there is no significant change to business processes.

12.2 There is no, or no significant, impact on the public sector.

12.3 A Tax Information and Impact Note covering this instrument and the corresponding tax exemption will be published on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses where staff are expected to work from home.

13.2 No specific mitigating action is proposed to minimise regulatory burdens on small businesses.

13.3 The basis for the final decision on what action to take to assist small businesses is that the legislation does not impose new requirements on small businesses. It was therefore considered that no mitigating action was required, as it is a wholly relieving measure.

14. Monitoring & review

14.1 This regulation does not include a statutory review clause because of a tax exemption in section 28(3)(a) of the Small Business, Enterprise and Employment Act 2015 and because the regulation is only in force for the current tax year.

15. Contact

- 15.1 Victoria Bedford at HMRC Telephone: 03000562088 or email: victoria.bedford@hmrc.gov.uk can be contacted with any queries regarding the instrument.
- 15.2 Rachel Nixon, Deputy Director for NICs Policy, at HMRC can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 The Rt Hon Jesse Norman MP, the Financial Secretary to the Treasury, can confirm that this Explanatory Memorandum meets the required standard.