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COSTS OF CONVERTING A ROOM / BUILDING AN OFFICE IN THE GARDEN AT HOME FOR BUSINESS

We are often asked can I claim tax relief on converting a room at home into an office or perhaps building an office in the garden. If your business is also VAT registered, in addition to any income tax or corporation tax saved, you may think you can also recover VAT on the costs.

But like much in tax, it is not simple.

We do not recommend that any costs for either conversion or building an office in a garage or in the garden are put through your business, especially if you are a company, not a sole trader or a partnership.

This is because Section 316(5) ITEPA 2003 states that:

- “the extension, conversion or alteration of any living accommodation, or the construction or alteration of any building or structure adjacent to living accommodation and enjoyed with it” must always be a benefit provided to the director or employee by the employer. As such, it is then taxable on the director/employee and is also subject to employer’s NIC. This tax charge on both the employee and employer makes it not worthwhile doing.

Moreover, even without this extra to pay on the benefit, it would not be worth doing as it causes you a capital gains tax issue as well, if or when you come to sell you home.

The only costs that could possibly be claimed via your business are:

- Plant & Machinery
- Fixtures & fittings; or
- Computer hardware costs

These are the assets / tools **with which** you carry on the business, not the setting **in which** you carry on your business. The tax relief that can be claimed is an “annual investment allowance” or AIA for short. If you operate as company, these assets currently get 130% AIA relief (until 31 March 2023). If you are sole trader or partnership, AIA relief would be at 100% of the cost. The maximum AIA relief you can get at present is £1M (until 31 March 2023), then dropping down to £200K.

If you have any queries, please do contact us.

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