

What You Can Claim As Use of Home as a Limited Company Director

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Tax Saving

Expenses

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Working from home is common for limited company directors, and HMRC does allow you to claim some of the costs. The key is knowing your options, what counts as allowable, and what doesn't.

Option 1: The Flat Rate Method (£6 per week)

The easiest approach is for your company to reimburse you a flat £6 per week (£26 a month, £312 a year). This is a rate approved by HMRC, so you don't need to run through any calculations, keep receipts or justify the costs to HMRC. For most directors, this is the cleanest and safest, and whilst £312 a year may not feel huge compared to your household bills, it's simple, safe, and for many directors ends up being the best option.

Option 2: The Proportional Method (Actual Costs)

If your extra costs are higher, your company can reimburse you based on a fair apportionment of certain bills. We have a calculator that can help you work out how much you could claim if you used the actual costs method (linked [here](#)), but to explain the theory:

What you *can* include

HMRC allow you to include costs that essentially could increase due to you working from home, including:

- Gas and electricity (heating, lighting)
- Metered water
- Additional business element for broadband
- Landline business phone calls

What you *cannot* include

However, HMRC wouldn't allow you to include fixed household costs that don't change simply because you work from home, as these would be seen as personal expenses:

- Rent
- Mortgage interest or repayments
- Council tax

- Home insurance
- Unmetered water rates
- General household repairs or furniture

To note: you may hear from other freelancers that they claim part of their rent or mortgage as a business expense. In most cases those people are either sole traders (who follow different rules) or they're claiming incorrectly, as [HMRC's employment manual](#) (which is applicable to directors also) is clear that these costs have to be paid irrespective of whether you work from home or not.

How to work the proportion of these bills you can claim

The most common method involves working out a proportion based on both space and time. Fortunately, we have a calculator ([here](#)) that can help with this. However, the way it is calculated is:

- **Space:** firstly, add the total rooms you use in your home for business (which is usually just the one) and divide this by the number of usable rooms in your home (e.g. excluding hallways, bathrooms). So, let's say you used 1 room for business out of 4 usable rooms, the % would be 25%.
- **Time:** then you need to work out the average time spent working from home. Using "waking hours" is a sensible approach here, so it might be that you work 40 hours in 112 available waking hours in the week, meaning a percentage of 35.7%.

So using the above figures, you could only claim 8.9% of your bills using this proportional method so likely less than the flat-rate allowance. This is why the flat-rate method is usually simplest, unless your utility bills are especially high.

Option 3: Charging Rent to Your Company (Not Recommended)

There's also the idea of creating a rental agreement where your company pays you "rent" for part of your home. While this opens the door to including fixed costs like rent or mortgage interest, it comes with big downsides:

- Whilst you may also have expenses, you must declare the rent personally as property income (taxable on you), so the company's saving in corporation tax is often cancelled out by the personal tax you'll pay.
- It can affect your capital gains tax relief on your home
- It may even trigger business rates
- It's an arrangement HMRC may scrutinise closely

Because of the risks, we don't advise this route unless there's a very strong case and professional advice in place.

Our Recommendation:

- For most directors: the £6/week flat rate is easiest and safest.
- If your bills are noticeably higher, use the proportional method but stick to additional costs only, and keep clear records.

- Avoid the “rent to company” method unless you’ve had tailored tax advice.

How to Claim in Mighty:

Claiming use of home is straightforward in Mighty. Just head to Expenses > Home Office and enter the amount you’re claiming (and the date, if needed).

For simplicity, the screen will automatically default to the full £312 flat-rate at your year-end, as this is what how most directors claim use of home. This creates an expense claim in your account, showing the amount owed back to you.

To reimburse yourself, simply pay the claim amount and record it against Reimbursed Expenses in the bookkeeping screen.

If you have any questions around use of home, your dedicated accountant can guide you, just drop us a line at support@mightyaccounting.com.

Read this guide online (always the latest version): <https://app.mightyaccounting.com/Knowledge/article/claiming-use-of-home>