

Contractor doctor: if I contract at a former employers can I claim for travel?

Dear Contractor Doctor,

Question: I was a permanent employee for almost four years, I left to go to another permanent job but after just three months I have been offered a contract position at my previous company (doing my old job but as a contractor).

Can I expect to have all the same rights as any other contractor, for example, the right to deduct expenses for 24 months.

Thanks in advance,

Matt

Contractor Doctor says:

Yes, you have all the same rights as any other contractor. As [Simon Sweetman](#), a tax consultant based in Felixstowe, explains: "You begin as a contractor for tax purposes with whichever company you sign up with, including your former employer. I can see no reason why you should not deduct [allowable expenses](#) in the same way as any other contractor.

But you run great risk of being caught by [IR35](#). As you say yourself, you are doing your old job in the same way. "That's a classic scenario for the tax authorities to assume that you really are an employee in disguise," Sweetman says. If you go this route, you should plan to pay PAYE and National Insurance contributions perhaps through a [contractor umbrella](#).

In fact, regarding the IR35 issue, the legislation was created to capture people exactly like you!

Back when the Government passed the IR35 legislation, this used to be referred to as the 'Friday to Monday' situation: you leave on a Friday as an employee, and come back on a Monday doing the same job, but both you and the client pay significantly less tax. Being inside [IR35 is expensive](#) and will cost you around 20% of your net pay, which works out at about £500 net per month for every £25 per-hour you earn. So you can see that going back to your old employer will be an expensive career choice. To calculate a more accurate figure use our [IR35 Calculator](#).

So you might ask yourself: do you really want to go back to where you worked before? Apart from the IR35 issue, chances are you will be treated just as if you had never left and were still a permanent employee. You might also face resentment from your colleagues since you'll now be earning much more than you were before, but doing the same job.

You probably left the company for good reasons, and not only because you wanted to earn more money as a contractor - so why go back?

Of course, if you plan to build a business that involves other clients than just your former employer, and if you are careful to do only project work which is carefully spelled out in your contracts, you could probably stay outside IR35. But you should certainly get professional legal advice if that is your plan.

Good luck with your contracting!

Contractor Doctor

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