

## Claiming contractor expenses for use of home as office

### Introduction

Contractors working from home can claim expenses for using part of their home as an office'. This article discusses if claims should be made, what the rules are, and what can be claimed.

### Avoid raising alarm bells with the Inland Revenue

The Inland Revenue are wary of one person limited companies claiming for use of home as office and putting in claims above £2 per week can trigger an investigation. Beware.

Unless there are significant amounts involved it is advisable to steer away from claiming this expense.

If you do decide to claim for this expenses then some factors need considering.

### Dedicated work area

Keep a dedicated room/workspace available for exclusive use for business purposes. Working occasionally on the kitchen table is insufficient.

It should be adequately furnished for business purposes to indicate it is a genuine business facility and not part of your normal domestic arrangements.

### Business insurance

To further evidence of your genuine "home as office" arrangement, you should arrange [business insurance](#), for your home contents as used for business.

This provides evidence to an Inspector of Taxes and is also useful in the event of an insurance claim for your business equipment.

### You must actually work from home

If you are intending to make a claim it is essential that you actually do some work at home.

It is not sufficient to spend five minutes a week on a spreadsheet or invoice. You actually need to be doing some income generating work to justify a claim.

### Amount of claim

The amount you can claim should be based on an appropriate proportion of the specific costs arising of light, heat, insurance, rent, rates and other household costs. This ensures a fair claim is made in respect of the space actually used and is far more satisfactory to the Inland Revenue than a "guesstimate" round sum claim.

For example, let's say one room in a house with 4 rooms (bathrooms not included) is used as an office with the following monthly expenses:

Electric - £60  
Gas - £20  
Council tax - £100  
Insurance - £40  
Total = £220

One quarter of the total could be claimed each month, i.e. £55.

[Note that phone calls need to be on a genuine business line, or are claimed on a personal line using the itemised bill.]

### Not a right - it must be genuine

A claim is not available "as of right" but must be fully justified as a genuine cost incurred as a result of business activity undertaken at your home.

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In the past, contractors have been tempted to make claims which are not so justified, sometimes as a result of bad advice by their accountant! This has resulted in tax enquiries and penalties being levied against them.

## Conclusion

- Don't claim unless you actually do the work at home.
- Don't bother claiming unless the amounts are significant. There is no point raising alarm bells for a small amount.
- Make sure you have a dedicated workspace if you do claim.

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**David Colom**  
Principal  
D J Colom & Co Chartered  
Accountants

David Colom qualified as a Chartered Accountant in the City of London in 1981 and is the founder and principal of D J Colom & Co Chartered Accountants established in 1989.

Started specialising in serving IT contractors in 1993 and is now one of the longest standing suppliers of accountancy services to computer contractors. [Read Full Profile...](#)

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