

Contractor doctor: is renting a home near the contract site an allowable expense?

Dear Contractor Doctor,

I was spending a lot of time travelling from home to work. So I decided not to sell my home, but to rent somewhere short term nearer to the current contract.

Is the rent an allowable expense?

What about other expenses like council tax, food, etc.?

Regards

Karl

Contractor Doctor says:

According to David Colom, of the London-based contractor affairs specialist firm [DJ Colom & Co.](#), you have a right to deduct [expenses](#) for a rented place to live near the contract work site if--and only if--you have another house or flat as a principal place of residence.

The basic rule is simple. You cannot deduct ordinary living expenses from your taxes, that is food, clothing, travel to a regular place of work, etc. You can't go down the pub and take it off your taxes; otherwise every taxpayer in the country would do it, Colom explains.

But suppose you were an employee based in Leeds, and your employer asked you to work in the London office for three months. Your employer would pay for all your travel, lodging, and for at least part of your food because you would be obliged to eat in restaurants more, Colom points out.

The same applies to a contractor. If you are obliged for valid work reasons to travel to a different work site, your travel, lodging, and food expenses become deductible.

You can deduct all related expenses, including council tax, electricity, and everything else related to the move. That includes travel to the office from the temporary place of residence.

There is one thing to be aware of, Colom warns. This rule applies to contractors who live in one city, and are working in another. It does not apply to a foreigner, for example, a contractor who has come to England from Australia, and who takes up a residence near work. That residence then becomes the principal residence as far as the UK tax authorities are concerned. So that Australian contractor can't take those deductions.

One option that all contractors should shun is the [purchase of property within their limited companies](#). As David Colom points out, purchasing property is unlikely to provide a tax advantage and would usually not be appropriate for a 'one-man' limited company situation. Further, the property may be placed at risk if your [limited company](#) is sued for negligence or any other reason in connection with your computer contracting activities. The property may not be used in pension schemes and in most contractor companies, there will be no advantage in using the company as a vehicle for property investment. If you do wish to purchase property through a limited company, then it would usually be preferable to set up a separate limited company specifically for the purpose but always take professional advice regarding your own specific circumstances, requirements and intentions.

But for those contractors who live in the UK, don't hesitate to take advantage of the possibility of renting near the contract site, and good luck with your contracting!

Contractor Doctor

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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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