

## Contractors can claim costs for staying overnight on business with friends and family

Contractors can find themselves spending time away from home, working in a location that is not convenient or practical for a daily commute. But they don't have to incur expensive hotel bills if a friend or relative lives near the client.

HMRC allows contractors to claim a contribution towards the cost of working away from home when they choose to stay with a friend or a relative, rather than in a hotel or other lodging.

And the friend or relative can potentially benefit tax free from the contractor, if the contractor chooses to pay rent for their accommodation when they are staying for business purposes, rather than simply visiting.

### Allowances

Because an employee regularly working away from home often has a dispensation that allows them to claim a set amount from their employer, the same principle applies to a contractor using a [contractor limited company](#) or working through a [contractor umbrella company](#).

According to [HMRC's guidance](#), 'if the employee had stayed in a hotel the employer would normally reimburse the expenses to the employee, and the employee would be entitled to a deduction for a qualifying business expense.'

HMRC accepts that the contractor may wish to show gratitude to the friend or relative by treating them to a meal, and whilst HMRC is quite clear that they would not expect a meal for two to be a [legitimate expense](#), a contribution of up to £25 would be accepted towards the cost of the contractor's meal only.

This, however, is only a guideline and it would depend on where the contractor is staying, as the cost of a meal in central London or Manchester, say, may be significantly more than a meal in a more rural location. And as always, contractors should ensure they keep detailed expenses records, including [VAT](#) receipts for any expenses.

### Contractor rent

As well as the contractor benefiting from [claiming business expenses](#) against their tax liability, the friend or relative can also benefit if their guest, the contractor, pays them rent whenever they stay for business reasons.

The rent charge again would vary, but is likely to be more than the £25 recommended by HMRC, but less than the cost of a hotel room in the same area, which, in some locations can be hundreds of pounds a night.

The friend or relative could be paid up to £4,250 a year by their contractor guest tax free under the ['rent-a-room' scheme](#). This allowance can include food and drink provided by the friend or relative. However, contractors should be careful of other services they claim for, such as laundry, as their friend or relative might find they have to declare an income as 'trade' on their personal tax return, which can lead to all sorts of complications.

### Set a company policy

So that HMRC can see the contractor is being completely up-front about where they stay on business, a [limited company contractor](#) could set a company policy of staying with friends and family when possible, and lay out clear guidelines of how much to pay, and therefore claim.

[Umbrella company contractors](#) should check with their umbrella company, but there is no reason why they should not claim for the costs of staying with friends and family, as long as the costs are wholly incurred for business reasons.

Repaying hospitality by increasing the host's tax bill is not the best way to win friends or keep family happy. So it would also be sensible for contractors to ensure that anyone they stay with under such a company policy understands exactly what their own tax liabilities may be.

Published: Thursday, March 26, 2009

[Tweet](#)

“ HMRC allows contractors to claim a contribution towards the cost of working away from home when they choose to stay with a friend or a relative, rather than in a hotel or other lodging ”

Service.

## Readers Comments...



Be the first to comment on this article

### Also of interest...

#### Related Guides:

- [How can contractors identify deductible contracting expenses?](#)
- [Contractors' guide to VAT](#)
- [Valid expenses as a contractor - what you can claim](#)
- [Setting up a limited company for contracting](#)

#### Related Calculators:

- [Contractor Financial Profile Calculator](#)

#### Related Internet Links:

- [HMRC's guidance](#)
- [rent-a-room scheme](#)



ABCe verified website - last audit confirmed **130,682 monthly unique visitors**

© Copyright 2011 Byte-Vision Limited UK. All rights reserved [Copyright notice](#)