Contractors can claim expenses for renting a flat or house near the workplace

If you are working far from home, you have a perfect right to rent a house or flat near the temporary work site. You can deduct the costs of this temporary residence from your **taxes**.

A Good Way To Reduce Your Taxes

Your situation is in no way different from that of an employee who is working away from home; in this case, the employer company would pay for a place for the employee to stay, and then deduct the cost as an expense from its own taxes.

"A contractor is in exactly the same position as an employee when it comes to taking a second residence and has a right to deductions. But the contractor should take care to see that there is no question about which residence is the principal one," says Charles Beer, a partner in real estate tax at the London offices of accounting and consulting firm **KPMG**.

Do What You Like

You can do what you like with your alternate residence; there are no restrictions. You can rent it, or you can buy it. If you stay there for work reasons over the weekend, you can deduct the full amount you paid for the period. If you work five days a week from there, and then decide to spend the weekend anyway, take five out seven days' worth of expenses off your taxes.

You should be aware, however, that if you buy a second residence you will face capital gains taxes at a higher rate than for your principal one if you decide to sell it, as Beer points out.

You should also be aware that the judgement about which is your principal residence is not based on any particular point, as Beer explains. You may pay a **mortgage** there or you may pay one on both residences. You may receive your post at one or the other, or you may have one or the other listed with the bank. None of these things make a particular home your legal residence.

> **"You have every right to deduct expenses from a secondary residence near your work site"**
>
> Charles Beer-KPMG

"Proving which is your principal residence is a qualitative matter from a legal point of view," Beer adds.

Don't Move To The Second House

It is a qualitative judgement based on many factors, but the basic idea is: 'do you really live there?' Do you do most of the important things in your life from this home? Is there a regular pattern of residence at this address?

Were you to rent out your permanent home, or to sell it, you would risk some serious difficulty in showing that it is your permanent residence, however. With all the legal hair splitting that goes into it, the law requires a basic, common-sense judgement about which is your principal residence: you have to actually live there, spend a reasonable amount of time there, etc. If you move out, that's a pretty clear indication it's not your principal residence anymore.

If you want to be perfectly safe, you can declare your principal residence in writing to the Revenue. This is something you do in a separate statement which will be kept on file--you don't do it on a self-assessment tax return.

> **"You have to really live at your principal residence if you wish to preserve its status"**
>
> Charles Beer-KPMG

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