

Contractors should be aware of new tax rules

New rules regarding [contractor expenses](#) for taxi transport do not have a great affect on most contractors. But it is important for contractors to be aware of them.

Contractors Can Deduct Taxi Fare

The gist is simple, as Simon Sweetman, a tax consultant based in Felixstowe, explains: "Contractors working on a client site are permitted to deduct travel expenses to the site for a two-year period. If you have a good reason to take a taxi to the site, then the expense is deductible. The same goes for the tube, the bus, or the mileage on your car. This is very straightforward for the first two-year period on the job."

60 Times Per Year After Two Years

So the new Guidance from HMRC on taxi fare deductions for employees do not affect contractors for the first two years on a given site, Sweetman points out. This is due to the HMRC [24 month expenses rule](#).

In case you are on a site for more than two years, you should however, be aware of them. Says Sweetman: "Once you are on site for more than two years, you can't take taxis home regularly. If you are obliged to go home late at night from time to time, or to leave for another reason at a time when there is no easily available transport, you are allowed to deduct your taxi fare for up to 60 times each year."

Otherwise the journeys become benefits which are taxable if your client pays for them. Or you simply can't deduct them from your taxable income.

For contractors at the lower end of the pay scale--assuming you have worked at the same client for more than two years--this could hurt your income if you have no access to public transport. It could also cause problems for you if your public transport system isn't safe after a certain hour, or if you have to walk home alone in the dark from a far-off bus station on your way home.

Sweetman points out that this could occur in rural areas, and that the law is unfair in this respect. As HMRC has requested a consultation on this point, you should perhaps point this out to them if you feel it will hurt your income; go to the [consultation site](#) and let them know.

But as most contractors do not work more than two years on a site, the change may not have a terrific effect on our working conditions.

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