

'Inpat' non-dom contractor guide to expenses tax relief on journeys home

limited company contractors from overseas who are working on temporary contracts in the UK may be able to claim **expenses** and tax relief for unlimited journeys to their home country.

"'Inpat' contractors who are not domiciled in the UK can benefit from wide employee allowances that allow them to put the cost of trips home to see friends and family through their limited company," explains **James Abbott** of contractor accountant **Abbott Moore**.

"Any inpat employee, including contractors employed by their own limited company, can apply this unusually generous provision by HMRC to trips taken for personal reasons and to pay for their family as well, as the journeys do not have to qualify for the temporary workplace test"

How contractors qualify for travel allowances

The rules about **contractors** and **their families**, based on the **Income Tax (Earnings and Pensions) Act 2003 section 373**, say that the tax relief is designed for foreign workers who:

Have come to the UK to work for their employer's UK-based operation

Have duties which take place in the UK

Are not domiciled in the UK

Have a home country outside of the UK

Have not been a resident of the UK for tax purposes, or nor been to the UK for any reason during two previous tax years.

"HMRC's rules also say that to qualify, the contractor's journeys must be within five years of the date of their 'qualifying arrival date' in the UK," adds Abbott. "This is usually considered to be when the contractor starts their first UK contract."

Resident, ordinarily resident and domiciled

According to Abbott, there are three 'grades' of association with the UK that determine whether an inpat contractor can claim expenses for travelling home:

Resident: If the contractor is present in the UK for the statutory minimum number of days, 183 days at the time of writing, in the tax year they will always be UK resident. Also, those that visit the UK regularly and spend on average 91 days or more in the UK will also be treated as resident.

Ordinarily resident: If a contractor shows a pattern of qualifying for tax residency, for example by being resident in the UK for more than one or two years, then they may also be considered by HMRC to be ordinarily resident

Domiciled/domicile: Whilst residency is determined by short-term actions, such as day counting and property/family ties, a contractor's domicile is based on their father's country of origin and is not as easy to change as residency.

"A contractor could be resident and ordinarily resident, but not necessarily domiciled and contractors would well advised to seek professional advice in establishing where they stand. The tax implications of these three statuses are hugely complex and a new set of statutory residence tests will be introduced in April 2013 to hopefully clarify them.

"And people often think that nationality and citizenship impact on residency or domicile. They are different concepts entirely," he adds.

For the purposes of claiming homebound travel, if a contractor's father is born and bred outside the UK, then the contractor is unlikely to be domiciled in the UK and can claim travel expenses home.

But Abbott warns contractors who have brought their families to join them and set up a UK-based home may find that their domicile changes: "Although generally difficult, it is not impossible for a contractor to change their domicile, as HMRC highlights in its **case studies**."

Expenses contractors can claim

"Contractors can claim the costs of any reasonable travel expenses to their home country, including plane and rail fares, ferry crossings and car mileage, and there is no limit on the number of journeys," says Abbott.

"The contractor can pay for the travel personally and claim it back from their limited company. Alternatively, because HMRC views such trips home as

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James Abbott, Abbott Moore

allowable expenses, a contractor can pay for the cost of travel directly by their limited company.”



James Abbott

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James Abbott is the owner of Abbott Moore LLP and often speaks on freelancer / contractor tax matters. He has his own growing portfolio of contractor clients.

Abbott Moore LLP are PCG Accredited Accountants and specialise in providing tax advice to freelancers as well as dealing with their year end accounts and tax returns. [Read Full Profile...](#)

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And, as Abbott explains, the financial benefits can be considerable: “The cost of shipping a family of four home several times a year to visit family can mount up.

“By claiming the costs, limited company inpat contractors can avoid paying for travel home out of their net income. For higher rate taxpayers, the travel ends up costing half of the actual cost as a result of the tax relief savings.”

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