

What is the 24 Month Rule?

HMRC Tax Bulletin Issue 74 - The 24 month rule

“This rule says that a place cannot be a temporary workplace if the employee’s attendance is:

- in the course of a period of continuing work at that place lasting more than 24 months, or
- if it is at a time when it is reasonable to assume that it will be in the course of such a period.

The "reasonable to assume" test means that the parties need to take account of changing circumstances. If an employee is sent to work at a place to perform a task which is expected to take 20 months (and which is therefore of limited duration), and which does in fact take 20 months, it will be a temporary workplace throughout. However if there are delays which mean that the task will in fact take more than 24 months the place will cease to be a temporary workplace from the point when it becomes known that the 24 month limit is going to be exceeded. That could well happen even before the original 20 months point is reached.

Conversely, if a task is expected to last for 30 months that workplace will be a permanent workplace from the start. If it should turn out that the task will in fact take less than 24 months the place will become a temporary workplace only from the point when the change of duration becomes known”.

Meaning...

The **24 Month** expense rule states that a contractor may only deduct travel expenses on a given assignment for so long as the contractor knows that the assignment will last less than 24 months. The expense rule begins when you first begin travelling from your home (or office) to the client premises. From then on you may deduct travel expenses, until you have reason to believe that the assignment will continue for 24 months or more.

As far as further work is concerned, you may be subject to the ‘**40% rule**’. This is a test applied by HMRC as to whether you have spent or are likely to spend 40% or more of your working time at your current company workplace over a period of 24 months or more.

You therefore need to establish what percentage of the total time will be spent at the one client location, to see if you are affected by the 40% rule. If it is less than 40%, then it does not matter if you are working at the site for longer than 24 months.

Another point to consider is that if you can arrange your assignment so that the workplace is a “significantly different place”, **at least 10 miles away from the previous location**, then the 24 month rule would be reset back to zero.

Policy

It is extremely important that you notify RACS Collective (in writing) at the start of each & every new assignment. We will make a note of this date and contact you on or around 20 months to discuss your options.

Remember – if you fall foul of these rules HMRC will reclaim ALL the tax benefits you have received on the assignment in question and impose penalties and interest!