Per Diem for Consultants

Idea In Short

Per diem literally means for each day, and consultants run into the term constantly without always knowing exactly how it works. In its simplest form, it describes a fixed daily allowance meant to cover costs like meals, lodging and incidental travel while someone is away from their usual base. Understanding when per diem actually applies, and when it does not, helps independent consultants set clearer expectations with clients and avoid confusion during proposal conversations.

A simple term with daily-cost roots

Per diem is Latin for each day, and the term shows up in business conversations as a fixed daily allowance meant to cover costs incurred while traveling or working away from home.1 A conference attendee, for instance, might receive an allowance intended to cover a hotel room, meals and local transportation for each day spent away.

Where the concept applies most often

Per diem allowances show up most consistently inside larger organizations, where employees traveling on company business receive a set daily amount rather than submitting itemized receipts for every meal and taxi ride. Government agencies and large corporations frequently rely on standardized per diem rates precisely because they simplify expense reporting across a large workforce.

Why independent consultants rarely use it

Independent consultants generally have less use for a formal per diem arrangement. Client relationships for solo practitioners tend to be structured around a project fee that already accounts for the full cost of delivering the engagement, rather than itemizing a separate daily allowance for meals and incidentals.2 Folding those costs directly into the proposed

fee keeps the client conversation simpler and avoids treating basic living expenses as a billable line item.

Some clients still offer it

That said, some larger client organizations, particularly government bodies and major corporations, do offer per diem arrangements to the outside consultants and contractors they engage, especially for extended on-site work. Whether or not a consultant accepts that arrangement is worth thinking through carefully, since it changes how costs get itemized in a proposal and how a client perceives the overall pricing structure.

An argument for skipping it anyway

There is a reasonable argument for declining a per diem even when a client offers one. Everyone has to eat regardless of whether they are traveling for work, and treating that unavoidable cost as something billed separately can feel like an odd ask. Many client site visits already include a working lunch or dinner as part of standard hospitality, which further reduces the practical need for a formal daily allowance.

Where accommodation and travel fit in

Accommodation and travel costs work differently than meal allowances. These are almost always covered directly by the client for on-site consulting work, though they typically appear in a proposal as a straightforward reimbursement line rather than being labeled a per diem.3 The distinction matters mainly for how a proposal gets itemized rather than for the total cost to the client.

Tax and classification complexity

Per diem rates carry their own tax classification rules, and the calculations involved can get genuinely complicated depending on jurisdiction, employment status and the specific rate schedule being applied. Consultants who want precise guidance on how a per diem arrangement would be taxed or classified are generally better served consulting a qualified accountant than relying on general business advice, since the details vary considerably by situation.

The practical takeaway

For most independent consultants, per diem is a term worth understanding rather than a mechanism worth building into a standard pricing structure. Folding anticipated costs into a single project fee tends to keep client conversations simpler, while understanding how larger organizations use per diem allowances helps consultants navigate the occasional client who offers one as part of a standard engagement process.

- 1Per Diem
- 2Independent Contractor
- 3Business Travel Expenses

Summary

Per diem is a straightforward concept once stripped of the jargon: a fixed daily allowance meant to cover meals, lodging and incidental costs while traveling for work. It shows up constantly in employment settings and much less often in independent consulting, where travel and accommodation costs are more commonly folded directly into a project fee. Knowing the difference helps consultants set clear expectations with clients from the very first proposal conversation.