

Annual Tax on Enveloped Dwellings (ATED)

The Basics

The Annual Tax on Enveloped Dwellings (ATED) is a tax payable by companies etc. on residential property (dwellings) valued at more than £500,000 located in the UK. The ATED year runs from 1 April to 31 March each year.

It is rather like stamp duty land tax, except that it is payable each year. It came into effect from 1 April 2013 at which time it applied to properties worth more than £2,000,000. This was changed to properties worth £1,000,000 or more from 1 April 2015 and to properties valued at more than £500,000 from 1 April 2016.

Residential property is said to be 'enveloped' when it is owned by a company, a partnership with a corporate member or other collective investment vehicle, because the ownership sits within a corporate 'envelope'.

The charge is indexed annually in line with the consumer price index and must be paid by 30 April in any chargeable period.

There are reliefs that could reduce the tax to zero but you can only claim them if you complete and send in an ATED return (see below).

Property Valuation

For ATED the value of the dwelling to be used is its value:

- For the ATED years 2013/14 to 2017/18: 1 April 2012, if you owned your interest in the property at that date.
- For the ATED years 2018/19 to 2022/23: 1 April 2017, if you owned your interest in the property at that date.
- On each 1 April falling 5 years, or a multiple of 5 years, after 1 April 2017
- when you bought or acquired it, if that is between the 5 yearly valuation dates
- if the dwelling is a new property or an existing building that's been altered so that it is to be a dwelling, at the date of entry on the Council Tax Valuation Lists (or Northern Ireland Valuation List) or when it's occupied, whichever is the earliest, if that is between one of the 5 yearly dates

Valuations must be on an open-market willing buyer, willing seller basis. The value must be specific: an 'in the range of' valuation is not acceptable.

If a relief is being claimed then a valuation based on your best judgment will be acceptable. Although a 1 April 2012, 1 April 2017 etc valuation will decide which ATED band the property will fall into for five years, this could change if the property is developed or falls outside of ATED completely, or moves back in again (for example, it becomes a non-residential property and then residential again). 'Developed' in this sense does not encompass repairs but may include extensive renovation.

If HMRC challenge a valuation and find that it's wrong, the person responsible for paying ATED may have to pay penalties as well as the increased ATED payable, plus interest for late payment.

What is a Dwelling?

A dwelling may be all or part of a residential or mixed-use property and includes properties 'capable of being a dwelling'. Sometimes a dwelling is part of a larger, mixed-use property that has parts not used for residential purposes. Only the residential part would have ATED

payable on it. The residential part will need to be valued to work out which ATED band it falls into.

A dwelling includes gardens and grounds and any building within them, unless that building is being used for a purpose covered by a relief (see the 'reliefs' part of this guide).

If a property consists of a number of self-contained flats, each flat will usually be valued separately.

If there's more than one dwelling in a property and they're owned by a company or person connected with the company, they are added together and looked at as a single dwelling where there is internal access between the two. Two dwellings in adjoining buildings with internal access between them are also treated as one dwelling for ATED. Hotels, guest houses, boarding school accommodation, hospitals, student halls of residence, military accommodation, care homes and prisons are not deemed to be dwellings, so don't come under ATED.

ATED Returns

ATED returns need to be submitted online between 1 April and 30 April if all of the following apply:

- it's a dwelling
- it's situated in the UK
- it was valued at more than £500,000 million on 1 April 2017, or at acquisition if later
- it's owned, completely or partly, by a company, a partnership where one of the partners is a company, or a 'collective investment vehicle' - for example, a unit trust or an open ended investment company

If your dwelling first falls within ATED on a date after 1 April in an ATED period, then the return and payment are due within 30 days where purchased or 90 days where the dwelling is newly built.

If you don't complete and send HM Revenue & Customs (HMRC) a return or payment, or you send it late or make a mistake on it, you may have to pay a penalty and interest. A late filing penalty will still apply even if there is a relief that reduces the liability to nil. There are, however, a number of exemptions from the tax, most significantly, charitable companies using the dwelling for charitable purposes, which mean you may not have to file a return.

ATED Relief

A dwelling may get complete relief from ATED and no tax is payable, although an ATED Relief Declaration still needs to be completed, if it is:

- let to a third party on a commercial basis and isn't, at any time, occupied (or available for occupation) by anyone connected with the owner
- part of a property trading business and isn't, at any time, occupied (or available for occupation) by anyone connected with the owner
- part of a property developers trade where the dwelling is acquired as part of a property development business the property was purchased with the intention to re-develop and sell it on and isn't, at any time, occupied (or available for occupation) by anyone connected with the owner
- for the use of employees of the company, for the company's commercial business and where the employee does not have an interest (directly or indirectly) in the company of more than 10%, the employee's duties must not include services for any present or future occupation of the property by someone connected with the company, the relief is also available where a partner in a partnership does not have an interest of more than 10% in the partnership
- open to the public for at least 28 days per annum, if part of a property is occupied as a dwelling in connection with running the property as a commercial business open to the

public, the whole property is treated as one dwelling and any relief will apply to the whole property

- a farmhouse, if it is occupied by a qualifying farm worker who farms the associated farmland, a former long-serving farm worker or their surviving spouse or civil partner
- a dwelling acquired by a financial institution in the course of lending
- owned by a provider of social housing A separate return is required for each property claiming a different relief.

You should also notify HMRC of a change of circumstances which may result in a repayment of tax already paid for the year or further tax being due.

Corporation Tax

From April 2020 companies owning UK properties are also subject to Corporation Tax on chargeable gains on their disposal. This replaces the former Capital Gains Tax.

If you do not already submit a Corporation Tax Return you will need to register your non-resident company to do so in order to pay the Corporation Tax owed on the disposal of UK property. The deadline to do this is within three months of the date of disposal and a late filing penalty will be imposed if the deadline is missed.

Our help

While every care has been taken in the compilation of these notes they cannot be exhaustive. If you believe that your company could be subject to ATED, we strongly recommend that you seek our professional advice and administrative help in dealing with your UK tax obligations.

We charge only an additional £65 per company per annum to prepare and submit ATED returns for our corporate landlord clients.

Appendix:

Annual chargeable amounts:

Property Value	Annual chargeable amount 2020/21
More than £500,000 but not more than £1 million	£3,700
More than £1 million but not more than £2 million	£7,500
More than £2 million but not more than £5 million	£25,200
More than £5 million but not more than £10 million	£58,850
More than £10 million but not more than £20 million	£118,050
More than £20 million	£236,250

The annual chargeable amounts for ATED are increased each year in line with the Consumer Prices Index (CPI).

IMPORTANT NOTE: The comments above describe the position under current legislation, and of course, are subject to change if legislation changes.