

H M REVENUE & CUSTOMS

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

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ACCOUNTANTS • BUSINESS ADVISERS



Will the Government's Reduction in the Threshold Affect You?

'ATED' IS A NEW TAX CHARGE ON UK RESIDENTIAL PROPERTY HELD WITHIN A COMPANY THAT IS PAYABLE ANNUALLY.

If you have high value residential property in corporate ownership and think the Annual Tax on Enveloped Dwellings doesn't apply - please read on!

The 2014 Budget has significantly widened the application of ATED, which was first

introduced in 2013, and will extend the tax regime to UK residential property worth more than £500,000. This will bring far more properties within the scope of the annual charge.

WHEN DOES ATED APPLY?

In broad terms, an ATED charge arises for any period from 1 April 2013 onwards where a company, a partnership with a corporate member or collective investment scheme owns UK residential property worth more than £2 million (valued at 1 April 2012).

The Government is to reduce the threshold at which the ATED charge applies to £1 million from 1 April 2015 and to £500,000 from

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WHAT IS THE ATED CHARGE?

The amount of ATED payable depends on the valuation band into which the residential property falls.

	Property Value £.	Annual Charge £.
From April 2016	0.5m -1m	3,500
From April 2015	1m -2m	7,000
Since April 2013	2m -5m	15,400
	5m -10m	35,900
	10m -20m	71,850
	20m+	143,750

ATED RETURNS

The assessment period for ATED is the year from 1 April to 31 March (rather than the tax year, 6 April to 5 April). Tax is payable in advance, and the Return and the payment are due by 30 April in the year of assessment. It should be noted that if relevant residential properties are acquired at any point after 1 April in a year an ATED Return, or an amended Return, must be filed within 30 days of any relevant acquisition. Similarly, if the usage of a property changes this can trigger a requirement for a Return, or an amended Return, to be filed.

Amended Returns **MUST** be submitted if the company has sold a property during the year, even where a relief has been claimed and no repayment is due.

ARE THERE ANY RELIEFS AVAILABLE?

There are various reliefs that can remove the requirement to pay the ATED, including properties let on a commercial basis to a third party unconnected with the owner, properties held as trading stock in a development business and properties held for charitable purposes.

Importantly relief is not automatic and an ATED Return must still be submitted each year, even where there is no charge. Failure to make a Return will result in substantial penalties.

Companies will need to ensure that they have monitored the position with regard to each property to ensure that they remain eligible for any relief claimed throughout the period.

PENALTIES

Late Returns will be liable to a penalty of £100 per Return. Further penalties fall due for Returns that are six or twelve months late (the greater of 5% of the tax due or £300 in each case). In addition, where Returns are more than three months late, HMRC may choose to impose a daily penalty of £10 per day. Where tax is paid late, or the wrong amount of tax is paid, interest will also payable.

HMRC have the power to enquire into ATED Returns for twelve months after the filing date and penalties of up to 30% of the tax due will also apply for Returns that contain 'careless' errors.

Where tax is paid late, or the wrong amount of tax is paid, interest will also payable.

ARE THERE ANY FURTHER IMPLICATIONS?

Properties caught by the ATED charge will be subject to Capital Gains Tax at 28% on disposal.

FUTURE DEVELOPMENTS

The Government has recently released the expected consultation on the potential application of Capital Gains Tax to the sale of all UK residential property held/owned by non-UK resident individuals and we are therefore likely to see further changes in this area including possibly the introduction of a broader 'mansion tax' after next year's UK election.

