

Tax Consulting ATED

Annual tax on enveloped dwellings



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The Annual Tax on Enveloped Dwellings (ATED) has applied since 1 April 2013 and is payable mainly by companies that own UK residential property.

An ATED return is required where the property concerned is a dwelling situated in the UK, which was valued at more than £500,000 on 1 April 2012 (or at acquisition if later) and is owned, wholly or partly, by a company, or by a partnership where one of the partners is a company, or by collective investment schemes. Only residential property is within the scope of the ATED charge.

Your property is a dwelling if all or part of it is used, or could be used, as a residence, for example a house or flat. It includes any gardens, grounds and buildings within them.

The historical and proposed rates of ATED tax are as follows:



Know the rules?

UK residential properties must have a valuation every five years.

| Residential Property Value | Annual ATED Charge | | | | | | | | | |
|----------------------------|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| £500,000 to £1,000,000 | Nil | Nil | Nil | £3,500 | £3,500 | £3,600 | £3,650 | £3,700 | £3,700 | £3,800 |
| £1,000,001 to £2,000,000 | Nil | Nil | £7,000 | £7,000 | £7,050 | £7,250 | £7,400 | £7,500 | £7,500 | £7,700 |
| £2,000,001 to £5,000,000 | £15,000 | £15,400 | £23,350 | £23,350 | £23,550 | £24,250 | £24,800 | £25,200 | £25,300 | £26,050 |
| £5,000,001 to £10,000,000 | £35,000 | £35,900 | £54,450 | £54,450 | £54,950 | £56,550 | £57,900 | £58,850 | £59,100 | £60,900 |
| £10,000,001 to £20,000,000 | £70,000 | £71,850 | £109,050 | £109,050 | £110,100 | £113,400 | £116,100 | £118,050 | £118,600 | £122,250 |
| £20,000,001 and over | £140,000 | £143,750 | £218,200 | £218,200 | £220,350 | £226,950 | £232,350 | £236,250 | £237,400 | £244,750 |

Key dates and obligation to revalue as at 1 April 2022

The filing deadline for the 2022/23 ATED return is 30 April 2022. Any ATED payment thereon is also due on 30 April 2022.

The ATED rules for UK residential properties require a property valuation every five years as a minimum. For the five years up to 31 March 2018, ATED returns required a property valuation as at 1 April 2012 or the date of acquisition, if later.

Commencing with the period 1 April 2018 to 31 March 2019 and for the following four years, a valuation as at 1 April 2017 must be used to calculate the ATED liability. If during the five year period from 1 April 2018 to 31 March 2023 changes to the property interest occur, such as a lease extension or a part-disposal of the property interest, the property will need to be revalued again.

The effect of the 1 April 2017 revaluation requirement is that from 1 April 2018, in some cases, a UK residential property may shift to the higher (or possibly lower) ATED band, leading to an increased (or decreased) ATED charge.

Also, some UK residential properties that were valued below £500,000 as at 1 April 2012 (or at date of purchase of the property) will be obliged to file ATED returns from the 2018/19 ATED year, if the property valuation at 1 April 2017 exceeded £500,000.

The next valuation date will be 1 April 2022 in which a re-valuation exercise will need to be undertaken to categorise which bracket a property falls into. We are aware that post-Brexit the property market was extremely volatile, therefore property prices may have shifted.

Revised ATED Charges for 2022/2023

The new ATED charges which are to apply from 1 April 2022 are the following:

| Property Value as at 1 April 2017 | 2022/23 Charge |
|-----------------------------------|----------------|
| More than £500k up to £1m | £3,800 |
| More than £1m up to £2m | £7,700 |
| More than £2m up to £5m | £26,050 |
| More than £5m up to £10m | £60,900 |
| More than £10m up to £20m | £122,250 |
| More than £20m | £244,750 |

If your property is a new build or you've altered it to become a new dwelling you should use the earliest date it was:

- First occupied
- Entered on the Council Tax valuations lists

If your property is mixed-use, for example residential and non-residential you only need to value the residential part.

If your property consists of self-contained flats, each flat will be a dwelling and will be valued separately.

It's not necessary for you to have obtained a professional valuation, for example from a surveyor or from an estate agent, to be able to complete the return. Any valuation that you provide is your responsibility and if there is a material difference in the valuation that results in an underpayment of tax, you will need to pay the additional tax for this and if necessary any earlier or later years. You might also be liable to interest and penalties on the amount of tax underpaid.



Where there is an acquisition or disposal during the tax year, the charge is pro-rated for the remainder of the year. If you need to change the information on your original return, for example because you can now claim a relief, or because the information you sent was wrong, you can submit an amended return.

Where separate properties are physically connected to each other, the property values are aggregated if they are owned, either directly or indirectly, by the same person or people. This anti-avoidance rule prevents people from artificially splitting properties to fall outside of this ATED regime. However, apartments in the same block but that have no direct access into each other are not connected for these purposes.

Owners of properties who believe that the property falls within a 10% variance of a banding may write to HMRC to request a pre-return banding check.

ATED is a self-assessed tax. The ATED return and payment of tax must be submitted by 30 April at the beginning of the tax year for which the return relates, or within 30 days of acquisition if your property comes within the scope of ATED after 1 April.

Failing to complete a return on time carries penalties based on how late the return is when it is eventually filed. These penalties apply even if no ATED duty is actually due. Interest will also be charged if any ATED liability is paid late, starting from the day it is payable.

Some properties are not classed as dwellings and are accordingly normally outside the scope of ATED. These include:

- Hotels
- Guest houses
- Boarding school accommodation
- Hospitals
- Student halls of residence
- Military accommodation
- Care homes
- Prisons

Bodies exempt from ATED include:

- Charitable companies, and
- Public bodies and bodies established for national purposes.

You may be able to claim ATED relief for your property if it is:

- Let to a third party on a commercial basis and is not, at any time, occupied (or available for occupation) by anyone connected with the owner.
- Open to the public for at least 28 days a year.
- Being developed for resale by a property developer.
- Owned by a property trader as the stock of the business for the sole purpose of resale.
- Repossessed by a financial institution as a result of its business of lending money.
- Being used by a trading business to provide living accommodation to certain qualifying employees.
- A farmhouse occupied by a farm worker or a former long serving farm worker.
- Owned by a registered provider of social housing

If a relief is available against the ATED charge, it needs to be claimed, and therefore a return will be required, even if the relief reduces the ATED liability to nil.

Price Bailey can help with:

- Preparation and filing of ATED returns and ATED Relief Declaration Returns.
- Preparation and filing ATED related Capital Gains Tax (CGT) returns and Non-resident CGT returns.
- Advice on payments.
- Assistance with pre-return banding checks.
- Advice on liability.
- Advice on eligibility for ATED reliefs.

For any assistance with the ATED, contact us:



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