FOCUS ON

Annual Tax on Enveloped Dwellings (ATED)

Many The ATED was introduced by the Finance Act 2013 as a result of the perception that significant numbers of residential properties were being transferred to companies in order to avoid stamp duty on their eventual sale.

The ATED is an annual charge, which was originally applied to residential properties with a market value in excess of £2m on 1 April 2012 (or date acquired if later), that was held by a company, collective investment scheme, or partnership where at least one of the partners is a company or collective investment scheme.

Since its introduction we have seen that limit drop to £1m and then £500,000 from 1 April 2016. The ATED charge is per annum although where the property is acquired part way through the year the charge is pro-rated. The annual charges for the tax year 16/17 are as follows:

Property value	Annual charge
Up to £500,000	N/A
£500,001 - £1,000,000	£3,500
£1,000,001 - £2,000,000	£7,000
£2,000,001 - £5,000,000	£23,350
£5,000,001 - £10,000,000	£54,450
£10,000,001 - £20,000,000	£109,050
£20,000,001+	£218,200

If you hold a property which was valued at over £500,000 on 1 April 2012 (or at date of purchase if acquired later) through a company, collective investment scheme or partnership with corporate partners, you could be subject to the ATED. An ATED return must be completed and filed with the associated tax paid within 30 days of the beginning of the chargeable year. Failure to do so can result in penalties and interest, with penalties potentially being up to 100% of the tax due.

- There are a number of reliefs from the ATED charge that can be claimed. These include:
- Properties exploited as part of a property rental business.
- Property developers and traders.
- Heritage properties which are open to the public as part of a trade for at least 28 days each year.
- Certain farmhouses.
- Properties held for charitable purposes.
- Unoccupied properties where steps are being taken to sell, demolish or convert them without undue delay.

A 'relief declaration return' can be submitted instead of a normal ATED return where one of the above reliefs is available. The return is much less detailed than the normal ATED return, and is intended to reduce the administrative burden where there is no charge payable. Like the ATED return, it is due within 30 days of the beginning of the chargeable year and there are penalties for failure to do so.

CGT charge on properties subject to ATED

From 1 April 2013, the disposal of an entire property for consideration of over £2,000,000 could be subject to ATED related capital gains tax. From 1 April 2015, consideration of more than £1,000,000 and from 1 April 2016, consideration over £500,000 may also be subject to ATED related capital gains tax.

This applies even if the owner is a non-UK resident company. The ATED related gain is computed as that accruing since 1 April 2013 (when this rule was introduced) and CGT is charged at a flat rate of 28% with no annual exemption available.

For UK resident companies, the gain accruing before 1 April 2013 will also be subject to corporation tax.

Stamp duty land tax (SDLT)

Residential properties acquired for a purchase price in excess of £500,000 by a company or a partnership where at least one partner is a company or a collective investment scheme suffer a 15% rate of SDLT. This is in addition to the ATED and CGT implications discussed above. There are similar reliefs available from the 15% rate as those available for the ATED charge.

Contact us

For advice on investing in or disposing of residential property or assistance with filing your ATED return, please contact your local office.

Alternatively, email your enquiry to us at info@mhllp.co.uk