

Annual tax on enveloped dwellings

Introduction

The annual tax on enveloped dwellings (ATED) is a tax that applies, in the main, to companies owning residential property which is valued at more than £500,000.

The tax only applies on properties that are classed as 'dwellings'. This is a property where all or part of it is used as a residence, for example a house or a flat. The 'dwelling' also includes the property's gardens or grounds. However, properties such as hotels, guest houses, boarding school accommodation and student halls of residence fall outside the definition of a 'dwelling', and thus outside the scope of the tax.



Valuing the property

The tax only applies to dwellings with a value of at least £500,000. The amount of the charge depends on the value of the dwelling. Therefore, it is necessary to know the value of any residential property owned wholly or partly by a company (or a partnership with at least one corporate partner). The key date is the valuation date. From 1 April 2018 the valuation date is 1 April 2017. If the property was acquired after 1 April 2017, the value is the date of acquisition.

The valuation is an open market valuation.

How much is the charge?

The charge is an annual charge payable for the period from 1 April to the following 31 March.

The chargeable amount for 1 April 2019 to 31 March 2020 is shown in the following table.

Property value	Annual charge
More than £500,000 up to £1 million	£3,650
More than £1 million up to £2 million	£7,400
More than £2 million up to £5 million	£24,800
More than £5 million up to £10 million	£57,900
More than £10 million up to £20 million	£116,100
More than £20 million	£232,350



Payment and returns

An ATED return must be filed by 30 April each year. The return should be filed using HMRC's ATED online service. An agent can be appointed to file the return on the company's behalf.

The tax must also be paid by 30 April.

Recommendation

The limits for ATED continue to be reduced bring more and more properties held within a company within its

scope. It is therefore important the matter is reviewed annually, including the market values of the properties. Incomplete or incorrect disclosure to HMRC could leave the taxpayer open to Penalties and interest.

Seek professional advice if you are unsure.

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