

Annual Tax on Enveloped Dwellings

In a move designed to combat the perceived tax avoidance opportunities of holding residential property within companies, the Government introduced the Annual Tax on Enveloped Dwellings with effect from 1 April 2013.

The tax is payable every year by “non-natural persons” that own high value dwellings in the UK. This includes companies, partnerships with one or more corporate partners and collective investment schemes. A number of reliefs are available, which broadly speaking are designed to remove dwellings that are used within a commercial business from this particular tax net. Some examples where ATED may not be chargeable are where the dwelling is:

- let to a third party (unconnected to the owner) on a commercial basis;
- part of a property letting business;
- part of a property developer's trade;
- used by certain employees;
- a farmhouse let to farm workers.

Any reliefs must be claimed on an ATED return. Penalties may apply on failure to submit a return, even if there is no tax due. If tax is due then late payments could trigger interest and additional penalties.

A company which holds property in its capacity as a trustee or personal representative is not required to file an ATED return.

For 2022/23, the tax applies to companies holding dwellings which were valued at more than £500,000 on 1 April 2017 (or the date of acquisition if later). For 2023/24, the valuation date is 1 April 2022, so companies should revalue their properties at this date to decide whether they fall



into ATED, and in which value bracket they fall, for 2023/24 onwards.

Chargeable amounts from 1 April 2022 to 31 March 2023

Property value	Annual Charge
More than £500,00 up to £1 million	£3,800
More than £1 million up to £2 million	£7,700
More than £2 million up to £5 million	£26,050
More than £5 million up to £10 million	£60,900
More than £10 million up to £20 million	£122,250
More than £20 million	£244,750

If a qualifying property is acquired during a tax year, or if its use changes so that the property moves in or out of a relief, ATED applies on a proportionate basis.

ATED returns are due by 30 April during the tax year. Changes to the way in which a dwelling is used, or the acquisition of a new high value dwelling, may trigger the requirement for an additional ATED return to be filed within 30 days.

All properties within ATED will need to be revalued every five years.



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