



UK Annual Tax on Enveloped Dwellings (“ATED”)
Changes to the Taxation of UK residential properties
with a value between £500,000 and £1million

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Overview

The 2014 Finance Act increased the scope of the annual ATED charge so that from 1 April 2016 ATED applies also to UK residential properties with a market value as at 1 April 2012 (or at acquisition, if later) in excess of £500,000, where the property is owned by a qualifying non-natural person.

Non-Natural Person

A non-natural person is generally one that is a corporate body that owns the property beneficially. Nominee ownership by a company for an individual is not chargeable to ATED. The definition of non-natural person is however a complex one and if you or your clients are in any doubt as to whether the property ownership falls within the non-natural person definition, please get in touch with your usual SMP adviser for clarification.

Existing ATED obligations

The companies owning UK residential property valued in excess of £1Million at 1 April 2012 (or at acquisition, if later) should have already submitted their ATED returns for previous periods and will be required to file an ATED return by **30 April 2016** in respect of the period 1 April 2016 to 31 March 2017.

From 1 April 2016 a new ATED band and charge is introduced:

Property Value at 1 April 2012 (or at acquisition, if later)	Annual Charge for the year 1 April 2016 to 31 March 2017
£500k - £1m	£3,500

Key dates for the £500K - £1M band

The ATED charge for properties falling within this band will come into force from **1 April 2016**. The return and payment also for this band are due by **30 April 2016**.

Reliefs

The ownership of some properties by non-natural persons will qualify for relief from the ATED charge (either in part or in full) and these reliefs include the following activities in respect of a property:

- Property rented to unconnected third parties
- Carrying on a genuine property trading business or property development business
- Properties run as a commercial trade and open to the public for at least 28 days per year

Should an ATED relief be available, a relief declaration return will still need to be filed with HMRC, with the same deadlines applying.

ATED - related CGT charge

An entity which is obliged to suffer an ATED charge will also suffer an ATED - related CGT charge at 28% of the chargeable gain on a future disposal of the property. This CGT charge will only apply to any gain that has accrued since ATED was in point (unless an election is made to tax the gain for the full ownership period) and only for a period in which ATED is due i.e. excluding periods where an ATED relief is claimed.

Capital Gains Tax on Non-residents

A further matter to be aware of is that the UK Government now requires that most non-residents owning UK residential property are liable to UK capital gains tax on any increase in the value of the property between 5 April 2015 and the date of the sale. NNP's may be subject to the ATED-CGT and to the CGT on non-residents but where both regimes apply the gain will be apportioned.

Action Required

The ATED charge is currently determined by a property's market value as at 1 April 2012 (or at acquisition, if later).

If you or your clients believe that the ownership of UK residential property may fall within the ATED charging provisions above, i.e. because its market value may have exceeded £500,000 as at 1 April 2012 (or acquisition if later), you or your clients should carry out one or more of the following arrangements:

1. Arrange for the property to be valued as at 1 April 2012, whether by a formal valuation or a valuation by the directors
2. Restructure so that the ATED charge does not apply going forward
3. Review the present structure for the purposes of checking whether an ATED relief is available

SMP are recommending to clients that action is taken now so as to give as much time as possible for any changes to be carried out or alternatively so that certainty is provided regarding the ATED position.

Properties are valued every five years with the next revaluation being 1 April 2017. Thus, if a property has a value of less than £500,000 as at 1 April 2012, it is likely that a revaluation at 1 April 2017 will be needed to check whether the property is to be within the ATED regime. Equally, properties with a value in excess of £500,000 at 1 April 2012 may move into a higher ATED band from 1 April 2018 after being revalued as at 1 April 2017.

SMP Accounting & Tax Services

SMP can provide the full range of services with regard to any property which will be affected by the ATED and CGT charges. These services include:

- Preparation and filing of the ATED return and ATED-related CGT return
- Advising on ATED reliefs
- Advising on initial structuring of property purchases
- Advising on restructuring so as to change how ATED is charged
- Arranging property valuations for clients

If you have UK residential property which you think will be affected by the changes please do not hesitate to contact your usual SMP adviser or one of the tax advisers listed below to discuss your existing arrangements.

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