

# Comment on...

## Annual Tax on Enveloped Dwellings (ATED)

### What is ATED?

ATED is a tax payable each year by companies, partnerships with company members, and collective investment vehicles, which own a UK residential property which was valued above £500,000 on **1 April 2017** or the purchase date (if later).

### What is a dwelling?

A dwelling includes land which is intended to be enjoyed with a dwelling as a garden or grounds, including any building on such land (unless that building is being used for a purpose covered by a relief). If a property consists of a number of self-contained flats, each flat will usually be valued separately for this purpose. There are special rules in place for valuation purposes where a dwelling is part of a mixed used property, or where connected persons own multiple interests in a dwelling or own dwellings within the same property.

### How is the amount due calculated?

The amount of ATED due is worked out using a banding system based on the value of the dwelling. The annual chargeable amounts for ATED can increase each year. The rates for the 2021/2022 chargeable period are shown below.

ATED rates for 2021/22	
Property Value	2021/22 Annual Chargeable Amount
More than £500,000 but not more than £1 million	£3,700
More than £1 million but not more than £2 million	£7,500
More than £2 million but not more than £5 million	£25,300
More than £5 million but not more than £10 million	£59,100
More than £10 million but not more than £20 million	£118,600
More than £20 million	£237,400

ATED applies on a proportionate basis if the dwelling is only owned for part of the year or if there is a change in use of the property moving it into or out of ATED.

## Valuation date

The valuation date which is relevant for the current ATED returns is 1 April 2017, where the property was owned at that date. The next valuation date will be 1 April 2022 which will then cover the ATED returns for the next five years starting on 1 April 2023. Valuations should be on an open-market willing buyer, willing seller basis, and can be an internal valuation or using a professional valuer.

## Return deadlines

The 2021/22 chargeable period for ATED runs from 1 April 2021 to 31 March 2022 with returns and payments due by 30 April 2021 (unless the property is acquired after 1 April whereby the return is due within 30 days of acquisition).

## Registration process

HMRC has mandated that all ATED returns and relief declarations must now be completed and filed electronically through their new digital service. A company must register for this service through its Government Gateway account.

## ATED Reliefs

Reliefs are available that can reduce the ATED charge to nil and these are briefly outlined below:

- **Property rental businesses**  
A dwelling that is being 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.
- **Property developers**  
A dwelling which is part of a commercial property development trade where the dwelling was purchased with the intention of re-developing and selling on, and is not at any time occupied (or available for occupation) by anyone connected with the owner.
- **Property traders**  
A dwelling which is part of a property trading business, and is not at any time occupied (or available for occupation) by anyone connected with the owner.
- **Providers of social housing or qualifying housing co-operatives**  
A dwelling owned by a provider of social housing or qualifying housing co-operatives.
- **Farmhouses**  
A farmhouse which is occupied by a qualifying farm worker who farms the associated farmland full time on a commercial basis with a view to profit. Relief can also be available if the farmhouse is occupied by a former long-serving farm worker or their surviving spouse.
- **Occupation by certain employees or partners**  
A dwelling which is for the use of employees of the company (or partners in a partnership) for the purpose of the company's commercial trade, where the employee/partner does not have an interest of more than 10%.
- **Financial institutions acquiring dwellings**  
A dwelling acquired by a financial institution in the course of lending.
- **Dwellings open to the public**  
A dwelling that is open to the public for at least 28 days a year as part of a commercial business with a view to realisation of profits.

Please note that each relief has additional conditions which require to be satisfied. No relief is given automatically and a claim for relief must be submitted to HM Revenue and Customs each year, following the same deadlines as the returns. A shorter relief declaration return has been introduced for properties which qualify for ATED relief and have no ATED liability. There are also a number of exemptions from the tax for certain bodies, including charities which use the dwelling for charitable purposes.

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