

ATED - TAXING UK RESIDENTIAL PROPERTY

March 2018 update



2018/19 is the first year that property holders within the ATED regime will pay the annual charge based on an updated valuation - the value at 1 April 2017. Owners should review whether current property holding structures are still needed.

The Annual tax on enveloped dwellings (ATED) is a tax on certain entities ('non-natural persons') holding UK residential property.

It creates an annual tax charge based on the capital value of the property - although reliefs are available. Filing obligations apply and ATED-related gains can arise on the disposal of the property.

Taxable values

For properties within ATED (and where limited or no works have been carried out and there have been no substantial acquisitions and disposals of part of the property), the non-natural person owning the property will have been subject to the ATED charge at the prevailing rates for the same band of property value since 2013/14.

However, as 1 April 2017 was the first five-year revaluation date, this could mean that ATED charges increase significantly for 2018/19 and future years. The table shows the annual charges from 1 April 2018 based on the value at 1 April 2017 (or date of later purchase).

Property value ¹	Annual charge ²
£0.5m - £1m	£3,600
£1m - £2m	£7,250
£2m - £5m	£24,250
£5m - £10m	£56,550
£10m - £20m	£113,400
Over £20m	£226,950

¹ At 1 April 2017 (revalued every five years)

² From 1 April 2018

1 April 2017 value

Affected owners that have not established the value of their property at 1 April 2017 should seek to do so as soon as possible. The valuation must be based on the open-market value (ie between a willing buyer and seller).

It is sensible to use a property professional (eg valuer or estate agent) to establish the value as, if HMRC successfully challenge the value used in your ATED return, any tax underpayment identified will lead to interest and penalties charges as well.

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Inheritance tax changes for non-doms

It had previously been common for non-UK domiciled individuals to set up property holding structures using non-natural persons based outside the UK to mitigate UK IHT charges. However, changes from 6 April 2017 mean that UK residential property will now usually fall within the UK IHT net for both UK residents and non-UK residents and no matter how it is owned.

De-enveloping

With the prospect of increased ATED charges and limited IHT advantages in future, 'de-enveloping' properties from existing structures may be attractive to reduce the administrative burden. This process may also trigger tax charges, including SDLT.

However, where there are no debts secured on a property, it may be possible to extract it from a structure without an SDLT charge.

Your next steps

For advice on your property ownership structure please get in touch with your usual BDO contact.



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