
Annual Tax on Enveloped Dwellings - the basics

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Previously called Annual Residential Property Tax, the Annual Tax on Enveloped Dwellings (ATED) is a tax payable by companies that own high value residential property (a 'dwelling'). It came into effect from 1 April 2013.

This guide is to help you understand what ATED is, whether it affects you and, if it does, what you may need to do.

On this page:

- [What is ATED](#)
- [Annual Chargeable Amounts](#)
- [Who will need to pay ATED](#)
- [What is a dwelling](#)
- [Valuation of property](#)
- [Pre-return banding check \(PRBC\)](#)
- [Returns and payment](#)
- [Using a tax agent or adviser](#)
- [Reliefs](#)
- [Repayments](#)
- [What to do if you disagree with an HMRC decision](#)
- [More useful information](#)

What is ATED

Most residential properties (dwellings) are owned directly by individuals. But in some cases a dwelling may be owned by a company, a partnership with a corporate member or other collective investment vehicle. In these circumstances the dwelling is said to be 'enveloped' because the ownership sits within a corporate 'wrapper' or 'envelope'.

ATED is a tax payable by companies on high value residential property (a dwelling). It came into effect from 1 April 2013 and is payable each year.

You'll need to complete an ATED Tax Return for your property if all of the following apply:

- it's a dwelling (see below for definition)
- it's situated in the UK
- it was valued at more than £2 million on 1 April 2012, or at acquisition if later
- it's owned, completely or partly, by a company, a partnership where one of the partners is a company, or a 'collective investment vehicle' - for example, a unit trust or an open ended investment company

There are reliefs that could reduce the tax completely but you can only claim them if you complete and send in a return.

There are also a number of exemptions from the tax, most significantly, charitable companies using the dwelling for charitable purposes, which mean you may not have to file a return.

The amount of ATED is worked out using a banding system based on the value of your property. You need to find out which band the value of your property falls into.

[Top](#)

Annual Chargeable Amounts

The annual chargeable amounts for ATED are increased each year in line with the Consumer Prices Index (CPI). You must ensure that you calculate your liability based on the correct charges **before** filing your return as they are subject to change.

Budget 2014 announced a reduction in the threshold from £2 million to £500,000 to be introduced over 2 years. From 1 April 2015 a new band will come into effect for properties with a value greater than £1 million but not more than £2 million with an annual charge of £7,000. For those persons who fall into this new threshold there is a transitional rule where returns will be due by 1 October 2015 and payment by 31 October 2015. From 1 April 2016 a further new band will come into effect for properties with a value greater than £500,000 but not more than £1 million with an annual charge of £3,500. For future years these charges will be indexed in line with the previous September CPI. These pages will be updated in advance of these chargeable periods to take account of this change.

Chargeable amounts for chargeable period 1 April 2014 to 31 March 2015

Property Value	Annual Chargeable Amount 2014 to 15
More than £2m million but not more than £5 million	£15,400
More than £5 million but not more than £10 million	£35,900
More than £10 million but not more than £20 million	£71,850
More than £20 million	£143,750

Chargeable amounts for chargeable period 1 April 2013 to 31 March 2014

Property Value	Annual Chargeable Amount 2013 to 14
More than £2 million but not more than £5 million	£15,000
More than £5 million but not more than £10 million	£35,000
More than £10 million but not more than £20 million	£70,000

Property Value	Annual Chargeable Amount 2013 to 14
More than £20 million	£140,000

If you only own the dwelling for part of a year, or you change how you use the property so that it moves into or out of ATED, then ATED applies on a proportionate basis (the ATED you pay will be calculated by reference to the number of days in the year the property falls within ATED). Read chapter 6 of the 'ATED Technical Guidance' for more information on how to calculate the charge on a proportionate basis.

Stamp Duty Land Tax (SDLT) is charged at a higher rate for corporate bodies. You may also have to pay Capital Gains Tax (CGT) if you dispose of property that was subject to ATED.

[ATED Technical Guidance \(PDF 340K\)](#)

[SDLT rates and thresholds](#)

[Capital Gains Tax on high value residential property](#)

[Top](#)

Who will need to pay ATED

ATED only needs to be paid when the property is owned by:

- a company or other corporate body, however, a company that owns property in its capacity as a trustee of a settlement is not included in ATED, if a company holds property as a trustee of a bare trust, it's the person who beneficially owns the property who may be within ATED
- a collective investment vehicle (such as a unit trust or an open ended investment company)
- a partnership which includes one, or more, of the above

[Top](#)

What is a dwelling

ATED applies to residential properties ('dwellings') that are physically located in the UK. A dwelling may be all or part of a residential or mixed-use property and includes properties 'capable of being a dwelling'.

Sometimes a dwelling is part of a larger, mixed-use property that has parts not used for residential purposes. Only the residential part would have ATED payable on it. The residential part will need to be valued to work out which ATED band it falls into.

A dwelling includes gardens and grounds and any building within them, unless that building is being used for a purpose covered by a relief. You can find out more about that in the 'reliefs' part of this guide.

If a property consists of a number of self-contained flats, each flat will usually be valued separately.

If there's more than one dwelling in a property and they're owned by a company or person connected with the company, they are added together and looked at as a single dwelling where there is internal access between the two. Two dwellings in adjoining buildings with internal access between them are also treated as one dwelling for

ATED.

Where companies and individuals connected to the company own multiple interests in a dwelling, these will be added together for ATED purposes. This could be shareholders or their relatives, or beneficiaries of settlements where the dwelling is owned by a company that's owned by the trustees. For example, where the freehold interest is owned by one person (perhaps the company) and a leasehold interest is owned by another (perhaps an individual connected to the company). However, special rules apply where an interest is held by an individual and a company, so that the aggregation only occurs where the company interest is valued at more than £500,000.

Hotels, guest houses, boarding school accommodation, hospitals, student halls of residence, military accommodation, care homes and prisons are not deemed to be dwellings, so don't come under ATED.

Historic houses

If a company owns an historic house that's open to the public or provides access to the dwelling as part of its services (for example, as a wedding venue) with the intention of being open for at least 28 days per annum it may be able to claim a relief that will reduce its ATED charge to nil.

The company's activities in the historic house must be commercial and with a profit-seeking motive, even if that profit doesn't cover the full costs of the house. Also, access must be to a significant part (relative to the size, nature and function of the areas opened to the public) of the property.

This will be the case even where a person connected with the owner is in occupation.

Further guidance can be found in the ATED Technical Guidance (see link below) at section 35.

Working farmhouses

If a company owns a farmhouse that carries on a trade of farming commercially and with a profit seeking motive it may be able to claim a relief that will reduce its ATED charge to nil.

To qualify for this the criteria will include that a 'farm worker' must occupy the property. The relief will be available where a person connected to the owner occupies the farmhouse, so long as they are a 'farm worker' and the relevant conditions are met.

[ATED Technical Guidance \(PDF 340K\)](#)

[Top](#)

Valuation of property

For ATED the value of the dwelling to be used is its value:

- on 1 April 2012, if you owned your interest in the property at that date, this date is to make sure that people who will need to pay ATED can work out the right value ahead of the first period that it's due
- each 1 April falling 5 years, or multiple of 5 years, after 1 April 2012
- when you bought or acquired it, if that is a later date
- at the date of entry on the Council Tax Valuation Lists (or Northern Ireland Valuation List) or when it's occupied, whichever is the earliest, if the dwelling is a new property or an existing building that's been altered so that it is to be a dwelling if that is later than 1 April 2012

The valuation figure will be used for the first five ATED return periods

beginning 1 April 2013 and based on the valuation at 1 April 2012, or when you bought or acquired it, if later. All properties within ATED need to be revalued again in five years time, which will be 1 April 2017 (to cover the ATED returns for the five year periods starting on 1 April 2018).

You need to self assess the value of the property. You can do this yourself, or use a professional valuer. The valuation will be reported on the ATED return.

Valuations must be on an open-market willing buyer, willing seller basis. The value must be a specific price, an 'in the range of' valuation is not acceptable, for example £2,135,000, not '£2,100,000 to £2,150,000'. However, if a relief is to be claimed then a valuation based on your best judgment will be acceptable.

A valuation at 1 April 2012 will decide which ATED band the property will fall into for five years. This could change if the property is developed or falls outside of ATED completely, or moves back in again (for example, it becomes a non-residential property and then residential again).

If HMRC challenge a valuation and find that it's wrong, the person responsible for paying ATED may have to pay penalties as well as the increased ATED payable, plus interest for late payment.

[Top](#)

Pre-return banding check (PRBC)

Before you complete the ATED return, you will need to value the dwelling and decide whether you want to ask for a PRBC. This must be done well in advance of the filing deadline as penalties will still apply if a return is due and not received.

You can ask HMRC to confirm your view of the appropriate banding of the property by sending your valuation for a PRBC. Please note, a PRBC will only be available to those who reasonably believe that their property valuation falls within a 10% variance of a banding threshold.

HMRC will only confirm that they agree to the banding proposed and not the specific valuation of the property. That confirmation must not be used for any other purposes.

In some cases, the inside of the building might need to be examined as part of the check. HMRC will be able to enquire into returns and challenge valuations, but they will normally be able to accept valuations prepared by a professional property valuer.

[More information about PRBC](#)

[Top](#)

Returns and payment

If your dwelling falls within the scope of ATED, then regardless of any reliefs that may apply, you will need to complete and send HMRC a return on which you can claim any reliefs that may be due.

You must send your completed return and payment by 30 April **at the beginning** of each ATED period. An ATED period lasts for one year and begins on 1 April.

For the first year of ATED (1 April 2013 to 31 March 2014) there was a transitional arrangement where the return was due by 1 October 2013 and payment by 31 October 2013.

For the ATED period beginning 1 April 2014 and for all future years, the return and the payment will be due by 30 April. For example, for

the ATED period 1 April 2014 to 31 March 2015, both the return and payment are due by 30 April 2014.

If your dwelling first falls within ATED on a date after 1 April in an ATED period, then the return and payment are due within 30 days where purchased or 90 days where the dwelling is newly built. For example, if you buy a property on 1 July, your return and payment would be due on 31 July.

If you don't complete and send HMRC a return or payment, or you send it late or make a mistake on it, you may have to pay a penalty and interest.

If you know you might need to pay ATED (you're 'potentially liable') for a dwelling then you need to complete and send a return. If there's a relief available that means that you don't have to pay ATED, you can only claim it by completing and sending a return to HMRC. A late filing penalty will still apply even if there is a relief that reduces the liability to nil.

If a dwelling that falls within ATED is jointly owned, all the owners are jointly responsible for completing and sending the returns and payments.

If you own a number of dwellings, each of which is liable to make a payment of ATED, you will need to complete one return per dwelling. So where there is a liability to pay ATED, one return must be completed per dwelling.

Please note:

- the HMRC system does not store partially completed ATED return forms so you must make sure you have all the information to hand that you need before you start to complete it.
- a paper version is available if you prefer to complete your ATED return form on paper.
- **do not** file a paper return if you have already filed the same return online. If you need to amend a return you can do this online or on paper, but not both, by ticking the 'Amended return' box. If you have filed a return online and have not received an acknowledgment please contact the ATED Helpline (see details below).

[Annual Tax on Enveloped Dwellings \(ATED\) Return](#)

Payment methods

You can pay ATED by:

- Bacs Direct Credit
- Faster Payments by online/telephone banking
- CHAPS

You can also pay by post but HMRC recommends you pay electronically using one of the methods listed above.

When you make a payment to HMRC it's important that you use the right reference. When you make your first return showing an amount of tax is due HMRC will send you an ATED payment reference number for making payment to your account. It is important that you do not make a payment until you receive your ATED payment reference number.

Follow the link below to read more information about:

- how to pay ATED
- using the right ATED payment reference number
- what to do if you don't have an ATED payment reference number

[How to pay ATED](#)

[Top](#)

Using a tax agent or adviser

You can deal directly with HMRC or appoint someone to deal with HMRC on your behalf in relation to ATED. This is known as appointing an agent.

If you wish to appoint an agent to act on your behalf you must complete an ATED 'authorising your tax agent or adviser' form. This authorises HMRC to communicate with your accountant, tax agent or adviser acting on your behalf in relation to ATED (including ATED related CGT). It will remain in force until HMRC receives written notice from you that the details have changed.

Tax agent or adviser

As a tax agent or adviser, you must be formally authorised by the chargeable person to deal with HMRC on their behalf. HMRC will not discuss individual personal or financial information if they have not received your client's completed 'authorising your tax agent or adviser' form.

Important: HMRC form 64-8 for other tax matters does not cover ATED or ATED related CGT.

[Authorising your agent - ATED form \(PDF 651K\)](#)

[Capital Gains Tax on high value residential property - ATED-related capital gains](#)

[Top](#)

Reliefs

There are reliefs that might lead to you not having to pay any ATED. You can only claim these by completing and sending an ATED return.

A dwelling might get relief from ATED if it is:

- let to a third party on a commercial basis and isn't, at any time, occupied (or available for occupation) by anyone connected with the owner
- open to the public for at least 28 days per annum, if part of a property is occupied as a dwelling in connection with running the property as a commercial business open to the public, the whole property is treated as one dwelling and any relief will apply to the whole property
- part of a property trading business and isn't, at any time, occupied (or available for occupation) by anyone connected with the owner
- part of a property developers trade where the dwelling is acquired as part of a property development business the property was purchased with the intention to re-develop and sell it on and isn't, at any time, occupied (or available for occupation) by anyone connected with the owner
- for the use of employees of the company, for the company's commercial business and where the employee does not have an interest (directly or indirectly) in the company of more than 10%, the employee's duties must not include services for any present or future occupation of the property by someone connected with the company, the relief is also available where a partner in a partnership does not have an interest of more than 10% in the partnership
- a farmhouse, if it is occupied by a qualifying farm worker who farms the associated farmland, a former long-serving farm worker or their surviving spouse or civil partner
- a dwelling acquired by a financial institution in the course of lending
- owned by a provider of social housing

A separate return is required for each property claiming a different

relief. If you are claiming the same relief for more than one dwelling HMRC will accept a single return. However you must still send the same details for each property as required on the return.

The property details for the other dwellings must be provided in a PDF file with 'ATED RELIEF' in the title and sent to HMRC by email at the same time as the return is filed. You can do this by using the 'additional information' email address shown in the property section of the return. The information you must provide (in a PDF file) must include:

- property title number (if any)
- address and postcode
- date of acquisition
- actual value of dwelling
- whether a professional valuation has been obtained in the period covered by the return
- date of valuation
- any relevant PRBC reference

You should use the online ATED return form to notify HMRC of a change of circumstances which may result in a repayment of tax already paid for the year or further tax being due.

[Top](#)

Repayments

To claim a repayment of ATED you must amend your ATED return by ensuring the 'amended return' and 'submitting a repayment return' boxes are ticked. You must enter a reason for the repayments, for example you have sold the property.

[Top](#)

What to do if you disagree with an HMRC decision

There may be occasions when you disagree with a decision made by HMRC. If this happens, you may be able to challenge the decision by appealing. When HMRC makes a decision, which you can appeal against, HMRC will write and tell you.

You can appeal against:

- an amendment to the self assessment in your return
- a determination of tax chargeable where no return has been filed
- a conclusion or amendment made by a closure notice following the completion of an enquiry into your return
- a discovery assessment where HMRC believes further tax ought to have been paid
- an assessment to recover excessive repayment of tax
- penalties for failure to make a return on time
- penalties for late payment of tax
- penalties for inaccuracies in a return

You have 30 days from the date of the decision to write and tell HMRC the grounds on which you are appealing the decision. You should write to:

ATED S1138
PO 202
Bootle
L69 9AL

Follow the links below for further information about penalties and how to appeal against an HMRC decision and the options available to you if you and HMRC are unable to agree.

[CH60000 - Penalties for failure to file on time: contents](#)

[CH150000 - Penalties for failure to pay on time: contents](#)

[CH80000 - Penalties for inaccuracies: contents](#)

[How to appeal against an HMRC decision - direct tax](#)

[Top](#)

More useful information

If you have a query relating to ATED you can contact the HMRC ATED helpline. More technical queries will be referred to a specialist who will respond to you as soon as possible. At busy times there may be a delay in receiving a response but do not defer sending a return by the deadline as late filing penalties may still apply if a return is due.

[Contact details for HMRC ATED Helpline](#)

[Top](#)