

UK Annual Tax on Enveloped Dwellings (“ATED”) - March Update

Overview

The ATED is an annual UK tax charge, targeted at expensive UK residential property held by a non-natural person (“NNP”)¹ where the property is not rented out to an unconnected third party but instead it is left unoccupied or is used by the ultimate beneficial owner (or persons connected to the beneficial owners) of the NNP. Reliefs (such as property development or property rental) can apply to remove the ATED from charge.

Historical 2013/14 Tax Return Position

For the first ATED period, 2013/14, there was a transitional arrangement in which the ATED was due on 1 October 2013 and the relevant payment was due before 31 October 2013. SMP Accounting & Tax dealt with a large number of ATED returns and payments for 2013/14.

2014/15 Tax Return and Key Dates

There are no transitional arrangements in place for 2014/15 and so the ATED return for the period ending 31 March 2015 must be filed by **30 April 2014** to avoid a penalty. Any tax payment for the ATED charge will also fall due by **30 April 2014**. It is the obligation of the taxpayer to ensure compliance with the ATED requirements by recognising its own responsibility to complete and submit the ATED return. A return will not be issued by HMRC.

All UK properties valued at more than £2 million at 1 April 2012 (or at acquisition if later) and held by a NNP are obliged to complete an ATED return, regardless of whether any ATED is payable. If the entity owns more than one property it may need to file a separate return for each property, depending on the circumstances.

Information for the Tax Return

The following information is needed to complete the ATED return for each property:

1. HM Land Registry Title number
2. Date of purchase of the property
3. Purchase price of the property
4. Valuation of the property as at 1 April 2012 (or at acquisition, if later)

Please note that once the valuation as at 1 April 2012 has been established this will remain the value for the five years to 31 March 2018 and is not subject to market fluctuations unless special circumstances arise (see note below). Therefore any correctly completed ATED returns for 2013/14 will in the first instance be expected to use all of that same information so as to complete the 2014/15 return.

Charge for 2014/15

The rates of the annual charge are increased each year where there has been an increase in the Consumer Price Index. The rates for 2014/15 are not yet known but will be published before 1 April 2014. The 2013/14 charges are listed below.

Property Value	Tax
£2m - £5m	£15,000
£5m - £10m	£35,000
£10m - £20m	£70,000
£20m +	£140,000

¹ Essentially a non-natural person is a company, a partnership with a corporate partner or a collective investment scheme. The definition includes UK resident and non-UK resident entities.

Significant property changes which may require a review of the property valuation

It is important to note that if either or both of the following events apply then it may be necessary to review an ATED return in which the significant charge has occurred in order to check whether the existing valuation band remains appropriate, for the relevant and future years.

Examples of such relevant events are:

- 1) Where a significant acquisition or disposal of an interest in the property has occurred in the period and/or
- 2) Where a significant change in the property's usage and occupation has occurred.

Such a change will include the occupation of the property by a connected party where previously the property was let to an unconnected third party. Another example of a significant change might be the completion of a property development.

The above is not an exhaustive list. If you have any queries in this regard please do not hesitate to get in touch with Tony Dowling.

Properties acquired during an ATED return period

Please note that properties purchased (or newly-built) during an ATED period must normally make an ATED return and payment within 30 days of the purchase (90 days if newly-built) if they fall within the ATED regime.

Contacts

SMP Accounting & Tax are currently assisting their clients to meet their 2014/15 ATED return obligations and would be pleased to provide any assistance to you or your clients, as required.

SMP Accounting & Tax Ltd has one of the largest dedicated tax teams on the Isle of Man. The senior members of our tax staff are experienced former employees of the Big 4 and mid-tier accountancy firms. Our tax department have many years' experience of UK and offshore tax matters and can provide high level tax advice to clients with complex tax affairs.

If you have any queries in relation to the ATED please do not hesitate to contact:

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