

Annual Tax on Enveloped Dwellings (ATED)

Synopsis: 2023/24 charges for the annual tax on enveloped dwellings.

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The annual tax on enveloped dwellings (ATED) is payable mainly by companies that own UK residential property valued at more than £500,000.

The dwelling is said to be 'enveloped' because the ownership sits within a corporate wrapper or envelope. The ATED is charged in respect of chargeable periods running from 1 April to 31 March each year.

The ATED charges increase automatically each year in line with inflation (based on the previous September's CPI).

This table shows the property band and what the revised charges will be for the 2022/23 chargeable period...

Property value	Annual tax 2021/22	Annual tax 2022/23	Annual tax 2023/24
£500,000 to £1,000,000	£3,700	£3,800	£4,150
£1,000,001 to £2,000,000	£7,500	£7,700	£8,450
£2,000,001 to £5,000,000	£25,300	£26,050	£28,650
£5,000,001 to £10,000,000	£59,100	£60,900	£67,050
£10,000,001 to £20,000,000	£118,600	£122,250	£134,550
£20,000,001 and over	£237,400	£244,750	£269,450

Fixed revaluation dates

Note that there are fixed revaluation dates for all properties regardless of when the property was acquired. These are every five years after 1 April 2012, so, for example, at 1 April 2017, 1 April 2022, 1 April 2027 and so on.

A valuation is necessary when the property is purchased, and this value will normally apply until the next fixed valuation date. This means that...

- For those properties owned on or before 1 April 2012, they will have had an initial value at 1 April 2012 and the property will have had to be revalued on 1 April 2017.
- For those properties acquired after 1 April 2012, but on or before 1 April 2017, they will have had an initial value at the date the property was acquired, and the property will have had to be revalued on 1 April 2017.

- For those properties acquired after 1 April 2017, but on or before 1 April 2022, they will have had an initial value at the date the property was acquired, and the property will have had to be revalued on 1 April 2022.

Note that the 1 April valuation applies for the following ATED year and the next four ATED years. So, for example, the 1 April 2017 valuation will apply for the 2018/19 ATED year and all ATED years up to and including the 2022/23 ATED year.

Other events that require a revaluation to be made...

- Part disposals - if part of a property is disposed of (for example, a small parcel of land, or by granting a lease) the property must be revalued based on the property's market value on the date of disposal. This valuation applies until a revaluation date of 1 April is reached.
- New builds or reconstructed properties - if a property is newly constructed or has been altered to become a new dwelling it should be valued on the earlier of the date...
 - it was first occupied.
 - it was treated as coming into existence for Council Tax or, in Northern Ireland, domestic rating purposes.

Note that it is only an acquisition of a right in or over land which is relevant and so millions could be spent developing a property without triggering a new valuation at that point. However, obviously the expenditure could result in the property moving into a higher ATED band on the next 1 April valuation (or earlier valuation event, such as a part disposal.)

For the ATED period 1 April 2023 to 31 March 2024, where your client owns a property on 1 April 2023, returns for that period must be filed by 30 April 2023. Please see [here](#) and [here](#) for more information about the ATED.

Comment

Clearly, care needs to be taken to ensure that the correct valuation date is used when assessing if the ATED applies and, if so, at what level.

In addition, many buy-to-let investors will now be buying buy-to-let properties via companies in order to obtain full tax relief for interest paid on loans used to purchase the property. And there is a particular exemption which means that no tax charge will arise if the property is let on market terms to a person who is not connected with the company. Please see [here](#).

However, if the value of the property for ATED returns purposes is £500,000 or more, an ATED (Relief Declaration) tax return must be made and the exemption claimed. Otherwise penalties may be incurred. More information on ATED returns can be found [here](#).

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