



Annual tax on enveloped dwellings

Who is likely to be affected?

Companies, partnerships with company members, and collective investment schemes (collectively referred to as non-natural persons (NNPs)), in particular those required to submit detailed information for each property eligible for a relief from the annual tax on enveloped dwellings (ATED).

General description of the measure

This measure will reduce the administrative burden on those businesses who hold properties eligible for a relief from ATED and for which there is no tax liability.

The measure changes the filing obligations, information requirements, and in some cases the time limits for delivering a return. There will be no change in relation to properties which have an ATED liability.

This measure also makes a consequential change to the aggregation rule where connected persons hold different interests in the same property.

Policy objective

This measure contributes to making the tax system simpler by reducing the administrative burdens for those businesses which hold properties within ATED that meet the criteria to claim a relief.

It also makes a consequential change to the connected persons rule to ensure that the policy continues to work as intended following the reduction in the ATED entry threshold.

Background to the measure

At Budget 2014 the Government announced a lowering of the £2 million ATED entry threshold to £500,000. The Government consulted between July and September 2014 on options to simplify the administration of ATED for businesses. Currently, a business is required to provide detailed property information and deliver a return in respect of each property, even where it is eligible for a relief. This creates a significant administrative burden where there is no ATED liability.

Detailed proposal

Operative date

These measures will have effect for the chargeable period 1 April 2015 to 31 March 2016 and thereafter.

For chargeable persons who hold properties eligible for a relief from ATED, for the 2015-16 year only, returns must be filed by 1 October. For subsequent years the normal filing date of 30 April will apply. This revised time limit will enable HMRC to synchronise these changes with the new IT system to be launched during 2015.

Current law

Sections 159 and 160 of Finance Act 2013 and SI 2014/1844 make provision for an ATED returns. Section 161 of Finance Act 2013 requires a return to include the market value of the property.

Sections 132 to 150 of Finance Act 2013 set out the reliefs that are available from ATED and the conditions that need to be met in order for a property to be eligible for such a relief.

Section 110 of Finance Act 2013 provides that different interests held by connected persons in the same property should be aggregated and ATED paid on the aggregate amount (where that amount falls within the ATED entry threshold). However, where the connected person is an individual the company's interest must be more than £500,000 for the aggregation rule to apply.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend Finance Act 2013 to introduce a new type of return, a "relief declaration return", for those persons holding properties eligible for a relief from ATED. For each type of relief being claimed a relief declaration return must be filed in respect of one or more properties held for that chargeable period. No details will be required of the individual properties eligible for that relief. A separate return will be required where a property is acquired during the year that qualifies for a different type of relief. The return will not require valuation details for relief properties. A return will be required, as now, in respect of any property which ceases to qualify for a relief, i.e. where ATED is due.

The overall result is that businesses who hold properties eligible for a relief will generally only be required to deliver one relief declaration return a year for all properties covered by a particular relief instead of, as now, multiple detailed returns. This offers a significant reduction in the administrative burden.

The regulations and the Published Returns Notice will be amended to provide for this new type of return.

Legislation will also be introduced in Finance Bill 2015 to amend the aggregation rule to introduce a limit of £250,000 for properties valued up to £2 million.

Summary of impact

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	These changes are not expected to have any direct impact on individuals as ATED is charged on companies, corporate partnerships and collective investment schemes falling within ATED. The measure is not expected to impact on family formation, stability or breakdown.					
Equalities impact	These changes are not expected to have an impact on any of the legally protected equality groups.					

Impact on businesses and civil society organisations	<p>ATED impacts on businesses holding UK residential property. An estimated 10,000 corporate businesses that buy or hold residential properties will be able to claim relief against the charge when the £2 million entry threshold is lowered in April 2016 to properties worth more than £500,000. The average annual reduction in administrative burden on business is expected to be £1.7 million as it reduces the number of relief returns that businesses need to file and the accompanying information that is required within the return. For example, a single return will cover multiple relievable properties eligible for the same type of relief instead of separate detailed returns being required for each individual relievable property.</p> <p>This measure will have no impact on civil society organisations as these are exempt under the current legislation.</p> <p>Estimates of compliance costs are shown in the table below, including an estimate of total costs for a five year period at present value.</p>		
		Cost	Time Period (yrs)
	Compliance Costs		
	One-off Costs	£ negligible	N/A
	Average Annual Costs	N/A	N/A
	Total Costs (PV)	£ negligible	N/A
	Compliance Benefits		
	One-off Benefit	N/A	N/A
	Average Annual Benefit	£ 1.7m	5
	Total Benefit (PV)	£ 8.3m	5
	Net Benefit (NPV)	£ 8.2m	5
	Impact on Administrative Burden (included in Net Benefit)		
	Increase	Decrease	Net Impact
	£0	£0.7m	-£0.7m
	The impact on the administrative burden (included in net benefit) represents the expected savings for the first year. The £1.7m average annual benefit represents the average saving over five years.		
Operational impact (£m) (HMRC or other)	For HM Revenue & Customs this will mean a reduction in processing ATED returns. Some additional compliance work may be required to risk assess relief returns from existing risk profiling tools. The costs are expected to be negligible.		
Other impacts	<p><u>Small and micro business assessment</u>: the impact of this measure is anticipated to be the same irrespective of business size.</p> <p>Other impacts have been considered and none have been identified.</p>		

Monitoring and evaluation

The measure will be monitored and assessed through information collected from tax returns.

Further advice

If you have any questions about this changed, please send an email to ated.technicalqueries@hmrc.gsi.gov.uk

1 ATED: taxable value

In section 102 of FA 2013 (annual tax on enveloped dwellings: taxable value), after subsection (2) insert –

“(2A) But a day that is a valuation date only because of subsection (2)(b) (a “5-yearly valuation date”) is to be treated as if it were not a valuation date for the purpose of determining the taxable value of a single-dwelling interest on any day in the chargeable period beginning with that 5-yearly valuation date.”

2 ATED: interests held by connected persons

(1) Section 110 of FA 2013 (interests held by connected persons) is amended as follows.

(2) In subsection (1), after “If on any day” insert “(“the relevant day”)”.

(3) In subsection (2) –

(a) omit “on the day in question”;

(b) after “P’s single dwelling interest” insert “on the relevant day”;

(c) for “£500,000” substitute “£250,000”.

(4) After subsection (2) insert –

“(2A) Subsection (2B) applies in any case where –

(a) C would (without subsection (2B)) be treated, as a result of subsection (1) (read with section 109), as entitled to a single-dwelling interest with a taxable value (on the relevant day) of more than £2 million, but

(b) C would not be so treated if the value specified in subsection (2) were £500,000 (instead of £250,000).

(2B) Subsection (2) has effect as if the value specified in it were £500,000 (instead of £250,000).”

(5) The amendments made by this section have effect in relation to chargeable periods beginning on or after 1 April 2015.

3 ATED: returns

(1) Part 3 of FA 2013 (annual tax on enveloped dwellings) is amended as follows.

(2) In section 159 (annual tax on enveloped dwellings return), after subsection (3) insert –

“(3A) Where a person –

- (a) would (apart from this subsection) be required in accordance with subsection (2) to deliver a return for a chargeable period (“the later period”) by 30 April in that period, and
 - (b) is also required in accordance with subsection (3) to deliver a return for the previous chargeable period by a date (“the later date”) which is later than 30 April in the later period,
- subsection (2) has effect as if it required the return mentioned in paragraph (a) to be delivered by the later date.”

(3) After section 159 insert –

“159A Relief declaration returns

- (1) “Relief declaration return” means an annual tax on enveloped dwellings return which –
 - (a) states that it is a relief declaration return,
 - (b) relates to one (and only one) of the types of relief listed in the table in subsection (9), and
 - (c) specifies which type of relief it relates to.
- (2) A relief declaration return may be made in respect of one or more single-dwelling interests.
- (3) A relief declaration return delivered to an officer of Revenue and Customs on a particular day (“the day of the claim”) is treated as made in respect of any single-dwelling interest in relation to which the conditions in subsection (4) are met (but need not contain information which identifies the particular single-dwelling interest or interests concerned).
- (4) The conditions are that –
 - (a) the person making the return is within the charge with respect to the single-dwelling interest on the day of the claim;
 - (b) the day of the claim is relievable in relation to the single-dwelling interest by virtue of a provision which relates to the type of relief specified in the return (see subsection (9));
 - (c) none of the days in the pre-claim period is a taxable day.
- (5) The statement under subsection (1)(a) in a relief declaration return is treated as a claim for interim relief (see section 100) with respect to the single-dwelling interest (or interests) in respect of which the return is made.
- (6) Subsection (7) applies where –
 - (a) a person has delivered to an officer of Revenue and Customs on any day a relief declaration return for a chargeable period with respect to one or more single-dwelling interests (“the existing return”), and
 - (b) there is a subsequent day (“day S”) in the same chargeable period on which the relevant conditions are met in relation to another single-dwelling interest.
- (7) The existing return is treated as also made with respect to that other single-dwelling interest.
- (8) For the purposes of subsection (6)(b), the “relevant conditions” are the same as the conditions in subsection (4), except that for this purpose

references in subsection (4) to the day of the claim are to be read as references to day S.

- (9) This table sets out the numbered types of relief to which the provisions specified in the left hand column relate –

<i>Provision</i>	<i>Type of relief to which it relates</i>
Section 133 or 134 (property rental business)	1
Section 137 (dwellings opened to the public)	2
Section 138 or 139 (property developers)	3
Section 141 (property traders)	4
Section 143 (financial institutions acquiring dwellings)	5
Section 145 (dwellings used for trade purposes: occupation by certain employees or partners)	6
Section 148 (farmhouses)	7
Section 150 (providers of social housing)	8

- (10) Where a person –
- (a) has failed to make annual tax on enveloped dwellings returns in respect of two or more single-dwelling interests, and
 - (b) could have discharged the duties in question by making a single relief declaration return in respect of all the interests,
- the failure may be taken, for the purposes of Schedule 55 to FA 2009, to be a failure to make a single annual tax on enveloped dwellings return.

- (11) In this section –
- “pre-claim period” has the same meaning as in section 100;
 - “taxable day”, in relation to a person and a single-dwelling interest, means a day on which the person is within the charge with respect to the interest, other than a day which is relievable in relation to the interest.”

- (4) In section 161 (return to include self-assessment), for subsection (2) substitute –

- “(2) In subsection (1) “return” means –
- (a) an annual tax on enveloped dwellings return, or
 - (b) a return of the adjusted chargeable amount.

-
- (2A) The reference in subsection (2)(a) to an annual tax on enveloped dwellings return does not include a relief declaration return.”
- (5) In Schedule 33 (annual tax on enveloped dwellings: returns etc)–
- (a) in paragraph 2(a), after “159” insert “, 159A”;
 - (b) in paragraph 20(1), for “in question, the self assessment included in that return” substitute “in question containing a self assessment, that self assessment.”
- (6) The amendments made by subsections (1) to (5) have effect for chargeable periods beginning on or after 1 April 2015.
- (7) In a case (not falling within section 109(5) of FA 2014) which falls within subsection (8), section 159 of FA 2013 (annual tax on enveloped dwellings return) has effect with the same modifications as are set out in section 109(6) of FA 2014 (which provides for extended filing periods in certain cases).
- (8) The case is where –
- (a) a person has a duty to deliver to an officer of Revenue and Customs an annual tax on enveloped dwellings return with respect to a single-dwelling interest for the chargeable period beginning with 1 April 2015, and
 - (b) the circumstances on the first day in that chargeable period on which that person is within the charge with respect to that single-dwelling interest are such that that duty could be discharged by the delivery to an officer of Revenue and Customs on that day of a relief declaration return.

EXPLANATORY NOTE

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED): TAXABLE VALUE

SUMMARY

1. This clause corrects an anomaly in the legislation so that the 5 yearly valuation dates work as intended with the next 5 consecutive chargeable periods. The changes have effect for chargeable periods beginning on or after 1 April 2015.

DETAILS OF THE CLAUSE

2. Clause 1 inserts new subsection (2A) into section 102 of Finance Act 2013 (taxable value) and provides that the five yearly valuation dates apply to the next five chargeable periods beginning the following 1 April (e.g. the 1 April 2017 valuation date applies to the next five chargeable periods beginning 1 April 2018; the 1 April 2022 valuation date applies to the next five chargeable periods beginning 1 April 2023).

BACKGROUND NOTE

3. ATED is an annual tax payable by companies, partnerships with a corporate member, and collective investment vehicles which own UK residential property valued at more than £2 million. At Budget 2014 the Government announced that the £2m ATED entry threshold would be lowered to £500,000 to be phased in over 2 years.

4. The amount of tax charged is based on the value of the dwelling as at 1 April 2012, and thereafter each 1 April at intervals of 5 years. Where a dwelling is acquired or disposed of, the valuation date is the date of acquisition/disposal.

5. It was the policy intention that a chargeable person who has an interest that falls within ATED because of its value on, say, 1 April 2017, must file a return for the chargeable period beginning 1 April 2018. This was to provide sufficient time to value a property in 2017 and submit a return by the due date of 30 April 2018.

6. However, the legislation as currently drafted means that the chargeable person would in fact have to value their property on 1 April 2017 and file their return by 30 April 2017, giving them only 30 days in which to do so. This clause corrects that anomaly.

7. If you have any questions about this change, or comments on the legislation, please contact Philippa Staples on 03000 585508 (email: ated.technicalqueries@hmrc.gsi.gov.uk).

EXPLANATORY NOTE

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED): INTERESTS HELD BY CONNECTED PERSONS

SUMMARY

1. Clause [X] amends the aggregation rule where interests are held by connected persons in the same dwelling. Where one of the connected persons is an individual and the aggregate amount of the interests is less than £2 million, the company's interest must be more than £250,000 for aggregation to apply. The changes have effect for chargeable periods beginning on or after 1 April 2015.

DETAILS OF THE CLAUSE

2. Clause [X] amends section 110(2) of Finance Act 2013 (Interests held by connected persons) and introduces a new limit of £250,000 for aggregated interests valued up to £2 million. The effect of this amendment is that where one of the connected persons is an individual, and the combined value of the interests in the property is less than £2million, the company's interest must be more than £250,000 for the aggregation rule to apply.

BACKGROUND NOTE

3. ATED is an annual tax payable by companies, partnerships with a corporate member, and collective investment vehicles which own UK residential property valued at more than £2 million. At Budget 2013 the Government announced that the £2 million entry threshold will be lowered to £500,000.

4. The ATED legislation contains a rule which provides that where two or more chargeable interests are held in the same dwelling by connected persons, then those interests must be aggregated and ATED paid on the aggregate amount, where that amount falls within the ATED entry threshold. However, the legislation provides for an exception to this rule where the connected person is an individual. In this case the company's interest must be more than £500,000 for the aggregation rule to apply.

5. Following the lowering of the ATED entry threshold from properties valued at more than £2 million to properties valued at more than £500,000, an additional limit of £250,000 is introduced for interests valued up to £2 million.

6. If you have any questions about this change, or comments on the legislation, please contact Philippa Staples on 03000 585508 (email: ated.technicalqueries@hmrc.gsi.gov.uk).

EXPLANATORY NOTE

ANNUAL TAX ON ENVELOPED DWELLINGS: RETURNS

SUMMARY

1. Clause [X] amends the annual tax on enveloped dwellings (ATED) return obligations. In particular, it introduces a new type of ATED return, the “relief declaration return”, for persons who hold an interest in a dwelling which is eligible for relief from ATED and in respect of which there is no tax to pay. It results in a significant reduction in the administrative burden on businesses by reducing the number of returns that must be filed and the information that must be provided to HM Revenue & Customs. The changes have effect for chargeable periods beginning on or after 1 April 2015.

DETAILS OF THE CLAUSE

1. Subsection 1 amends Part 3 of Finance Act 2013.
2. Subsection 2 inserts new subsection (3A) into section 159 Finance Act 2013. It provides that, where a return for a later chargeable period is required by 30 April, and a return for the earlier chargeable period is required later because of the 90 day filing time limit, the return for the later chargeable period can also be delivered within the 90 day time limit.
3. Subsection 3 inserts new section 159A Finance Act 2013 “Relief declaration returns”.
4. New subsection 159A(1) defines a relief declaration return as an ATED return which contains a declaration, relates to one, and only one, type of relief and specifies the type of relief it relates to.
5. New subsections 159A(2) and (3) specifies that a relief declaration return may be made in respect of one or more single-dwelling interest and that it does not need to include individual details of the dwelling(s), provided that the conditions in subsection (4) are met.
6. New subsection 159A(4) sets out the conditions which must be met in order for a person to make a relief declaration return. These are:
 - the person making the return must be within the scope of ATED, with respect to the single-dwelling interest on the day the claim is made;
 - on the day the claim is made, the single-dwelling interest must be eligible for one of the reliefs set out in subsection 9; and
 - there is no tax to pay on the day the return is delivered to HMRC.

7. New subsection 159A(5) specifies that a statement (or declaration) made under new section 159A(1) in a relief declaration return is treated as a claim to a relief in relation to the single-dwelling interest or interests.
8. New subsections 159A(6) and (7) specify that, where a person has already delivered a relief declaration return for a chargeable period in respect of one or more single-dwelling interests, and on a subsequent day within the same chargeable period the relevant conditions are also met in relation to another single-dwelling interest (i.e. that interest is eligible for the same type of relief in the chargeable period), the existing return is treated as also having been made in respect of that other interest.
9. New subsection 159A(8) prescribes the “relevant conditions” for this purpose. These are the conditions set out in section 159A(4), except that the day of the claim is a subsequent day in the chargeable period.
10. New subsection 159A(9) lists the relevant reliefs and the relief codes to be specified in a relief declaration return.
11. New subsection 159A(10) provides that, where there has been a failure to make an ATED return in respect of two or more single-dwelling interests and that obligation could have been discharged by making a single relief declaration return, penalties under Schedule 55 Finance Act 2009 (failure to make a return) will be charged as if there were only one failure.
12. New subsection 159A(11) provides definitions of “pre-claim period” and “taxable day”.
13. Subsection (4) of the clause amends section 161 of Finance Act 2013 (return to include self-assessment). It inserts new section 161(2A) which dis-applies the self-assessment requirement in respect of a relief declaration return. The effect of this is that no property valuation is required on the return. It also makes a correction to section 161(2).
14. Subsection (5) of the clause makes consequential amendments to Schedule 33 to Finance Act 2013.
15. Subsection (6) of the clause provides that the changes have effect for chargeable periods beginning on or after 1 April 2015.
16. Subsection (7) and (8) provide that the transitional rule in section 109 of Finance Act 2014, which extends the filing date for properties valued at more than £1 million but not more than £2 million to 1 October 2015 instead of the normal date of 30 April 2015, also applies to those persons eligible to make a relief declaration return.

BACKGROUND NOTE

17. The Annual Tax on Enveloped Dwellings is an annual tax payable by companies, partnerships with a corporate member, and collective investment vehicles which own UK residential property valued at more than £2 million.

18. At Budget 2014 the Government announced that the £2 million ATED entry threshold would be lowered to £500,000. Recognising the additional administrative burden on businesses that hold residential property over £500,000, in particular those entitled to claim reliefs, the Government also announced consultation on ways to simplify the administration of ATED.

19. A consultation document “Annual Tax on Enveloped Dwellings: Reducing the Administrative Burden on Business” was published in July 2014 and the Government’s response to the consultation was published in December 2014. This clause takes forward proposals in response to that consultation.

20. The clause introduces a new type of ATED return – the ‘relief declaration return’. For each type of relief being claimed, the company will submit a ‘relief declaration return’ stating that a relief is being claimed in respect of one or more properties held at that time. No details will be required of the individual properties or the number of properties eligible for the relief. Where a property is acquired in-year which also qualifies for the same type of relief, the existing return is treated as also having been made in respect of that property.

21. A separate relief declaration return will be required where a property is acquired during the year that qualifies for a different type relief and where no relief declaration return has previously been made in relation to that particular relief.

22. A normal ATED return is required, as now, in respect of any property which does not qualify or ceases to qualify for a relief; i.e. where tax is due.

23. The overall result is that businesses with properties which qualify for relief will generally only be required to deliver one relief declaration return a year for all properties covered by a particular relief instead of, as now, multiple detailed returns for each such property. This offers a significant reduction in the administrative burden.

24. This clause also corrects a minor anomaly in the legislation to ensure that the 5 year property valuation dates work as intended with the next 5 consecutive chargeable periods.

25. If you have any questions about this change, or comments on the legislation, please contact Philippa Staples on 03000 585508 (email: ated.technicalqueries@hmrc.gsi.gov.uk).