



Annual tax on enveloped dwellings: increased charges

Who is likely to be affected?

Certain companies, partnerships with company members and collective investment schemes (collectively referred to as non-natural persons (NNPs)) which own residential property in the UK worth over £2 million, and which are not eligible for relief.

General description of the measure

The annual charges for the annual tax on enveloped dwellings (ATED) will be increased by 50 per cent above inflation (Consumer Prices Index (CPI)) so that the new charges are:

Property value	Annual charge in 2015-16
£2m-£5m	£23,350
£5m-£10m	£54,450
£10m-£20m	£109,050
£20m+	£218,200

Policy objective

The measure ensures that NNPs holding residential property in corporate and other 'envelopes' and not using them for a commercial purpose pay a fair share of tax. This improves the fairness of the way property is taxed.

Background to the measure

This measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

The new charges will apply from 1 April 2015.

Current law

Section 94 of Finance Act (FA) 2013 gives rise to ATED charges in respect of a chargeable interest (the property) held by a NNP.

Section 99 FA 2013 details the amount chargeable by reference to various bands into which a property falls according to its value on a particular date.

Section 101 requires the charge to be increased annually by reference to the previous September CPI.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 amending FA 2013 increasing the amount of charge for 2014-15 to those set out above. These revised charges take into account the annual CPI increase.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	+10	+95	+50	+45	+90	+140
	These figures are set out in Table 2.1 of Autumn Statement 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	<p>Individuals are not directly affected, as ATED charges apply only to NNPs. Approximately 4000 individuals are estimated to be indirectly affected through their interests in NNPs that purchase high value UK residential property, such as companies, partnerships including company members, and collective investment schemes.</p> <p>The measure is not expected to impact on family formation, stability or breakdown.</p>					
Equalities impacts	<p>The impact of these changes will reflect the demographic composition of owners of high value enveloped property.</p> <p>This measure is not expected to have an impact on any of the legally protected equality groups.</p>					
Impact on business including civil society organisations	<p>Unincorporated businesses will be unaffected by this measure and will have no self assessment requirement. Most corporate businesses do not buy, hold or sell residential property worth over £2 million and will be similarly unaffected.</p> <p>Genuine businesses undertaking normal commercial transactions will be able to claim relief against the charges, so should not be impacted by this measure.</p> <p>The measure should not significantly impact on charities as these are exempt under the current legislation.</p>					
Operational impact (£m) (HMRC or other)	<p>Some minor changes will be required to HM Revenue & Customs (HMRC) systems. HMRC may see an increase in ATED-related capital gains tax returns where taxpayers decide to take the property out of the corporate envelope.</p> <p>Any additional compliance work arising will be resourced according to risk.</p> <p>Overall, this measure is unlikely to have any significant operational impacts.</p>					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be monitored and assessed through existing data-gathering systems and information collected from tax returns. It will be published as Official Statistics.

Further advice

If you have any questions about these changes, please contact the HMRC Helpline on 0300 200 3510 (email: ated.technicalqueries@hmrc.gsi.gov.uk).