

## Explanatory Note

### Clause 55: ATED: Regulated home reversion plans

#### Summary

1. This measure introduces a new relief from annual tax on enveloped dwellings (ATED) to apply where an interest is held in UK residential property exclusively for the purposes of entering into an equity release scheme, specifically a regulated home reversion plan.

#### Details of the clause

2. Subsection (1) amends Part 3 of Finance Act 2013.
3. Subsection (2) inserts a new section 144A into Finance Act 2013, "Regulated home reversion plans".
4. New section 144A(1) provides that relief is available for any day in a chargeable period where an authorised plan provider holds an interest in a single dwelling as a result of entering into a regulated home reversion plan and where the occupation condition is met.
5. New section 144A(2) provides that where no qualifying termination event has occurred, the occupation condition is that the person who originally entered into the home reversion plan is entitled to occupy the dwelling.
6. New section 144A(3) provides that where a qualifying termination event has occurred, the occupation condition is that steps must be taken to sell the single dwelling interest without delay, that any delay in selling that interest could not be avoided or is justified by commercial considerations, and that no non-qualifying individual can occupy the dwelling, or any part of the dwelling.
7. New section 144A(4) defines the terms -
  - "authorised plan provider" means a person authorised under the Financial Services and Markets Act 2000 to carry on in the United Kingdom, the regulated activity specified in article 63B(1) of the Regulated Activities Order, that is a regulated home reversion plan.
  - "qualifying termination event" means an event as specified in article 63B of the Regulated Activities Order, that is that the person entitled to occupy the dwelling in section 144A(2), becomes a resident of a care home, dies, or a period of at least 20 years has passed since the home reversion plan was entered into.

- "the Regulated Activities Order" means the Financial Services and Markets (Regulated Activities) Order 2001 (S.I. 2001/544).
  - "regulated home reversion plan" means an arrangement regulated by Chapter 15A of Part 2 of the Regulated Activities Order.
8. New section 144A(5) provides that references to entering into a regulated home reversion plan as "plan provider" are to be taken to mean those set out in the Regulated Activities Order S.I. 2001/544.
  9. New section 144A(6) provides that for any day for which relief under this section is claimed, a home reversion plan which was entered into before 6 April 2007 (the date home reversion plans were regulated in S.I. 2001/544), will be treated as a regulated home reversion plan where:
    - P is an authorised plan provider on any day in respect of which relief is being claimed, and
    - the home reversion plan is of a type that would have been so regulated had those regulations been in force at the time.
  10. New section 144A(7) provides that a "non qualifying individual" is as defined in section 136 of Finance Act 2013.
  11. Subsections (3) to (5) make consequential amendments to sections 116(3), 117(5), 132(3) of Finance Act 2013, inserting appropriate references to the new relief for home reversion plans.
  12. Subsection (6) inserts into section 159A of Finance Act 2013 (relief declaration returns), relief code 5A in respect of regulated home reversion plans.
  13. Subsection (7) provides that these changes have effect for chargeable periods beginning on or after 1 April 2016.

## Background note

14. ATED is due where a company, a partnership with at least one company member, or a collective investment scheme owns UK residential property (a single-dwelling interest) valued at more than £1m (more than £500,000 w.e.f. 1 April 2016)). The amount of tax charged is calculated using a banding system based on the value of the property. There are a number of reliefs available which must be claimed by filing an annual return. Reliefs can reduce the annual charge to nil in part or in whole.
15. Under certain equity release schemes (specifically, home reversion plans) an individual sells to the equity release scheme company, all or part of their property in exchange for an annuity or lump sum, and a lifetime tenancy. The individual can live in the property until death, or on entering into long term care, at which point the property is sold. In such an arrangement the interest in the property held by the equity release scheme company will come within the charge to ATED if the value exceeds the entry threshold. Currently no relief exists for such an arrangement.

16. This measure introduces new legislation to provide relief for entities which hold an interest in a UK residential property as a result of entering into a regulated home reversion plan (as described in the 'Regulated Activities Order 2001' (SI 2001/544)), and where that entity is authorised under the Financial Services and Markets Act 2000 to enter into such plans.
17. Home reversion plans only became regulated activities with effect from 6 April 2007. The legislation also provides that where the entity holds an interest in a property as a result of entering into a home reversion plan prior to that date, relief may still be available.
18. Where the last individual living in the property either dies or goes into long term care, the property must be sold without undue delay (or any delay must be justified by commercial considerations, or could not be avoided). If during that period a "non-qualifying individual" occupies the property, relief cannot be claimed. A non-qualifying individual is a person who has an interest in the property, or a person connected to the person who has an interest in the property.
19. Clause 52 introduces similar relief in relation to the 15% higher rate of stamp duty land tax.
20. If you have any questions about this change, or comments on the legislation, please contact Philippa Staples on 03000 585508 (email: [stamptaxes.budget&financebill@hmrc.gsi.gov.uk](mailto:stamptaxes.budget&financebill@hmrc.gsi.gov.uk)).