

ATED was introduced on 1 April 2013 and it applied to properties valued at more than £2 million. It may have been viewed as a tax that only applied to high value properties controlled by wealthy individuals. Indeed, in its first year, 89% of the 4,000 properties subject to the tax were located in London (mainly in the local authorities of Westminster and Kensington and Chelsea).

The government extended the range by lowering the threshold at which the tax applies and this will bring many more properties throughout the country within the scope of the charge. From 1 April 2016 ATED applies to properties valued between £500,000 and £1million.

The annual tax charge for these properties will be £3,500 for 2016/17 and is due by 30 April 2016, along with the submission of the ATED return.

If your company owns a full or shared interest in a residential property, you should check to see whether your company's property would be valued above £500,000 as at 1 April 2012 (or acquisition if later). Speak to your Property Valuer to obtain a professional valuation. It is possible to ask HMRC for a Pre-return banding check to determine whether the property falls below the £500,000 threshold.

If your company's property is above the threshold, consider whether you can claim one of the reliefs available. Relief may be claimed for:

- Property rental businesses
- Property developers
- Property traders
- Farmhouses
- Occupation by certain employees or partners
- Dwellings open to the public
- Financial institutions acquiring dwellings in the course of lending
- Providers of Social housing

It is important to note that even if one of the above reliefs applies and there is no tax due, a return making the claim must still be submitted by 30 April 2016.

If you do not qualify for one of the reliefs now, you may still have time to arrange your affairs so that you do qualify before 1 April 2016. If relief is available for the full year from 1 April 2016, then no tax is payable; If the relief is only available for part of the year then the tax is reduced for the proportion of the year covered by the relief. Beware, the rules for claiming the relief should be checked closely. For example, a property would not qualify for the property rental business relief if you control a company and it rents a property to:

- a. You
- b. your spouse or civil partner,
- c. a member of your family
- d. a member of your spouse's or civil partner's family
- e. a spouse of c or d above .

If you are unable to claim a relief, you may consider whether to de-envelope the property, which means taking it out of the company. A property held by an individual or a group of individuals is not subject to ATED.

The property could be

- Transferred into your name before 1 April 2016. The transfer would be deemed to be at open market value and the chargeable gain in the company will be subject to Corporation Tax at a 20%
- Sold to a third party with the chargeable gain in the company will be subject to Corporation Tax at a 20%

It would be timely to consider your options. You will need to plan enough time not only to make your decision, but also to allow time for implementing any changes arising from your decision.

Find out more

For further information, advice and guidance please contact one of our specialists:

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This is a general illustrative guide only and individual professional advice should be obtained on specific issues. Information is believed correct at time of publication but may alter.

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