

# ATED - TAXING UK RESIDENTIAL PROPERTY

February 2017 update



For the first time since its introduction, all property holders within the ATED regime must revalue the residential properties they hold at 1 April 2017. Inheritance tax changes also make it important to review established property holding structures.

The ATED is a tax on certain entities ('non-natural persons') holding UK residential property. It creates an annual tax charge based on the capital value of the property although reliefs are available. Filing requirements and, potentially, ATED-related gains can arise on the disposal of the underlying property.

## Taxable values

The table shows the current annual charges. For properties within ATED and (where limited or no works have been carried out), the non-natural person owning the property will have been subject to the ATED charge at the prevailing rates for the same band of property value for the last five years.

Property value <sup>1</sup>	Annual charge <sup>2</sup>
£0.5m - £1m	£3,500
£1m - £2m	£7,050
£2m - £5m	£23,550
£5m - £10m	£54,950
£10m - £20m	£110,100
Over £20m	£220,350

<sup>1</sup> At 1 April 2017 (revalued every five years)

<sup>2</sup> From 1 April 2017

However, 1 April 2017 is a prescribed 'valuation date' so, depending on the market value of the property, this could mean that ATED charges increase in future years. The value of the property at

1 April 2017 will affect the ATED charge from 1 April 2018 onwards. For ATED returns due 30 April 2017, owners must still pay the charge based on the value at 1 April 2012 or on the date of later purchase.

On 24 January 2017, HMRC announced that ATED returns for 2017 will need to be submitted online. Action should be taken early to avoid any late filing issues.

## Inheritance tax changes for non-doms

It has been common for non-UK domiciled individuals to set up property holding structures using non-natural persons based outside the UK to mitigate UK IHT charges. However, changes from 6 April 2017 mean that UK resident property will now usually fall within the UK IHT net for a UK resident no matter how it is owned.

## De-enveloping

With the prospect of increased ATED charges and limited IHT advantages in future, "de-enveloping" properties from existing structures may be attractive to reduce the administrative burden. This process may also trigger tax charges, however, where there are no debts secured on a property, it may be possible to extract it from a structure without an SDLT charge.

**For advice on your property ownership structure please get in touch with your usual BDO contact or our private client team.**

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