

FINANCE ACT 2015

EXPLANATORY NOTES

INTRODUCTION

Section 70: Ated: Annual Chargeable Amount

Background Note

5. 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.
6. Most residential properties are owned directly by individuals. But in some cases they may be owned by a company, partnership with a corporate member or other collective investment vehicle. In these circumstances the property is said to be ‘enveloped’ because the ownership sits within a corporate ‘wrapper’ or ‘envelope’.
7. Budget 2014 announced a reduction in the £2 million entry threshold to £500,000 to be phased in over 2 years. From 1 April 2015 a new band will come into effect for properties with a value greater than £1 million but not more than £2 million with an annual charge of £7,000. From 1 April 2016 a further new band will come into effect for properties valued at more than £500,000 but not more than £1 million.
8. The ATED chargeable period runs from 1 April to 31 March. The amount of tax charged is based on the value of the property on a particular date. The annual chargeable amounts are subject to indexation by reference to the previous September Consumer Prices Index (CPI). Parliament can over-ride the normal indexation by provision in the Finance Bill.
9. This section increases the annual charge for the chargeable period 1 April 2015 to 31 March above normal September 2014 CPI increase for properties valued at more than £2 million. The new bands to be introduced with effect from 1 April 2015 and 1 April 2016 will not be affected by this change. Indexation will be reapplied to the annual charges for the chargeable period beginning 1 April 2016 for properties valued at more than £1 million.
10. This measure is to ensure that those wrapping residential property in corporate and other ‘envelopes’ and not using them for a commercial purpose, pay a fair share of tax.