

# **FINANCE ACT 2015**

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## **EXPLANATORY NOTES**

### **INTRODUCTION**

#### ***Section 72: Ated: Interests Held by Connected Persons***

##### **Summary**

1. This section amends the aggregation rule where interests are held by connected persons in the same dwelling. Where one of the connected persons is an individual and the aggregate amount of the interests is less than £2 million, the company's interest must be more than £250,000 for aggregation to apply. The changes have effect for chargeable periods beginning on or after 1 April 2015.

##### **Details of the Section**

2. This section amends section 110(2) of Finance Act 2013 (Interests held by connected persons) and introduces a new limit of £250,000 for aggregated interests valued up to £2 million. The effect of this amendment is that where one of the connected persons is an individual, and the combined value of the interests in the property is less than £2million, the company's interest must be more than £250,000 for the aggregation rule to apply.

##### **Background Note**

3. ATED 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. At Budget 2014 the government announced that the £2 million entry threshold will be lowered to £500,000.
4. The ATED legislation contains a rule which provides that where two or more chargeable interests are held in the same dwelling by connected persons, then those interests must be aggregated and ATED paid on the aggregate amount, where that amount falls within the ATED entry threshold. However, the legislation provides for an exception to this rule where the connected person is an individual. In this case the company's interest must be more than £500,000 for the aggregation rule to apply.
5. Following the lowering of the ATED entry threshold from properties valued at more than £2 million to properties valued at more than £500,000, an additional limit of £250,000 is introduced for interests valued up to £2 million. The changes have effect for chargeable periods beginning on or after 1 April 2015.