



Annual Tax on Enveloped Dwellings (ATED)

If you are considering incorporating your property business, one of the considerations should be Annual Tax on Enveloped Dwellings (ATED). This factsheet covers the basics and provides links to more detailed guidance.

What is ATED?

ATED is generally applicable to companies and corporate partnerships that own UK residential property (i.e. dwellings) valued at more than £500,000.

A property is classed as a dwelling if all or part of it is used, or could be used, as a residence, for example a house or flat. It includes any gardens, grounds and buildings within them.

Certain types of property are not classed as dwellings, such as hotels and guest houses.

There are special rules applying to mixed-use properties and those that contain multiple dwellings such as flats, in which case each flat will be valued separately.

The amount of ATED payable is determined by the value of the dwelling. Dwellings must be revalued every five years on a set date. The most recent set date was 1 April 2022. The ATED charge for the 5 financial years (1 April to 31 March) ending on 31 March 2028 is based on the dwelling's value as at 1 April 2022.

For dwellings acquired since 1 April 2022, the acquisition date should be used.

The ATED charge is a straightforward annual figure, determined by the dwelling's value at the last revaluation date. The annual charges tend to increase each year. For 2024/25 the charges are as follows:

Property value	Annual charge
£500,000 - £1 million	£4,400
£1 million - £2 million	£9,000
£2 million - £5 million	£30,550
£5 million - £10 million	£71,500
£10 million - £20 million	£143,550
Over £20 million	£287,500

The charge may be reduced if the dwelling is owned for only part of a year, or if reliefs apply (see below).

Are there any reliefs available?

Various reliefs are available, the most common of which is the relief for property rental businesses, which applies where the property is let to a third party on a commercial basis and is not, at any time, occupied (or available for occupation) by anyone connected with the owner. Reliefs must be claimed by way of an ATED return.

What compliance is involved?

An ATED return should be submitted to HM Revenue & Customs by 30 April if the property was within the scope of ATED on 1 April, or, if the property was newly acquired, within 30 days of its acquisition. For new builds, the return should be submitted within 90 days of the property becoming a dwelling (either for council tax purposes or it becomes occupied, whichever is earlier). These timescales apply even if the dwelling qualifies for an ATED relief. HMRC's ATED online service can be used to file a return and appoint an agent. For late returns, penalties apply as follows:

- an initial penalty of £100 on the day after the date your tax return or document was due; and
- daily penalties of £10 per day for 90 days after your return or document was 3 months late.

Further information

HMRC's general ATED guidance:
<https://www.gov.uk/guidance/annual-tax-on-enveloped-dwellings-the-basics>

Guidance on ATED returns:
<https://www.gov.uk/guidance/annual-tax-on-enveloped-dwellings-returns>

HMRC's technical ATED guidance:
<https://www.gov.uk/government/publications/annual-tax-on-enveloped-dwellings-technical-guidance>