

# MACFARLANES

## FILING ATED RETURNS

### PRIVATE CLIENT

This note is intended to provide guidance on how the compliance requirements relating to the Annual Tax on Enveloped Dwellings (ATED) should be dealt with.

#### ATED RETURN

The company will be required to file an annual return to report and pay the ATED each year. The tax is assessed by reference to a chargeable period which runs from 1 April to 31 March.

The deadline for filing the first return is **1 October 2013**. The tax must be paid by **31 October 2013**. For subsequent years the return must be filed and the tax paid by 30 April. Penalties and interest will be payable if the return and payment are not submitted on time.

If the ownership structure of the property is revisited before 1 April 2014 - such that the property is no longer held within a corporate "envelope" - a refund of an appropriate portion of the ATED paid for 2013/2014 can be claimed.

#### COMPLETING THE ATED RETURN

A copy of the ATED return is attached to this note.

In summary, the company will be required to disclose (in addition to its own details and registered number):

- ◆ the amount of the ATED charge due;
- ◆ the title number and address of the relevant property (available from the Land Registry – please let us know if assistance is required);
- ◆ the date of acquisition of the relevant property and its acquisition value;
- ◆ the value of the relevant property as at 1 April 2012 and the date of the valuation; and
- ◆ whether a professional valuation has been carried out.

The amount of ATED will be determined using the banding system set out below and is based on the gross value of the relevant property (i.e. ignoring any debts secured on it).

VALUE OF PROPERTY INTEREST AS AT 1 APRIL 2012	ATED FOR 2013/14
£2,000,001 to £5,000,000	£15,000
£5,000,001 to £10,000,000	£35,000
£10,000,001 to £20,000,000	£70,000
£20,000,001 and over	£140,000

The value of the property will be self-assessed. The director(s) signing on behalf of the company will have to sign a declaration that the return is correct and complete to the best of their knowledge. We would recommend that a formal valuation of the property (**as at 1 April 2012**) be carried out, in case HMRC challenge the value disclosed on the ATED return. Any valuation must be on an open-market willing buyer, willing seller (or Red Book) basis. A specific figure, rather than a range of figures, should be reported on the ATED return.

The valuer should be instructed that the valuation is for ATED purposes as there are provisions which potentially aggregate interests (e.g. to cover gardens, grounds or other land that subsists for the benefit of a main property or to extend the taxable interest to related dwellings). In any cases of doubt specific tax advice should be taken. We would be happy to discuss these provisions by reference to the property's characteristics and to provide further advice.

#### PRE RETURN BANDING CHECK

Where a property's value falls within a 10 per cent variance of a banding threshold then the valuation can be submitted to HMRC for a "pre-return banding check". HMRC will not agree the specific valuation but will confirm the proposed banding of the property.

The application form for a pre-return banding check is now available on the HMRC website and HMRC aim to respond to applications within 30 working days of receipt. We would be happy to assist with this process if applicable.

#### RECORDS

Records of all information relating to the ATED return and to calculation of the tax (e.g. valuations) should be kept carefully for at least six years following each chargeable period.

**FUTURE RETURNS**

Future ATED returns will use the 1 April 2012 valuation date for each of the properties until 1 April 2017 at which point each property will need to be re-valued. Earlier valuations (and a requirement to file supplemental returns) would be triggered by any acquisition or disposal relating to the property for which the consideration (or market value if there are connected parties) exceeds £40,000. It should be noted that there are provisions to aggregate "linked" transactions, so advice should be taken if any disposals or acquisitions are contemplated.

For future years, the ATED payable will be increased by reference to any change in the consumer prices index.

**CONTACT DETAILS**

If you would like further information or specific advice please contact:

**JOHN CONDER**

DD: +44 (0)20 7849 2253

john.conder@macfarlanes.com

**SEPTEMBER 2013****MACFARLANES LLP****20 CURSITOR STREET LONDON EC4A 1LT**

T: +44 (0)20 7831 9222 F: +44 (0)20 7831 9607 DX 138 Chancery Lane [www.macfarlanes.com](http://www.macfarlanes.com)

This note is intended to provide general information about some recent and anticipated developments which may be of interest. It is not intended to be comprehensive nor to provide any specific legal advice and should not be acted or relied upon as doing so. Professional advice appropriate to the specific situation should always be obtained.

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