

Dwelling on your company's ownership of a dwelling

November 2016

The UK government has set out to discourage the ownership of dwellings by companies (both offshore and onshore).

The government is doing this by:

- Punitive rates of stamp duty land tax (15%) and
- An Annual Tax on Enveloped Dwellings (ATED).

ATED is an annual tax payable within 30 days of the start of each tax year by every company liable to pay the tax. It only applies to residential property.

The rate of ATED correlates to the value of the property as follows:

- Taxable value between £0.5m and £1m – £3,500
- Taxable value between £1m and £2m - £7,000
- Taxable value between £2m and £5m- £23,350
- Taxable value between £5m and £10m - £54,450
- Taxable value between £10m and £20m- £109,050
- Taxable value over £20m- £218,200

The tax is payable in respect of each property (provided it is a dwelling) and is payable each year. It requires the filing of a tax return.

The rates above apply in the tax year 2016/17.

Before 1 April 2014, dwellings with a value below £2m were not subject to ATED.

From 1 April 2015, the figure was reduced to £1m and on 1 April 2016 it was reduced to £500,000. With the passing of each year more properties have fallen into the ATED net.

Relief may be available if the apartment or house is let in the market (letting to relatives does not work).

In addition to Stamp Duty Land Tax and ATED changes, there have been changes to Capital Gains Tax (CGT) and Inheritance Tax to apply such taxes to offshore companies with UK property. Effectively a death after 1 April 2017 can trigger UK inheritance tax liability in respect of a UK property enveloped in an offshore company (levied at a whopping 40%). Upon the disposal of such a property, CGT is now payable even if the owner is an offshore company.

Owners of company owned apartments and houses should urgently get advice on de-enveloping their properties so they are no longer held inside a company.

For more information contact our Real Estate & Private Client teams

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