Annual Tax on Enveloped Dwellings

What is ATED?

ATED is a yearly tax payable mainly by companies, partnerships with a corporate member, and collective investment schemes that own UK residential property (a "dwelling") valued above £500,000. The purpose of ATED is to discourage holding high-value residential property in "envelopes" such as companies, which can sometimes be used to minimise other taxes.

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 an annual figure, determined by the dwelling's value at the last revaluation date. The annual charges tend to increase each year. For 2025/26 the charges are as follows:

Property value	Annual charge
£500,000 - £1 million	£4,450
£1 million - £2 million	£9,150
£2 million - £5 million	£31,050
£5 million - £10 million	£72,700
£10 million - £20 million	£145,950
Over £20 million	£292,350

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

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 and you are still required to submit an ATED Relief Declaration Return each year - even if there is nothing to pay (a "nil return").

The nil return can be submitted using HMRC's ATED online service.

You may also be able to claim relief if the property is used as part of a property development or trading business.

If your property qualifies for relief, you must still register and submit the relevant return annually.

HMOs and ATED

Houses in Multiple Occupation (HMOs) can fall within the scope of ATED. If the individual units within an HMO do not have separate access and share facilities such as kitchens or bathrooms, the property will generally be treated as a single dwelling for ATED purposes. Therefore, if the combined value of the HMO exceeds £500,000, it may be subject to ATED. However, if the HMO is divided so that each unit has its own separate access and facilities, each unit may be considered a separate dwelling, potentially falling below the threshold individually.

Holiday lets and serviced accommodation

Holiday lets and serviced accommodation, whether flats or houses, may also be within the scope of ATED if they are held by a company and meet the valuation threshold. These types of properties are considered dwellings for ATED purposes, so it is important to assess their value and use to determine if an ATED return is required.

Compliance requirements

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 regardless of 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 ATED guide can be found here: https://www.gov.uk/guidance/annual-tax-on-enveloped-dwellings-the-basics

This document has been prepared for information purposes and does not constitute advice. All information deemed correct as at 05 December 2025