

ATED

Annual Tax on Enveloped Dwelling



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If you own a holiday let in a UK limited company or, via a partnership where one of the partners is a limited company, you should be aware of the ATED legislation.

What is ATED?

ATED is an annual tax payable mainly by companies that own UK residential property valued at more than £500,000. If ATED is applicable, you should file an ATED return each year and pay any tax due.

How much is the ATED Tax Charge?

The amount you'll need to pay is worked out using a banding system based on the value of your property.



Property Value

More than £500,000 up to £1 million
More than £1 million up to £2 million
More than £2 million up to £5 million
More than £5 million up to £10 million
More than £10 million up to £20 million
More than £20 million

Annual Charge

£4,450
£9,150
£31,050
£72,700
£145,950
£292,350

What is Residential Property?

Residential property is commonly referred to as a 'Dwelling'. Your property is 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 living accommodation are, however, specifically excluded from the definition of a 'dwelling'.

The legislation exempts hotels or similar establishments. It is not clear if this includes holiday lets. If your holiday let would be suitable for use as a residential dwelling, and is not deemed to be an establishment similar to a hotel, ATED would be applicable, though there are reliefs which mean no payment is due.

What reliefs are available from ATED Charges?

There are several reliefs from the ATED charge. The relief that would be most relevant to holiday let owners is 'Rental Property Business' relief. If you have a qualifying rental property business, you can claim full relief from the ATED charge. To qualify as a rental property business, you must meet two tests:

1. The business must be a property rental business as defined by Chapter 2 of Part 4, CTA 2009 (see also GOV.UK - [PIM1020 - Introduction: what is a UK property business?](#))
2. The letting business must be carried out on a commercial basis with a view to a profit.

Whilst most holiday let businesses are likely to meet the above tests, days where the owner (or anyone connected to the owner e.g. family members) occupies the property would be subject to the ATED charge (on an pro rata basis).

What if I qualify for relief from ATED?

Even if you qualify for ATED relief, you still need to submit an ATED return each year. A return is due within 30 days of 1st April each year. If you buy a property during a year that is within the charge to ATED, a return is due within 30 days of purchase. HMRC will charge penalties for missed or late returns.

Note, if you are exempt from ATED (due to the holiday let not being suitable for residential dwelling or under the similar-establishment-to-a-hotel exemption), there is no requirement to submit an ATED return.

This might affect me, what should I do?

You should speak to your accountant or business advisor as soon as possible. If you have a property that could be subject to ATED (even if you can claim full relief from the charge), you will need to submit any late returns immediately and pay the tax due. Penalties may be charged by HMRC.

More information on ATED can be found using the following GOV.UK links:

[Annual Tax on Enveloped Dwelling](#)

[Annual Tax on Enveloped Dwellings: reliefs and exemptions](#)

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