## The introduction of ARPT

*7th of December, Tanya Powley*

Full story: http://www.ft.com/cms/s/0/aad7687e-405e-11e2-8e04-00144feabdc0.html#axzz2EzzK2I00

*14th of December, Tanya Powley*

Full story: http://www.ft.com/intl/cms/s/0/cfd0b336-45e7-11e2-b780-00144feabdc0.html#axzz2GsLkWNn7

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A slight revision to the property taxation rules has seen the light of day recently. As journalist Tanya Powley reports on the 7th of December in the Financial Times, estate-owners with properties worth in excess of £2m will need to set aside at least an extra £15,000 annually for paying into the public purse. That is if said property is held by a corporate entity.

Under the headline "Wealthy homeowners await tax shake-up" Powley also points out the already-implemented increase in stamp duty on sales of properties from 5 to 7 per cent, or a hefty 15 per cent when homes are "held in a company structure". These increases in stamp duty have yet to be put into practice for sales of properties below that same £2m threshold, company-held or not. Unfortunately the article does not touch upon the fact that stamp duty - although intrinsically related to property - effectively remains nothing more than a transaction tax.

Arguably, the scope of a transaction tax on property is inherently miniscule. However the scope of the before-mentioned tax instrument regarding company-held properties is much larger, if only because it seems to carry with it the simple need for accurate property valuation. This becomes clear as Powley reports on the same matter once more on the 14th of December. Under the headline "New taxes for luxury homes" more details are unveiled following the publishing of the government's recent draft finance bill.

In this later Financial Times article Powley notes that the new tax is to be called the Annual Residential Property Tax, abbreviated ARPT, and will indeed be payable by "non-natural persons" - meaning corporate vehicles. The tax charge will be £15,000 for properties within the lowest band of £2m to £5m, £35,000 for properties up to £10m, £70,000 for properties up to £20m, and £140,000 for properties over £20m. At the band thresholds this means that rates vary between 0.75 per cent and 0.3 per cent of the property value. The charge would drop to around 0.1 per cent of the value for a property valued at £135m - like the largest flat at the much publicized £1billion One Hyde Park development adjacent to London's famed Knightsbridge area.

As Powley also confirms in the later article some very interesting features are embedded in the new tax measure. Namely the requirement that property owners will have to submit their own valuations to HMRC who will check them if they are within 10 per cent of the before-mentioned thresholds. With valuations having to rise in line with inflation and be reassessed every five years, this could represent a significant development making more widespread property and land valuations easier to promote moving forward.

Of course no journalistic coverage of a newly-introduced property tax will be complete without referencing the instantaneous effects of ARPT or any other property tax added to our current tax system: Possible ways people will try to circumvent them.

And indeed, Powley's first article does not fail to highlight the forthcoming professional efforts to avoid the taxes even before implementation; quoting Nigel Bedford of Largemortgageloans.com: "We have had meetings with a number of private banks who are taking a proactive stance and have already been in detailed discussions with HMRC and taken top legal opinion on the actions that clients can take before these aspects of the bill are expected to come into force next April".

Thus this recent unveiling of the government's Annual Residential Property Tax and the prompt reaction to its introduction manages to highlight a few flaws in the current tax system, gives insight into human nature, and represents some fairly promising new developments within the subject of property valuation in the United Kingdom.