



SCPF

## Annual Allowance Factsheet

### What is the Annual Allowance?

The Annual Allowance (AA) is the maximum amount of pension savings that can be made each year in a registered pension scheme without triggering an additional tax charge.

The AA is set by the Government and for most people, the AA is currently £60,000 (applicable from the 2023/2024 tax year).

However, the AA available to any individual in a given year will depend on various factors including:

- how much you earn in a tax year (some high earners will have a reduced AA, known as the Tapered Annual Allowance (TAA))
- whether you have used up the whole of your AA from previous years; and
- whether you have flexibly accessed any money purchase savings.
- You may have an AA tax charge if your pension savings exceed your AA/TAA.

**You are responsible for monitoring your AA/TAA and notifying HMRC if a tax charge is due.**

It is important to remember that the AA applies across all UK-registered pension schemes. That means that it does not apply to pensions built up in the Shell Overseas Contributory Pension Fund (SOCPF) or the Shell Supplementary Pension Plan (SSPP).

For most SCPF members, the AA/TAA will not impact you. However, it is important to review your circumstances to ensure that you take steps to address any tax that might be due. The rules are complex, and it can be difficult to (a) establish how much AA is available to you in any given year and (b) assess the pension benefits you have built up against that AA. However, you might be particularly at risk of exceeding your AA/TAA for a year if you:

- receive a significant increase in your Pensionable Salary;

- make Additional Voluntary Contributions (AVCs) via the SCPF AVC or another pension arrangement; or
- are a 'high earner'.

## **How do I know if I have a Tapered Annual Allowance?**

If you are a high earner (including all income, not just income from your Shell employment), you might have a reduced AA as a result of the Tapered Annual Allowance (TAA).

A specific income calculation is required to determine if you are affected by the taper. Whilst the following provides a high-level summary, elements of this calculation are complicated so you should always seek advice if you think you might be affected.

To assess if the TAA applies to you, you need to check if both your "Threshold Income" and "Adjusted Income" exceed the relevant amounts set by the Government from time to time.

- **Threshold Income\***: For the tax year 2023/24, the Threshold Income limit is £200,000. If your Threshold Income exceeds £200,000, you will need to check your Adjusted Income. Your Threshold Income includes all taxable income within the tax year, such as salary, bonuses, performance share awards, redundancy payments, and investment income. If you make SCPF contributions through Salary Sacrifice, add the company-paid contributions to your Threshold Income. However, personal SCPF contributions, including AVCs, are excluded from Threshold Income.
- **Adjusted Income\***: For the tax year 2023/24, the Adjusted Income limit is £260,000. If your Threshold Income exceeds the UK Government's limit, add your Pension Input Amount (PIA) from your benefit statement to it. This sum is your Adjusted Income, which, if above the government limit, subjects you to the Tapered Annual Allowance (TAA)

## **How is my Tapered Annual Allowance Calculated?**

For the tax year 2023/24, if your Threshold Income exceeds £200,000 and your Adjusted Income exceeds £260,000, your AA will be reduced to lower than £60,000 (i.e. tapered). Broadly, for every £2 your Adjusted Income exceeds £260,000, your AA for that year will be reduced by £1.

The minimum Annual Allowance under the TAA rules is £10,000. So, for the 2023/2024 tax year, if your Adjusted Income is above £360,000 (and your Threshold Income is above £200,000) then your Annual Allowance will be £10,000.

\*The process for calculating your Threshold Income and Adjusted Income is complicated. You can find detailed guidance on the [Government's website](#) but you should always seek advice if you think you might be affected by the TAA.

### **How do I know if I have a tax charge?**

You will have a tax charge if your "Pension Input Amount" (or PIA) in a "Pension Input Period" (or PIP) is higher than your AA/TAA. For defined benefit pension arrangements like the SCPF, the PIA is a measure used to calculate the growth of a member's pension benefits within a tax year. The PIA is calculated by comparing the value of your pension at the start and end of the pension input period, factoring in inflation.

Your annual SCPF Benefit Statement includes an AA Statement which confirms your SCPF PIA and SCPF AVCs for the current and preceding three PIPs. If you build up pension savings in any other registered pension scheme in a PIP, those savings will also count towards your PIA.

If your PIA is greater than the standard AA (or TAA if relevant) for a given PIP, you may be able to carry over any unused AA from the previous three tax years to reduce your excess savings.

However, if your pension savings exceed the AA/TAA even after taking into account any unused allowance from the previous three tax years, then you will have to report this to HM Revenue & Customs (HMRC) in a Self-Assessment tax return. You will then have to pay an AA tax charge on the excess.

You can ask the Trustee of the SCPF to pay all or part of any AA tax charge and in exchange, your SCPF pension will be reduced to reflect the AA tax payment (see [Scheme Pays](#) factsheet which explains the process and the deadlines).

### **Where can I Find Financial Advice?**

You can find out more about the Annual Allowance (and much more) on the Company's [Financial Education Hub](#) (hosted by Close Brothers). There, you will find webinars on managing your pension tax allowances and you can also contact their free helpline with questions on 0800 917 8377 or email [shellhelpline@closebrothers.com](mailto:shellhelpline@closebrothers.com).

Pension tax can be complicated and seeking advice from a financial adviser or tax specialist can help you navigate the complexities of the Annual Allowance rules. Check to see if you have exceeded the AA by using HMRC's pension savings [AA calculators](#).

## **Contact**

If you have any questions regarding the information in this factsheet, please contact the pensions administration team.

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