

THE ANNUAL ALLOWANCE FROM 6 APRIL 2023 FACTSHEET

WHAT IS THE ANNUAL ALLOWANCE?

The Government sets limits on the amount of pension savings an individual can make before having to pay a tax charge. The Annual Allowance is the amount of pension savings you can make in a year (or "Pension Input Period") before your pension savings become liable to a tax called the Annual Allowance charge.

WHAT HAS CHANGED?

From 6 April 2023, the Annual Allowance (AA) increased from £40,000 to £60,000. If you build up benefits in a registered pension scheme ("Pension Input Amount") in excess of the AA, you may have to pay a tax charge.

Different rules may apply to you if you earn more than £200,000 (see below).

Please note that the old allowances still apply for assessing whether you have incurred an AA charge for the 2022/23 tax year, which should be reported and managed by you through your tax return for 2022/23.

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.

For defined benefit pension arrangements like the SCPF, the PIA is measured by the increase in your pension accrual using a calculation prescribed by law. This is not a simple calculation (see [Annual Allowance](#) factsheet).

Your annual SCPF Benefit Statement includes an AA Statement which confirms your SCPF PIA and SCPF AVCs for the current and preceding three PIPs. Of course, 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 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 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 tax on the excess over the AA. This charge can be deducted and paid from your SCPF pension (see [Scheme Pays](#) factsheet).

WHAT IF I EARN MORE THAN £200,000?

From 6 April 2023 if you have a “threshold income” of at least £200,000, then you may be subject to a reduced AA known as a “tapered annual allowance”. This means you will have an AA lower than £60,000.

If your threshold income is at least £200,000, then you should test to see if your “adjusted income” is over £260,000 (this is being increased from £240,000). If so, the taper will apply to you meaning that your AA will taper down gradually. The rate of reduction in the AA is £1 for every £2 that the adjusted income exceeds £260,000. The minimum reduced (or tapered) AA a member can have, for the 2023/24 tax year onwards, is £10,000. This is increased from £4,000 for the 2022/23 tax year.

Determining your “threshold income” and your “adjusted income” can be complicated. You can find further information on the Tapered Annual Allowance in the [Annual Allowance](#) factsheet* or on the [HMRC website](#) but you should always seek advice if you think you may be subject to the taper.

Again, please note that the old allowances still apply for the purposes of determining your pension input for 2022/23.

*The Annual Allowance factsheet will be updated to reflect the revised AA once legislation has been finalised.

FINANCIAL ADVICE

These are complicated matters. Please remember that it is your responsibility to notify HMRC if you think you have exceeded your available allowances and to ensure you are paying the right amount of tax. It is strongly recommended that you take independent financial advice if you have any questions on how the AA applies to you or how the recently announced changes might impact you.

The Trustee, Shell companies and their employees cannot give you financial advice regarding your pension decisions; this includes recommending financial advisers.

If you have queries regarding the AA and your SCPF benefits, please email the Pensions Administration Team at UK-PensionsAdmin@shell.com or call the team on +44 (0)20 7934 1190.