



ANNUAL ALLOWANCE SCHEME PAYS FACTSHEET

WHO IS THIS FACTSHEET FOR?

This factsheet is for members of the Shell Contributory Pension Fund (SCPF) who may be subject to an Annual Allowance (AA) tax charge.

WHAT IS THE PURPOSE OF THIS FACTSHEET?

The purpose of this factsheet is to provide information about Scheme Pays. It should be read in conjunction with the [SCPF Annual Allowance Factsheet](#).

WHAT IS SCHEME PAYS?

If your Pension Input Amount (PIA) (refer to AA factsheet for an explanation of PIA) exceeds your AA and you have a tax charge, there are two options to pay:

1. You pay the tax charge yourself directly to HM Revenue & Customs (HMRC) via self-assessment.
2. You request the Trustee to pay all or part of your AA tax charge and in exchange your SCPF pension will be reduced. This is called Scheme Pays. The Trustee will only pay a tax charge in respect of an AA charge relating to your SCPF pension.

If you chose Scheme Pays, the amount of the tax charge that you request the Trustee to pay on your behalf is converted into an amount of annual pension. This pension increases each April in line with the Retail Prices Index measure of inflation (RPI) up to a maximum of 7% (pre-2009 SCPF members) and RPI to a maximum of 5% (Post 2009) members.

When we calculate your SCPF pension at the date of payment, it will be reduced by the total amount of pension (increased in line with inflation as above) for all the Scheme Pays options you've chosen. Scheme Pays will also reduce the value of your pension for Lifetime Allowance purposes.

The Scheme Pays reduction can only be applied to your SCPF pension, not your AVC fund.

HOW TO PAY A TAX CHARGE

There are two types of Scheme Pays; Voluntary and Mandatory. The two types have different payment deadlines. It is important to understand which type of Scheme Pays you are eligible to use to pay your AA tax charge, so you know what deadlines apply to you.

You can get more information from HMRC <http://www.hmrc.gov.uk/tools/pension-allowance/>

MANDATORY SCHEME PAYS

Where you meet all the conditions for Mandatory Scheme Pays, the Trustee must allow you to use Scheme Pays to settle your AA tax charge if you want to. The conditions are:

1. The total value of your PIA in the SCPF (including SCPF AVCs) in the tax year has exceeded the standard AA of £40,000 (Tapered Annual Allowance (TAA) is ignored). Refer to the AA factsheet for the definition of PIA and TAA.
2. The tax charge for the tax year is more than £2,000, and you have met the Mandatory Scheme Pays deadline (below). For more information on how to calculate your tax charge please refer to the below Scheme Pays process note.

Mandatory Scheme Pays Deadline

The deadline set by HMRC for confirming a request to pay a Mandatory Scheme Pays tax charge is 31 July in the year following the tax year in which the AA tax charge was incurred.

For example, if you have a tax charge for 2019/20 and meet the above conditions, you must ensure your confirmation is received by the Pension Administration Team before 31 July 2021. In order to meet this deadline, **if you want to pay a tax charge via Mandatory Scheme Pays you must contact the Pension Administration Team for a Scheme Pays quote no later than 30 June.**

Note: Any request received by the Pensions Administration Team after 30 June may be accepted but there is a risk that the 31 July deadline will be missed. If that happens, the charge will be paid at the next possible date via Voluntary Scheme Pays. If this happens you may incur a HMRC late payment penalty and interest, which will be your responsibility to pay.

VOLUNTARY SCHEME PAYS

Where you do not meet the conditions for Mandatory Scheme Pays, you can ask the Trustee to pay your AA tax charge via Voluntary Scheme Pays. The Trustees are not required by law to do this but can do so at their discretion. Voluntary Scheme Pays applies in the following scenarios:

1. If you have a reduced AA due to TAA. (Mandatory Scheme Pays covers the AA tax charge due to exceeding the standard AA of £40,000 but not the excess as a result of the TAA.). You can split your tax charge between Mandatory Scheme Pays for the amount over the standard AA and Voluntary Scheme Pays for the amount in respect of TAA.
2. If you have exceeded the standard AA of £40,000 but your tax charge is £2,000 or less.
3. If you were eligible for Mandatory Scheme Pays but missed the deadline for confirming payment.

Voluntary Scheme Pays Deadline

The deadline set by HMRC, by which Trustees must pay your tax charge under Voluntary Scheme Pays is 31 January in the year following the tax year in which the AA tax charge was incurred.

For example, if you have a tax charge for 2019/20, your tax must be paid by the Trustee by 31 January 2021. In order to meet this payment deadline, you must ensure your confirmation to proceed with Voluntary Scheme Pays is received by the Pension Administration Team before 31 December 2020. **If you want to pay a tax charge via Voluntary Scheme Pays you must contact the Pensions Administration Team for a Scheme Pays quote no later than 30 November.**

Note: Any request received by the Pensions Administration Team on or after this date can be accepted and paid at the next available payment date but may incur HMRC late payment penalty and interest, which will be your responsibility to pay.

EXAMPLE OF MANDATORY AND VOLUNTARY SCHEME PAYS

Aisha is a member of SCPF (Pre 2009) her Adjusted Income (refer to the AA factsheet for definition) for the tax year 2019/2020 was £190,000. This means her AA is tapered down from the standard AA of £40,000 to £10,000 (refer to AA factsheet for how to calculate TAA) and she has no carry forward (refer to AA factsheet).

She can pay the charge in respect of her AA excess over the standard AA amount of £40,000 from Mandatory scheme pays and anything in respect of her TAA excess from Voluntary scheme pays. Here's the breakdown:

Total	
Pension Input Amount 2019/20	£125,541
Annual Allowance (AA) limit	£40,000
Tapered Annual Allowance (TAA)	£10,000
Excess subject to tax charge	£115,541 (£125,541 (PIA) – £10,000 (TAA))
Tax charge based on marginal tax	£46,216 (£115,541 x 40%)

The figures above can then be split between Mandatory and Voluntary scheme pays, as below:

Mandatory Scheme Pays in respect of excess over Standard AA

Excess over standard AA	£85,541 (£125,541 – £40,000)
Mandatory tax charge	£34,216 (£85,541 x 40%)

Voluntary Scheme Pays in respect of excess over Standard

Excess over TAA	£115,541 (£125,541 – £10,000)
Excess remainder	£30,000 (£115,541 – £85,541) (this is after standard AA is deducted)
Voluntary tax charge	£12,000 (£30,000 x 40%)

If you decide to pay your tax charge via Scheme Pays you will need to complete and return our Scheme Pays quote request form (available on our website). If your tax charge is made up of both Voluntary and Mandatory (like in the example above), when completing the form, you can select 'both'. Voluntary and Mandatory Scheme Pays are the same process, but the deadlines set by HMRC are different.

The deadline for Voluntary Scheme Pays is much earlier than the deadline for Mandatory Scheme Pays. You will also need to confirm your decision on your Self-Assessment Tax Return. If you have already submitted your self-assessment tax return for the year, then you will also need to send an amendment to HMRC.

Mandatory Scheme Pays Deadline

The deadline set by HMRC for confirming a request to pay a Mandatory Scheme Pays tax charge is 31 July in the year following the tax year in which the AA tax charge was incurred.

Voluntary Scheme Pays Deadline

The deadline set by HMRC, by which Trustees must pay your tax charge under Voluntary Scheme Pays is 31 January in the year following the tax year in which the AA tax charge was incurred.

SCHEME PAYS PROCESS

Step 1 – Am I over my AA?

Determine if you have an AA tax charge. You can do this by referring to your annual SCPF benefit statement (page 2), which includes your PIA in respect of your SCPF pension and AVCs (if any) for the current and previous three Pension Input Periods (PIP). Please refer to the AA factsheet for an explanation of the Pension Input Period. Please note that your SCPF benefit statement does not take into account any pension savings made outside of the SCPF.

You can also refer to the HMRC's pension savings annual allowance calculators -

<https://www.tax.service.gov.uk/pension-annual-allowance-calculator>

Step 2 – Do I have any unused AA to carry forward?

Once you have determined if you have exceeded your AA, you should check if you have any unused AA to carry forward from one or more of the three previous tax years. Please read the AA factsheet for further information on how 'carry forward' works.

Step 3 – How to calculate my tax charge?

If after Step 1 and Step 2, your pension savings in the SCPF exceeds your AA limit, you will need to calculate the amount of the tax charge due to HMRC. You do this by applying your marginal income tax rate to the amount by which you have exceeded your AA after offsetting any unused AA carried forward.

The Trustee does not have the necessary information or the authority to calculate the amount of tax you owe. We can only rely on the information you give us when calculating the impact on your SCPF benefits. You should take advice from an independent financial advisor if you are unsure of your personal tax liability.

Step 4 – Am I Voluntary or Mandatory Scheme Pays?

If you decide to pay your tax charge via Scheme Pays you will need to complete and return our Scheme Pays quote request form (available on our website). You will need to check the conditions on page 2 of this factsheet to determine what type of Scheme Pays you are eligible to use. Voluntary and Mandatory Scheme Pays are the same process, but the deadlines set by HMRC are different. The deadline for Voluntary Scheme Pays is much earlier than the deadline for Mandatory Scheme Pays. You will also need to confirm your decision on your Self- Assessment Tax Return. If you have already submitted your self-assessment tax return for the year, then you will also need to send an amendment to HMRC.

Step 5 – I have received my Scheme Pays quote. What now?

The Pension Administration Team will calculate (as explained on page 1 of this factsheet) the amount your pension will be reduced by. This calculation is based on the information you provide on the Scheme Pays quote request form. Once you have received this quote, you need to confirm to the Pension Administration Team (before the deadlines detailed on page 2 of this factsheet) that you wish to pay your AA tax charge by Scheme Pays and you accept the pension reduction quoted. You can confirm by sending us (see below) an email from your Shell email address or via a signed letter.

Step 6 – I have confirmed that I wish to proceed with my Scheme Pays quote. What now?

Once you accept the quote, the Pension Administration Team will confirm that your Scheme Pays pension reduction has been applied to your record. This means that any future pension quotes you receive, such as your benefit statement will include the Scheme Pays negative pension reduction.

Based on when your Scheme Pays confirmation is received, your tax charge will then be paid to HMRC in the next available quarter. All AA tax charges are paid quarterly via HMRC Accounting For Tax (AFT). Once the AFT has been submitted to the HMRC there is a unique reference for the charges paid in that quarter. If needed, please contact the Pension Administration Team and they can confirm what this is.

FINANCIAL ADVICE

You can find out more about the Annual Allowance and Scheme Pays (and much more) via the Company's [Financial Education Hub](#) (hosted by Close Brothers). There are webinars on managing your pension tax allowances and you can also contact their free helpline with questions on +44800 917 8377 or shellhelpline@closebrothers.com.

The Pensions Administration Team, your employing company and the Trustee of the SCPF are unable to provide you with financial advice or advise you on which option may be appropriate for you in your personal circumstances. You are strongly recommended to take independent financial advice from a tax advisor when considering your options.

If you do not already have a financial advisor you can contact IFA Promotions who will give you a list of independent financial advisors in your area (www.unbiased.co.uk).

Alternatively, the Financial Conduct Authority (regulator) also provides information for consumers on all aspects of financial planning, including how to find an advisor (www.moneyadviceservice.org.uk)

CONTACT DETAILS

If you have any queries about the information in this factsheet or you would like to request a Scheme Pays calculation, please contact the Pensions Administration Team who will send you a form for completion.

Email: UK-PensionsAdmin@shell.com

Write to: Pensions Administration Team, Trustee Services Unit, Shell International Limited, Shell Centre, London, SE1 7NA

This factsheet provides a summary of the benefits available from the SCPF. Benefits can only be paid in accordance with the Trust Deed and Regulations and relevant law at that time.