



SCPF

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 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 choose 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.

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 £60,000 (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 Scheme Pays process section.

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 2022/23 and meet the above conditions, you must ensure your confirmation is received by the Pension Administration Team before 31 July 2024. **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 £60,000 but not the excess as a result of the TAA.). You can split your tax charge between the Mandatory Scheme Pays for the amount over the standard AA and the Voluntary Scheme Pays for the amount in respect of TAA.

2. If you have exceeded the standard AA of £60,000 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 2022/23, your tax must be paid by the Trustee by 31 January 2024. 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 2023.

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.

What is the 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, 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 check if you have an annual allowance tax charge on your pension savings by using the HMRC's [AA 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.

Step 3 – How to calculate my tax charge?

If after Step 1 and Step 2, your pension savings in the SCPF exceed 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](#). 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 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 Contact details) 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 annual 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.

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.

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.

Contact details

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

E-mail address: UK-PensionsAdmin@shell.com

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