

SOCPF

SOCPF Tax Status – Factsheet



WHO IS THIS FACTSHEET FOR?

This factsheet is for members of the Shell Overseas Contributory Pension Fund (SOCPF).

BACKGROUND

The SOCPF is registered in Bermuda and as such the Trustee Directors responsible for administering the Fund do so according to the SOCPF's Trust Deed and Regulations and Bermudian law.

The SOCPF is not governed by UK law nor is it a registered scheme in the UK with Her Majesty's Revenue & Customs (HMRC). This means that benefits built up in the SOCPF do not count towards HMRC limits on the Annual or Life Time Allowance.

HOW IS AN SOCPF PENSION PAID?

The SOCPF pension is paid gross (i.e. without deduction for tax). If you are in receipt of a pension from the SOCPF and are both resident and domiciled in the UK (see Sections 1 and 2) you are liable to UK tax. The tax due on your SOCPF pension if you are a UK resident is payable direct to HMRC via self-assessment.

The law and the effect it will have on your tax liability is set out on pages 2 to 3.

USEFUL CONTACTS

Detailed tax information can be found on HMRC's website

www.hmrc.gov.uk

Information on tax and overseas pensions can also be found [here](#)

The Financial Conduct Authority provides information for consumers about all aspects of financial planning, including how to find an adviser and what questions to ask www.fca.co.uk

The general information provided in this factsheet is the current understanding of Shell companies in the UK to HMRC rules on the taxation of the SOCPF and it should not in any way be taken as advice on your personal circumstances.

1. TAX RULES TO 5 APRIL 2017

Pension income

- a) UK tax residents are generally taxed on 90% of the total gross amount of their SOCPF pension, whether or not such amount is received in the UK (note this includes non-UK domiciled individuals who are subject to tax on an arising basis).
- b) An exception to 1 (a) is individuals who are resident and not domiciled in the UK who elect to be taxed on the remittance basis. They will be taxed on the full gross amount (i.e. not 90%) of that part of their SOCPF pension received in, or brought into, the UK.
- c) Persons who are not resident in the UK are not subject to UK tax on their SOCPF pension.

Lump Sum

If you were non-resident for UK tax purposes whilst a member of the SOCPF, this payment is expected to be tax free in the UK. You should, however, get advice on the tax treatment of this lump sum payment to ensure this applies in your case.

2. TAX RULES FROM 6 APRIL 2017

Pension income

- a) UK tax residents are taxed on 100% of their pension income.
- b) Individuals who are resident and not domiciled in the UK who elect to be taxed on the remittance basis will be taxed on the full gross amount of that part of their pension in the SOCPF pension received in, or brought into, the UK.
- c) Persons who are not resident in the UK are not subject to UK tax on their SOCPF pension.

Lump sum

- If you were non-resident for UK tax purposes whilst a member of the SOCPF, this will be tax free in the UK in respect of benefits accrued before 6th April 2017.
- Lump sums taken from the SOCPF in respect of benefits accrued after 6th April 2017 will be taxed in full.

There is no guidance from HMRC which specifically addresses how to split the lump-sum benefit into pre and post April 2017 accruals. Our advisers suggest that it would be a reasonable approach to do so on a time apportionment basis taking into account your period of SOCPF membership. We therefore suggest you retain a copy of your 2017 SOCPF Benefit Statement which shows your Pensionable Service to 5 April 2017. Please note, this position is based on the current understanding of the tax rules and HMRC practice, and we can offer no warranty or guarantee as to the ultimate tax treatment. You should take appropriate advice to ensure you understand the tax treatment of the lump-sum payment.

3. MEANING OF "DOMICILE"

Broadly, your country of domicile is that which you regard as your permanent or ultimate home as distinct from that in which you reside for the time being. If such country is not the UK but you are at present living in the UK without having any special reason for being here, such as an employment or children at school here, your claim to a foreign domicile may be subject to review by HMRC at any time.

4. PAYMENT OF TAX

a) Resident in the UK

All SOCPF benefits are paid gross i.e. without any tax being deducted at source. The settlement of any tax liability arising is therefore the responsibility of the individual concerned.

This means that the taxpayer may be required to make payments on account in respect of any source of income from which tax has not been deducted at source.

Payments on account are required in two instalments;

- the first payable on the 31st January in the tax year of assessment,
- the second on the 31st July after the end of the tax year of assessment and any balance on the following 31st January.

The two instalment payments will be based on the amount of tax payable on the same source of income in the previous tax year.

Sometimes HMRC will try, where possible, to collect through the PAYE system any tax on a SOCPF pension by, in effect, taxing the pensioner's SCPF pension at such a level as to anticipate the tax due on his SOCPF pension. In practice, the possibility of collecting the tax on an SOCPF pension in this way only arises where a pensioner is in receipt of an SCPF pension as well as an SOCPF pension and the amount of the SOCPF pension is relatively low. In such cases, Pensions Administration will be advised of the Tax Code to be applied to any member's SCPF pension, such Code having been calculated to ensure that the tax due on the SOCPF pension is collected gradually over the year rather than by direct assessment.

Under this system the rate of tax charged on the SCPF pension automatically builds in tax on the SOCPF pension. There is, therefore, no need for any further assessment on the SOCPF pension but the SCPF pension suffers additional tax withholding at source.

It should be noted that pensioners still have a legal right to remain directly responsible for the payment of income tax on their SOCPF pension by self-assessment and not have such tax deducted against their SCPF pension through the PAYE system. The coding of the SOCPF pension is merely for the administrative convenience of HMRC. Any pensioner who does not wish to have deductions made via the PAYE system should contact HMRC on receipt of a coding notice and ask instead for direct assessment.

b) Not Domiciled in the UK

All persons described in Section 1(b) and 2(b), on page 2, may wish to consider having their SOCPF pension paid to an overseas bank account since such payments will be taxable in full if they are paid to a bank account in the UK. Any payments made to an overseas bank account that are subsequently brought into the UK will be taxable in the UK.

There may be tax consequences in the country in which the SOCPF pension is paid if that country is not the UK. It is the member's responsibility to identify and address any such issues.

5. TAX RESIDENTS OF COUNTRIES OTHER THAN THE UK

Tax residents of countries other than the UK will have to identify and address any relevant tax issues in that country relating to the receipt of SOCPF pension. Neither the SOCPF trust nor any Shell affiliate will provide tax support or guidance in this regard.

6. BEWARE OF PENSION SCAMS

Following the change in legislation we are aware of companies contacting SOCPF members suggesting members can transfer their SOCPF and SCPF to more tax efficient vehicles based offshore.

Some have also said that the Company or Trustee are making changes to the SOCPF. Please note that these changes are as a result of changes to UK tax legislation, neither the Company or the Trustee are changing the benefits to either the SOCPF or SCPF as a result of these changes to UK tax legislation.

Before you make any decision on where your pension is invested we recommend you follow the UK Pension Regulator's five steps to protect your pension. These steps can be found [here](#).

FINANCIAL ADVICE

It is strongly recommended that you take independent financial advice if you think you are affected by any of the information in this factsheet.

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

You can find a list of independent financial advisers in your area at www.unbiased.co.uk