TotalEnergies

MAY 2022

TOTALENERGIES UK PENSION PLAN

Tax and your pension

The annual allowance and lifetime allowance for 2022/23

As part of the Budget on 3 March 2021, the Government announced that the lifetime allowance - the total value of all your personal and workplace pensions (not including the State Pension) that you can build up without paying extra tax – will remain at the current rate of £1,073,100 up to and including the 2025/26 tax year. This means that the lifetime allowance is not due to increase until 6 April 2026.

The standard annual allowance remains £40,000. This is the maximum amount of pension saving you can make, or have made for you by your employer, in a single tax year, that will receive full tax relief.

Higher earners may be subject to a lower or 'tapered' annual allowance.

Will I be affected by the tapered annual allowance?
It depends on the amount of your UK taxable income and the amount of pension savings you, or your employer on your behalf, make in a tax year.

HM Revenue & Customs (HMRC) uses two definitions of income to determine your tapered annual allowance; threshold income and adjusted income.

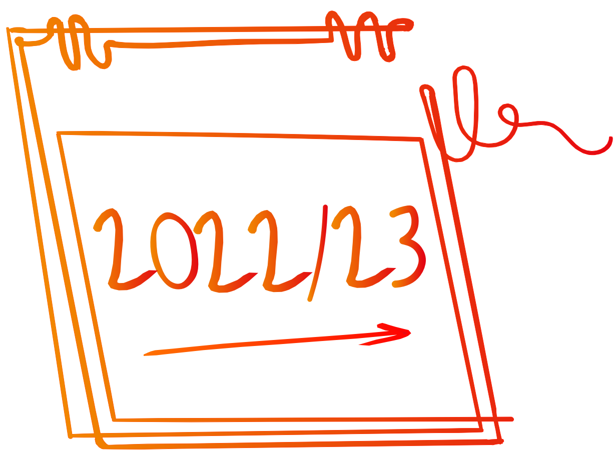
In the 2022/23 tax year, you will be subject to the tapered annual allowance if both:

- Your threshold income is over £200,000; and
- Your adjusted income is over £240,000.

This means, assuming your threshold income exceeds £200,000, that:

- If you have adjusted income below £240,000, the standard annual allowance of £40,000 will apply.
- If you have adjusted income between £240,000 and below £312,000, your tapered annual allowance will be between £40,000 and £4,000.
- If you have adjusted income greater than £312,000 then your tapered annual allowance will be £4,000.

Further details on the annual allowance and the lifetime allowance are provided in this communication.



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Adjusted income

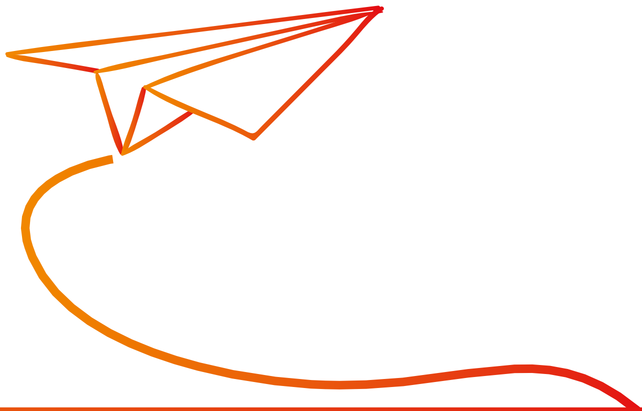
Broadly, adjusted income is defined as your taxable income from all sources during the tax year plus the value of your pension savings over the year (less any employee contributions with 'relief at source').

- For a defined contribution arrangement, these pension savings are equal to the total contributions credited to your arrangement over the year.
- For a defined benefit arrangement, the pension savings are equal to the pension input amount (the amount HMRC test against the annual allowance) for the year -broadly 16 times the new pension accrued over the year, net of inflation.

For some individuals, the reduced annual allowance will not apply, even if their adjusted income is above £240,000. If your threshold income is less than £200,000 then your annual allowance would be £40,000, regardless of your adjusted income.

Threshold income

Threshold income is broadly equal to your taxable income, excluding the value of pension savings and deducting any member contributions with 'relief at source', such as to a personal pension, but adding back any employment income given up for pension provision as a result of any salary sacrifice made on or after 9 July 2015.

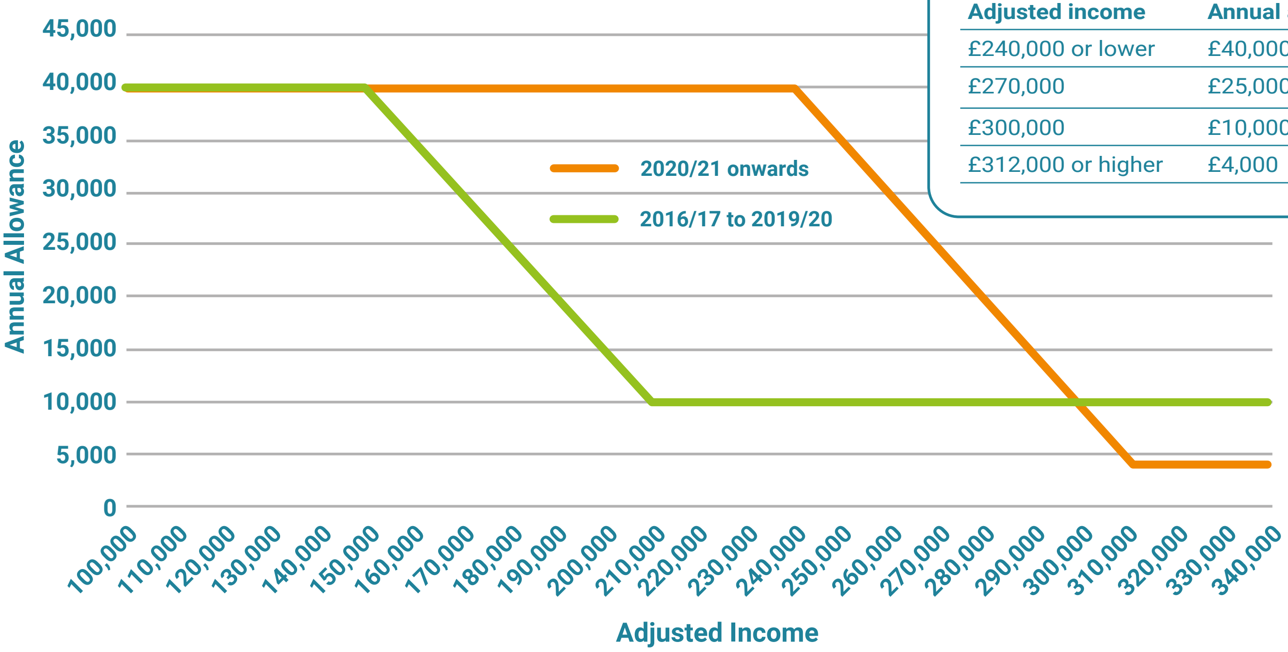


For more information about working out your threshold income and adjusted income, please see the guidance on the Government website.

www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance

The chart below illustrates how the tapered annual allowance has changed from the 2020/21 tax year and remains unchanged for the 2022/23 tax year:

Tapered Annual Allowance



How the annual allowance will vary with adjusted income for the 2022/23 tax year:

Adjusted income	Annual allowance
£240,000 or lower	£40,000
£270,000	£25,000
£300,000	£10,000
£312,000 or higher	£4,000

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More details on the change to tapered annual allowance for high earners

From April 2016 the government introduced a reduction in the annual allowance for individuals with 'adjusted income' over £150,000 (see below for what is included in your 'adjusted income'). From 6 April 2020, the adjusted income limit rose to £240,000. In summary:

- If you have adjusted income of £240,000 or less, the standard annual allowance of £40,000 will apply.
- If you have adjusted income of more than £240,000, you are subject to a lower annual allowance (unless another version of income is below a £200,000 threshold, described below). The lower allowance will reduce for each £2 of income above £240,000, ultimately reaching£4,000 for those with income over £312,000. In other words, £1 is taken off the annual allowance for each extra£2 of income between £240,000 and £312,000.

You are still able to carry-forward any unused annual allowance from the previous three tax years, as was the case before these latest changes.

Money purchase annual allowance

The standard annual allowance may also be reduced if you have flexibly accessed any money purchase funds from any of your pension arrangements since 6 April 2015.

Once members were given the ability to access their pension savings flexibly (from 6 April 2015), a money purchase annual allowance was introduced for those members who accessed their savings and wished to continue making further contributions to a money purchase pension, limiting the tax-relief available on these contributions. The money purchase annual allowance was reduced to £4,000 with effect from 6 April 2017. It remains at £4,000 for the 2022/23 tax year.

What happens if you exceed the annual allowance?

If you exceed the annual allowance plus any unused allowances from the three previous tax years you will have to pay an additional tax charge. The tax charge is calculated by adding the amount by which you have exceeded the annual allowance (allowing for unused allowances from the three previous years) to your other taxable income - tax will then apply depending on what tax band the excess amount falls into.

You will need to complete your self-assessment tax return to accurately determine whether or not you are subject to an annual allowance tax charge. There is information on how to do this on the Government website.

Example

Anne's basic salary is currently £250,000 and she has no other source of income. Anne pays 5% of her basic salary into her DC occupational pension scheme (which reduces her taxable earnings as it operates 'net pay' rather than 'relief at source') and her employer pays 10%.

2022/23 annual allowance

Anne's pension savings over the tax year were £37,500, of which she paid £12,500 and her employer paid £25,000. Her taxable income was therefore £237,500 and above the £200,000 threshold, meaning the reduced annual allowance applies to her.

Her adjusted income for assessing the annual allowance is taken to be her taxable earnings (£237,500) plus the value of her pension savings over the year (£37,500) - i.e. £275,000.

As her adjusted income exceeds £240,000 by £35,000, her annual allowance will be reduced by 50% of this – i.e. £40,000 - 50% x £35,000 = £22,500. So Anne had pension savings of £37,500 but an annual allowance of only £22,500.

This means that she will have exceeded her reduced annual allowance by £15,000 and will be subject to an annual allowance charge of £6,750 (based on a marginal tax rate of 45% and assuming that she has no carry-forward available).

Scheme Pays

In certain circumstances, a pension scheme is obliged to pay the annual allowance tax charge on behalf of an individual, this is known as mandatory Scheme Pays. If an individual does not have a right to mandatory Scheme Pays, many pension schemes offer what is known as voluntary Scheme Pays. A pension scheme may set its own criteria for when voluntary Scheme Pays can be used.

If a pension scheme pays an individual's tax charge on their behalf, the individual's benefits in that scheme would be reduced to reflect the scheme pays payment.

www.gov.uk/government/collections/self-assessment-helpsheets-main-self-assessment-tax-return

Look for 'Helpsheets for pension tax charges' - Self Assessment helpsheet HS345.

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The lifetime allowance

The lifetime allowance is the total value of all of your personal and workplace pensions (but not any State Pension) which you can build up without paying extra tax. Your pension is tested against this threshold when you retire. It was reduced from £1.25m to £1m from 6 April 2016, with the intention that it will increase annually in line with CPI inflation starting from April 2018. However, as part of the Budget on 3 March 2021, the Government announced that the lifetime allowance will remain at the current rate of £1,073,100 up to and including the 2025/26 tax year. This means the lifetime allowance is not due to increase until 6 April 2026.

How do I know if this will affect me?

If you expect the value of your total pension benefits will be **less than £1,073,100 when you retire you would not expect to be affected.**

If you expect the value will be **more than £1,073,100 you may be affected.**

For measurement against the lifetime allowance, defined benefit pensions are valued by multiplying your annual pension by 20 and adding any separate lump sum you take at retirement.

For defined contribution arrangements, it is the amount of money you have in your pension pot at retirement that is measured.

If I am affected by the lifetime allowance, what does it mean for me?

Higher tax rates apply to benefits above the lifetime allowance. If you take the extra benefit as pension a tax charge of 25% of the pension's capital value is payable, in addition to the usual marginal rate of tax applied when the pension is paid. If the extra is taken as a lump sum, this will be taxed at 55% at the time it is paid. The maximum amount that can be taken as a tax-free lump sum is set to be 25% of the lifetime allowance. For 2022/23, this amount is £268,275.

Lifetime allowance protection

In light of the reducing lifetime allowance in 2016, two forms of protection were made available for individuals. There is no fixed deadline for applying for these protections, and you can still apply for these protections online. However, if you have continued to accrue pension benefits after 5 April 2016, restrictions may apply.

Fixed Protection 2016

This enables an individual to protect a lifetime allowance of £1.25m, as well as protect the upper limit on how much tax-free cash you might be able to take (£312,500). To do so, you would effectively have had to have opted out of all future pension provision before 6 April 2016. It is therefore unlikely as a current active member of your pension plan that you are able to apply for Fixed Protection 2016.

Individual Protection 2016

Individual Protection 2016 provides a lifetime allowance equal to the value of your benefits at 5 April 2016, subject to a maximum of £1.25m. To qualify, you will have to have pension benefits valued in excess of £1.0m on 5 April 2016. You would be able to take up to 25% of your individual lifetime allowance as a tax-free lump sum. You can apply for this protection on the Government website.

www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

There will be no restrictions on continuing pension savings beyond 5 April 2016, although these savings will be subject to a lifetime allowance tax charge at your retirement date if you exceed your individual lifetime allowance at that time.

Increases to the lifetime allowance

As part of the changes in 2016, the government announced that the lifetime allowance will increase in line with CPI inflation from April 2018. However, as part of the Budget on 3 March 2021, the Government announced that the lifetime allowance will remain at the current rate of £1,073,100 up to and including the 2025/26 tax year. This means the lifetime allowance is not due to increase until 6 April 2026. If the standard lifetime allowance is greater than an individual's protected lifetime allowance, the standard lifetime allowance would apply.

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For information

For general information about the annual allowance
Visit the Government website at

www.gov.uk/tax-on-your-private-pension/annual-allowance

For information about your membership or benefits
Please contact the Plan administrators.

Phone: **0330 123 9570**

E-mail: **totalenergies@buck.com**

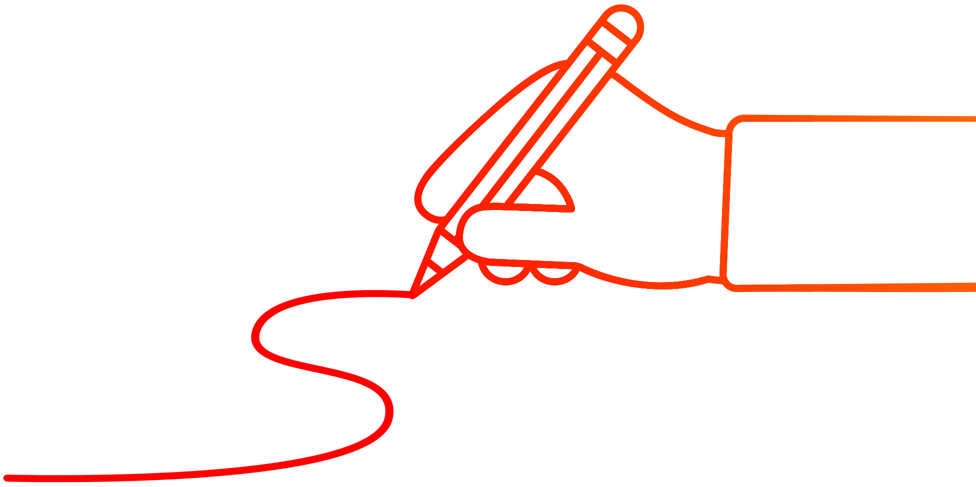
Or, write to: **TotalEnergies UK Pension Plan**
Buck (Bristol)
PO Box 319
Mitcheldean
GL14 9BF

For advice

If you are unsure of your tax position or whether the arrangements summarised here may affect you, please contact an independent financial adviser (IFA). If you do not already use an IFA, the Financial Conduct Authority website has information about how to go about finding one.

www.fca.org.uk/consumers/finding-adviser

Remember that you may have to pay a charge for any independent financial advice that you receive.



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