



TOTALENERGIES UK PENSION PLAN

Tax and your pension

This leaflet contains information about the 2021/22 tax year. This will be relevant to your decision on whether to use Scheme Pays for that tax year.

	Mandatory Scheme Pays	Voluntary Scheme Pays
Overview	If the Eligibility Requirements are met and you make a valid election to the Trustee by the deadline, you will have a statutory right to use Scheme Pays	If you are ineligible for mandatory Scheme Pays, you may use voluntary Scheme Pays if the Trustee and the Principal Employer agree
Eligibility requirements	For the tax year to which the charge relates: <ul style="list-style-type: none"> the tax charge (arising from all of your pension arrangements) is more than £2,000; and the value of Plan benefits you built up is more than the standard annual allowance (i.e. £40,000). 	The total tax charge (including any tax charge being paid using mandatory Scheme Pays) is more than £2,000. May be suitable if: <ul style="list-style-type: none"> you exceed the standard annual allowance across all of your pension arrangements (but not in the Plan alone); the tax charge arises because you are affected by the tapered annual allowance.
Deadline for notifying HMRC that you are using Scheme Pays	31 October 2022, for the paper process 31 January 2023, for the online service	31 October 2022, for the paper process 31 January 2023, for the online service
Deadline for making an election to the Trustee	31 July 2023	30 November 2022
Liability¹	The Plan will be jointly and severally liability with you for payment of the tax charge	Liability to pay the tax charge remains with you
How much may be paid	The Plan may only pay the tax charge that relates to the Plan benefits you built up over and above the standard annual allowance (i.e. £40,000)	As agreed with the Trustee and the Principal Employer
When is the tax charge due to HMRC	14 February 2024	31 January 2023

¹Your election to use Scheme Pays must be received by the Trustee before your Plan benefits are put into payment, you transfer your benefits out of the Plan and/or before you reach age 75.

Annual allowance - frequently asked questions

What is the annual allowance?

Since 6 April 2006, the amount of pension savings that benefit from tax relief for a given tax year is limited to the annual allowance. This includes pension savings to all registered pension schemes made by you or on your behalf, for example by your employer. If your savings go above this level, you may be liable to a tax charge.

What is the standard annual allowance?

For tax year 2021/22, the standard annual allowance is £40,000.

What is the 'tapered' annual allowance?

The tapered annual allowance was introduced from the 2016/17 tax year. This leaflet describes the position for the 2021/22 tax year, which is relevant to your decision on whether to use Scheme Pays in 2022. A separate leaflet has been provided describing the position that will apply from the 2022/23 tax year onwards.

The tapered annual allowance applies if you are a high-income individual. For the 2021/22 tax year, you will be a high-income individual if both of the following apply:

- You have a Threshold Income of more than £200,000 in the 2021/22 tax year; AND
- You have an Adjusted Income of more than £240,000 in the 2021/22 tax year.

At a high level, Threshold Income is your taxable income after allowing for certain reliefs plus the value of certain pension-related salary sacrifice arrangements. The definition of Adjusted Income is complex but notably includes the value of your pension savings (employer contributions as well as your own contributions) in the tax year. The definitions of Threshold Income and Adjusted Income are explained in further detail on this HMRC webpage:

<https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm057100>.

For those who qualify as high-income individuals, this results in a tapered annual allowance that reduces by £1 for every £2 of Adjusted Income which is in excess of £240,000, but subject to a minimum tapered annual allowance of £4,000.

Please bear in mind that your exact level of income in a tax year may only be known once the tax year has ended so your tapered annual allowance may not be known until after the end of the tax year.

What is the money purchase annual allowance?

From tax year 2015/16, the money purchase annual allowance is triggered if you flexibly access your money purchase pension savings. The scheme in which you flexibly access your benefits should inform you of this fact and you will then need to let any other schemes in which you, or another party on your behalf, are contributing towards a money purchase benefit.

The money purchase annual allowance is currently £4,000 and any money purchase pension savings made in excess of this will be subject to an annual allowance charge. For tax years prior to 2017/18, the money purchase annual allowance was £10,000, but special rules applied for the 2015/16 tax year.

If the money purchase annual allowance is exceeded you will be subject to an annual allowance charge but it is worth noting that you cannot carry forward unused allowance from previous years to offset this charge.

How do I know whether I am affected by the annual allowance?

If your pension savings within the Plan exceed the standard annual allowance or your basic salary is above a certain threshold then the Plan administrators will automatically send you a statement with the necessary information you require in relation to the Plan. This is known as a Pension Savings Statement.

Even if your pension savings don't exceed the annual allowance for a particular scheme, you can still request a Pension Savings Statement which will show your pension savings and what tax year they relate to. If you have made savings in multiple schemes, we would strongly recommend that you request statements from each scheme so that you can add these amounts together for all of your schemes to assess whether your pension savings have exceeded the annual allowance.

What happens if I exceed the annual allowance?

Even if your total pension savings over the year are more than the annual allowance, you may still not have to pay a tax charge. You can carry forward any annual allowance that you have not used from the previous three tax years. If your unused allowance is more than the amount by which you have exceeded the annual allowance in the current tax year, then you will not be liable for a tax charge and you will not be required to report anything to HMRC.

If you have exceeded the annual allowance, then your pension scheme will provide you with details of the annual allowance used up in the last three years within that scheme on your Pension Savings Statement.

If you have also exceeded the annual allowance in any previous tax years, then you may also require information on your pension savings made in earlier tax years than the three previous ones that are already displayed within this Pension Savings Statement. This will enable you to accurately calculate your total available carry forward. This information should be available on any previous Pension Savings Statements that you have received.

What if I still exceed the annual allowance even after carry forward?

If you have checked and you do not have sufficient unused annual allowance available from previous tax years, then you will be liable to the annual allowance tax charge on your pension savings above the annual allowance.

The tax charge is calculated by adding the value of your pension savings above the annual allowance to your taxable income. Tax will then apply depending on what tax band the excess amount falls into. For more information and a worked example please see <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm056110>.

If you want to use Scheme Pays, you will need to determine how much of your tax charge can be settled using mandatory Scheme Pays (if any) and how much can be settled using voluntary Scheme Pays (subject to meeting the eligibility criteria).

Example

Janet has annual pension savings of £50,000 in the scheme for the 2021/22 tax year which are measured against the annual allowance.

Janet's tapered annual allowance for 2021/22 is £20,000. Janet has no available carry-forward from previous tax years and is a 45% tax payer in 2021/22.

Janet's pension savings have exceeded her tapered annual allowance by £30,000 (£50,000 - £20,000) and as a result she needs to pay a tax charge of £13,500 (£30,000 x 45%).

Janet's pension savings have exceeded the standard annual allowance by £10,000 (£50,000 - £40,000) and she can use mandatory Scheme Pays for £4,500 (£10,000 x 45%) of her tax charge.

The remaining £9,000 (£13,500 - £4,500) of tax charge can be settled using voluntary Scheme Pays.

If she wants to use Scheme Pays to meet the total tax charge, Janet will need to fill in both the mandatory Scheme Pays election form and the voluntary Scheme Pays election form.

How do I report the annual allowance charge to HMRC?

You will be responsible for paying any annual allowance charge that is due. You will need to complete a Self-Assessment tax return and you will need to register with HMRC for this if you don't normally complete one. Information about the annual allowance will need to be included within the Additional Information form, SA101. Further guidance is available here:

<http://www.hmrc.gov.uk/helpsheets/hs345.pdf>.