

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 the 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 website

www.hmrc.gov.uk

Information on tax and overseas pensions can also be found at www.gov.uk/tax-foreign-income/paying-tax

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 SOCPF pension and it should not in any way be taken as advice on your personal circumstances.

1. THE LAW

- 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). **Please note that the abatement in the taxable amount for foreign pension income is expected to be withdrawn from 6 April 2017. 100% of the gross pension received on or after this date will be taxable. This is irrespective of the date on which the pension first commenced.**
- 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 on 90% only) of that part of their SOCPF pension received in, or brought into, the UK.
- c) Persons who are not resident in the UK are exempt from tax on their SOCPF pension.

2. 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.

3. NORMAL BASIS OF A CHARGE TO TAX

These rules apply to all SOCPF pensions.

- a) Persons described in Section 1(a) above will be taxable for each year on 90% of the total amount of the SOCPF pension paid in that tax year.
- b) Persons described in Section 1(b) above will be taxable for each year on the amount of the SOCPF pension received in, or brought into, the UK in that tax year.

4. PAYMENT OF TAX

- a) Resident in the UK

All persons described in Section 1 (a) above are liable to pay tax in the UK on 90% of any SOCPF pension paid to them in the tax year, irrespective of where payment is made. All such pensions are paid gross i.e. without any tax being deducted at source. The 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.

4. PAYMENT OF TAX (cont...)

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 write directly to the Inspector of Taxes 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), 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.

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