

CHECK YOUR NATIONAL INSURANCE RECORD BEFORE 31 JULY 2023

BACKGROUND

A full state pension (currently £9,628 per annum) will only be available to those individuals who reach state pension age (“SPA”) with at least 35 qualifying years of making National Insurance (“NI”) contributions.

At least 10 qualifying years is required to receive a partial state pension. Between 10 and 35 qualifying years will give you a pro-rata amount of the full pension.

The qualifying years do not need to be all in a row.

If you expect to reach SPA without enough qualifying years, you could make voluntary class 2 or 3 NI contributions to create or increase your entitlement to state pension.

Warning – Making voluntary NI contributions can be expensive and is not right for everyone.

WHAT IS CHANGING?

Currently you can backdate voluntary class 2 or 3 contributions to 6 April 2006. However, from 1 August 2023, you will only be able to go back to the 6 previous tax years. For example, from 1 August 2023 to 5 April 2024 you will only be able to go as far as 6 April 2017.

Therefore, if you have non-qualifying years between 6 April 2006 and 6 April 2017 which you want to fill, act before 31 July 2023.

HOW CAN I CHECK MY QUALIFYING YEARS SO FAR?

If you already have a Government Gateway account online, click here and login:

<https://www.gov.uk/check-national-insurance-record>

This will show you how many qualifying and non-qualifying years you have so far, and how many years you have left before reaching SPA.

By viewing the details of each entry marked as “Year is not full”, you can see the contributions already made and the cost of a voluntary contribution to make that year qualify. See the “Considerations” section below for more about the cost.

Otherwise, you can set up a Government Gateway account by going to the address below. This tells you the benefits of the account and how to set one up.

<https://www.gov.uk/personal-tax-account>

Should you have any trouble setting up a Government Gateway account then please feel free to contact us. Alternatively, you can request a copy of your NI record for specific years by phoning HMRC on 0300 200 3500 or by writing to the NIC and Employers Office, HMRC, BX9 1AN.

WHAT IS A QUALIFYING YEAR?

Directors, employees, sole traders and partners will pay NI or count as having paid it for a tax year unless their employment income or trading income for the year is low.

Other individuals may have already made voluntary NI contributions in the past.

If you claim child benefit during a tax year and your child is under 12, you will automatically get “NI credits” such that you can qualify for that year even if you are not working.

There are other circumstances in which you might be eligible for “NI credits” whilst not working, e.g. if you were ill or caring for someone. For full details see the government website:

<https://www.gov.uk/national-insurance-credits>

Mixed years can qualify too. E.g. an employee who earns at least £123 per week (the weekly equivalent of £6,396) for 40 weeks of the tax year and receives NI credits for the remaining 12 weeks will have a qualifying year.

Tax years run from 6 April to 5 April.

WHAT IF I THINK MY NATIONAL INSURANCE RECORD IS WRONG?

If you think HMRC’s record of your qualifying and non-qualifying years is incorrect, e.g. because you worked during a year marked as non-qualifying, you can contact HMRC to try to resolve this.

You may need to provide evidence of having paid NI, such as P60s, payslips, or tax returns.

In the first instance you can call the HMRC NI Contributions Office on 0300 200 3500. They will be able to give further information on what evidence to provide and how to provide it.

Correcting your record may impact on your decision whether to make voluntary contributions. If so, given the changes to backdating voluntary contributions from 31 July 2023, consider contacting HMRC promptly.

STATE PENSION FORECAST

The government website provides a tool which forecasts your state pension entitlement based on your history of qualifying and non-qualifying years so far. It explains the assumptions it has made based on that history, so may help you decide whether voluntary contributions are right for you.

Click below and login with your Government Gateway details.

<https://www.gov.uk/check-state-pension>

Alternatively, you can request a printed copy of your forecast by phoning the Future Pension Centre (part of the DWP) on 0800 731 0175 or by filling out and posting form BR19.

CONSIDERATIONS BEFORE MAKING VOLUNTARY NI CONTRIBUTIONS

- If you have some non-qualifying years, do you expect to reach SPA with enough qualifying years anyway? If so, making voluntary contributions could be wasteful.
- If you do not expect to have enough qualifying years, do you still want a state pension (partial or full)? What other income sources do you or will you have?
- Voluntary class 3 contributions cost £15.85 per week, so a year in which you have no existing contributions or credits will cost £824 to fill.

- A year in which you have some existing contributions or credits will be cheaper to fill. If you are going to make voluntary contributions, prioritise these partial years over your empty years.
- Voluntary class 2 contributions cost £3.15 per week, so a year in which you have no existing contributions or credits will cost £164 to fill. They are much cheaper than class 3 but would only be available for years in which you were a sole trader or partner on low income, a landlord (subject to restrictions), a minister of religion, examiner (or similar), or living and working abroad having previously lived and worked in the UK.
- You can see the cost for each year by logging into your Government Gateway account and clicking on the details for “Year is not full” as explained earlier.
- Voluntary contributions can be expensive so are they cost effective for you?
- The state pension rules may change in the future.

Note that child benefit can only be backdated 3 months, so does not provide an alternative way of filling previous non-qualifying years.

DECIDING ABOUT AND MAKING VOLUNTARY NI CONTRIBUTIONS

Class 3

Call the Future Pension Centre (part of the DWP) on 0800 731 0175 to establish whether to make voluntary contributions and for which years. You will then be put in touch with HMRC who can give you an 18-digit reference number and details of how to pay.

Class 2, or a mixture of class 2 and 3

Contact HMRC self-assessment on 0300 200 3310.

TAKE HOME MESSAGE

If you want a state pension and are unsure whether you will get one, check your Government Gateway account before 31 July 2023 to maximise your opportunity to fill gaps in your NI record.

Just because you have non-qualifying years does not mean you should make voluntary NI contributions. Work out whether you expect to still reach SPA with enough qualifying years, and if not weigh up the benefit versus the cost of making voluntary contributions given your personal circumstances.

NOTES

This document is aimed at individuals who will reach SPA on or after 6 April 2016 such that they will claim the so-called “new” state pension. Different rules apply for those reaching SPA before that date.

This document does not consider the possibility of deferring your state pension, which can allow you to receive more than the full pension above when you eventually claim.

This document does not consider the other benefits that NI contributions can count towards. Classes 1, 2 and 3 all count towards the new state pension but their contributions towards other benefits differ. See here for more detail:

<https://www.gov.uk/national-insurance/what-national-insurance-is-for>

State pension contributes towards your taxable income.

The rates, thresholds and rules above are based on the current position and are subject to change.

8 March 2023