



Taxation for the Family

Should you top up your national insurance contributions?

The amount of state pension you will receive upon retirement is based on the number of full tax years during which you have paid national insurance contributions (NICs). These years are called qualifying years. If you reach state retirement age (currently 65 for men and 60 for women) before 6 April 2010, or are already over that age, you need up to 44 qualifying years (for men) and 39 for women in order to achieve a full state pension. This can be difficult to achieve if you have spent some years in full-time study or caring for children.

In such cases, you may wish to top up your NIC record for some of the missing years to improve the amount of state pension you will receive upon retirement. However, before you make this decision you need to check how many qualifying years you have already accumulated. You can do this by contacting the NI enquiries line - 0845 915 5996. If you are due to reach state retirement age after 5 April 2010 you will only require 30 qualifying years to receive the full state pension, so a top-up may not be necessary.

If your 65th birthday (60th for women) falls between 6 April 2008 and 5 April 2015, you have a unique opportunity to top up your NIC record for any six tax years since 1975 where you are missing contributions. You may do this by paying voluntary Class 3 NICs at £12.05 per week (£626.60 per annum).

The National Insurance office is responsible for notifying taxpayers when they have not paid enough NICs in a tax year to make it a qualifying year. However, for the years 1996/97 to 2001/02 the office failed to do this. Consequently, many people received letters informing them that their NICs for past years had fallen short. Despite this, taxpayers who reached retirement age before 24 October 2004 can still top up their NICs for the years between 1996/97 and 2001/02 by 6 April

2010. Furthermore, contributions may be paid at the rates that applied in those years.

The deadline for paying NICs for missing years is generally six years from the end of the relevant tax year. So if you missed paying contributions in 2003/04 you have until 5 April 2010 to top up that year.

Paying missing NICs for a recent tax year will also allow you to qualify for incapacity benefit or maternity allowance. You may want to provide cover for these allowances even if you already have 30 qualifying years. Please note, if you reach state pension age on or after 6 April 2010 your entitlement to bereavement allowances will still depend on 44 years (men) or 39 years (women) of contributions. If you qualify for Home Responsibilities Protection, this will help to protect your entitlement to state pension, and could reduce the number of qualifying years required.

Contact us for more help

If you have a question on this please do not hesitate to contact our Tax specialists:

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