

Buying voluntary National Insurance contributions for tax years 1996/97 to 2001/02 to improve your State Pension

Introduction Some people may not be aware that if they have gaps in their National Insurance contributions record during their working life, they may get a lower basic State Pension.

People usually get a letter if they have not paid or been **credited** with enough National Insurance contributions in a tax year to make it a **qualifying year** for basic State Pension. We call these letters deficiency notices.

Deficiency notices for tax years 1996/97 to 2001/02 were not sent until 2004 or 2005. Because of this, special terms apply if you want to pay voluntary contributions for these years to improve your basic State Pension. These special terms apply whether or not you got a deficiency notice.

Who can pay voluntary contributions for tax years 1996/97 to 2001/02?

The following people can pay voluntary contributions if they did not pay or were not credited with any or enough National Insurance contributions in one or more of the tax years 1996/97 to 2001/02 to make the tax year a qualifying year for State Pension:

- Women born between 6 April 1938 and 23 October 1944 (who reached **State Pension age** between 6 April 1998 and 23 October 2004).
- Men born between 6 April 1933 and 23 October 1939 (who reached **State Pension age** between 6 April 1998 and 23 October 2004).

But married women cannot pay voluntary contributions if they had a married woman's reduced rate election for the whole of the tax year in question.

How to work out if paying voluntary contributions will be worthwhile

You should consider paying voluntary contributions if:

- your basic State Pension – excluding additional pension (SERPS, S2P and graduated retirement benefit) – is less than £95.25 (April 2009 figures); or
- you paid contributions or got **credits** during your working life but do not qualify for basic State Pension.

The decision about whether it is worthwhile to pay voluntary contributions is a personal decision for the individual. This is because different people have different contribution records. But the following notes should help you decide if it is worthwhile for you.

An improved basic State Pension may also:

- reduce any Pension Credit, Housing Benefit or Council Tax Benefit that you or your partner get; and/or
- affect the amount of tax you pay.

How much extra State Pension could you get?

Each extra [qualifying year](#) will increase your basic State Pension by between 2% and 5% – around £1.90 to £4.75 a week (about £100 to £245 a year) at current rates.

And the increase is usually backdated to the date you started getting State Pension.

*If you had **under** 25% qualifying years at State Pension age*

If you had less than the minimum 25% of your [qualifying years](#) when you reached [State Pension age](#), you will not have received any basic State Pension.

But if you can use this scheme to increase your [qualifying years](#) to the minimum 25% needed for a partial basic pension, you could gain about £23.80 a week (£1,235 a year) at current rates.

And we would usually backdate your State Pension to the date you reached [State Pension age](#).

If you are a married woman

If you are a married woman getting a State Pension of £57.05* on your husband's contributions (April 2009 figures), it is only worthwhile buying voluntary contributions if:

- it will give you a pension on your own contributions of more than you are already getting; or
- you did not start getting a married woman's State Pension until after you were 60 because your husband is either:
 - less than five years older than you; or
 - younger than you.

* This may be less if your husband does not qualify for a full basic State Pension.

This means that you could possibly get arrears of State Pension from age 60 up to the point you started to get a State Pension on your husband's contributions.

How much are the voluntary contributions?

The table shows how much voluntary contributions cost for each of the years affected by this scheme:

| <i>Tax year commencing</i> | <i>weekly</i> | <i>annual</i> |
|----------------------------|---------------|---------------|
| 6 April 1996 | £5.95 | £309.40 |
| 6 April 1997 | £6.05 | £314.60 |
| 6 April 1998 | £6.25 | £325.00 |
| 6 April 1999 | £6.45 | £335.40 |
| 6 April 2000 | £6.55 | £340.60 |
| 6 April 2001 | £6.75 | £351.00 |

How will you pay for voluntary contributions?

You may not need to pay for any voluntary contributions up-front. This is because we can offset the cost against any arrears of State Pension you are due as a result of buying extra qualifying years.

But you must pay for any voluntary contributions that exceed the amount of arrears you are due.

You will need to make your voluntary contributions before **6 April 2010**.

What to do next If, after reading the factsheet, you think you will benefit from paying voluntary contributions, please write to:

The Pension Service
PO Box 16
Gateshead
NE92 1BA

Your letter must include:

- your name and current address[†]
- your date of birth[†]
- your National Insurance number[†]
- which year(s) you think you might benefit paying voluntary contributions for
- your address in that year.

[†] If you are a married woman, please also include your husband's name, date of birth and National Insurance number.

Glossary This glossary gives a brief explanation of some of the words used in this document.

Do not treat these explanations as a full and authoritative statement of the law. For a full explanation, please see leaflet *PM2 State Pensions: your guide*.

Credits

People get a National Insurance contribution credit for each week they receive certain benefits or payments. For example:

- Jobseeker's Allowance
- an incapacity benefit or Employment and Support Allowance
- Carer's Allowance
- Working Tax Credit.

Men aged 60-64 also get credits. For more information go to HMRC's website at www.hmrc.gov.uk/nic/nic-credits.htm

Married woman's reduced rate election

Before 11 May 1977, married women could choose to pay reduced contributions and get reduced benefits from the National Insurance scheme.

Qualifying year

Your National Insurance contribution record is made up of Class 1, 2 or 3 National Insurance contributions you have paid, are treated as having paid, or have had credited to you in each tax year. You need to have a minimum amount of contributions to make a tax year count as a qualifying year.

If you are a married woman, any years for which you paid reduced rate contributions (sometimes called a 'married woman's stamp') do not count as qualifying years.

State Pension age

If you are a **woman** and were born **before 6 April 1950**, your State Pension age is **60**.

If you are a **man** and were born **before 6 April 1959**, your State Pension age is **65**.

For people who reached State Pension age between
6 April 1998 and 23 October 2004

