Shortfall in your National Insurance contributions - To pay or not to pay?
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This leaflet is to help you decide whether or not to make voluntary National Insurance contributions and bring your contributions up-to-date. It contains information about National Insurance contributions, basic State Pension and other things that you will need to know about before you decide whether to pay voluntary contributions.

Because everyone's circumstances are different some of the information provided may not apply to you. For example if you are living abroad, some of the information on pages 4 to 8 about the different ways your National Insurance record can be covered will only apply to the periods that you were living in the UK.

*Before I do anything, how can I check if your information is correct?*

If you were employed in any of the years listed in our letter and earned more a week than the amount shown on page 2, your National Insurance contributions *should* be up-to-date.

For a year to count towards your basic State Pension - a ‘qualifying year’ - you need to have earned at least 52 times the amount shown on page 2.
The weekly amounts for the six tax years to 5 April 2002 were

- 1996/1997 £61
- 1997/1998 £62
- 1998/1999 £64
- 1999/2000 £66
- 2000/2001 £67

If you think you earned at least this amount in any of the years shown in the enclosed letter, our information about you may be wrong. Please call us on 0845 915 5996, or if you are living abroad call us on 44 191 225 4811, or fill in section 1 of the enclosed RD171A form. Page 10 tells you how to complete the form.

**What is a qualifying year?**

The amount of basic State Pension you will receive when you reach State Pension age depends on the number of years you have paid, or been treated as paying, National Insurance contributions. These are called 'qualifying years'. Sometimes you can be credited with National Insurance contributions when you are unable to do paid work. (See page 6 about National Insurance credits.)

You need to have paid, been treated as having paid or been credited with, enough National Insurance contributions to get a qualifying year.

The number of qualifying years you have determines the amount of your basic State Pension. At the moment, there are different requirements for men and women. State Pension age for women will change between 2010 and 2020. So, the number of qualifying years for a full basic State Pension a woman needs will gradually increase to 44 years, the same as a man. At least one of these years must qualify because you have paid contributions (and not received credits).
Some people do not get a full basic State Pension because they do not have enough qualifying years. If you retire with less than a quarter (25%) of the qualifying years for a full State Pension (currently 11 years for a man and 10 for a woman), you won’t get any basic State Pension based on your own record, although you could on your spouse’s record. (See page 4 about married, widowed or divorced people and page 7 about automatic credits.)

Qualifying years also count towards bereavement benefits for your spouse.

**What is the State Pension age?**

You can claim your State Pension when you reach State Pension age.

At the moment, the State Pension age is 65 for men and 60 for women. But the State Pension age for women will be increased gradually from 2010 so that by 2020 it will be 65 for both men and women.

If you’re a woman

- born on or before 6 April 1950 you will not be affected and will still be able to claim your State Pension when you reach 60
- born between 6 April 1950 and 5 April 1955, your State Pension age will depend on your date of birth - you’ll reach State Pension age between 60 and 65
- born on or after 6 April 1955, you can claim your State Pension when you’re 65.

If you’re a woman claiming on your husband’s National Insurance record, you both need to have reached State Pension age to get your State Pension.
If I don't or can't make a voluntary contribution, how will it affect my pension?

That depends on a number of factors, such as whether you were

- married, widowed or divorced
- caring for a child or a sick or disabled person
- living abroad
- coming up to retirement age, or
- entitled to certain credits.

Each of these is explained below.

**Married, widowed or divorced**

If you don't have a full contribution record, you may still be able to get a State Pension based on your husband’s or wife’s contributions.

If you are bereaved you may be able to use your late spouse's contributions to help increase your basic State Pension, provided they had paid enough contributions. Similarly, if you are divorced, and haven't remarried, your former spouse’s contributions (up to the date of your divorce) may help increase your basic State Pension. **This means it may not be worthwhile for you to pay any voluntary National Insurance contributions.**

If you remarry before State Pension age you will lose the right to use your former spouse’s contributions.

**Caring for a child or a sick or disabled person**

If you have cared for a child or a sick or disabled person during the years covered by the letter, you may be entitled to Home Responsibilities Protection (HRP). HRP reduces the number of qualifying years you need for a full basic state pension by up to 50%. The example opposite shows you how it works.

- You get HRP automatically if you have been awarded Child Benefit for a child under 16. So if you weren’t working, or your wages were low (for example, less than £72 a week in 2001/2002), HRP can help you.
**Example**

Helen has worked from age 16 for 14 years until the birth of her first child, Jack in January 1996. She did not return to full-time work until her second child, Jill, started school in May 2003.

Helen will have HRP for the seven complete years she wasn't working. So, instead of needing 44 qualifying years for a full state pension, she only needs 37.

Helen now intends to keep working until she retires (another 29 years, making 43 altogether) so she does not need to pay voluntary contributions.

- You may also get HRP if you were looking after a sick or disabled person who was paid Attendance Allowance, Constant Attendance Allowance or Disability Living Allowance awarded at the middle or highest rate. You have to claim it by filling in form CF411, which you can get from your local Department for Work and Pensions office or local Inland Revenue Enquiry Centre.

- You can’t get HRP if you had chosen to pay the married woman’s reduced rate contribution (‘the small stamp’).

We have sent this letter to people who have HRP recorded on their National Insurance accounts because very occasionally a qualifying year of National Insurance contributions or credits may give a higher rate of basic State Pension or bereavement benefit than a year of HRP. (If you have HRP for the tax year(s) on our letter, the tax year(s) will be marked with a * symbol). If you are entitled to HRP you need only think about paying voluntary contributions if you expect to have few qualifying years over your working life where you have paid contributions, and nearly the maximum number of years HRP. **If you have any doubts phone 0845 915 5996, or if you are living abroad phone 44 191 225 4811.**
If you think you should be covered by HRP because you cared for a child or a sick or disabled person, but our letter does not note the tax year(s) with a * symbol, tell us by phoning 0845 915 5996 or 44 191 225 4811 if you are living abroad, or fill in section 5 of the enclosed RD171A form. Page 10 tells you how to complete the form.

**Living Abroad**

If you are currently abroad, or were abroad for part of any of the years shown in the letter, it may affect your need to pay contributions. You may be able to pay voluntary contributions at a different rate to that shown on your letter. If you would like further information about this, or about the effect of your period abroad before deciding whether or not you wish to make a payment for these years, please phone 0845 915 4811 or if you are living abroad phone 44 191 225 4811.

**Coming up to State Pension age**

If you are approaching State Pension age and have details of your pension entitlement you should find out whether you will become entitled to Pension Credit.

Pension Credit works by topping up your income to a fixed amount. So, if you increase your basic State Pension by paying voluntary contributions, you may not be any better off when you retire, as you may get less Pension Credit as a result. You can find out more by contacting The Pension Service, Department for Work and Pensions.

**National Insurance credits**

In certain circumstances you may get National Insurance credits. These credits are added to any contributions you paid and we look at the total when we decide if a tax year qualifies towards your basic State Pension.

You may get credits to protect your basic State Pension for any whole weeks when you were
- unemployed or sick - you will normally have had to sign on at a Jobcentre Plus, Jobcentre or have sent in sick
notes to your local social security office (in Northern Ireland the Incapacity Benefit Branch, Castle Court, Royal Avenue, Belfast BT1 1SB)
• on an Approved Training Course
• receiving
  - Statutory Maternity Pay
  - Statutory Sick Pay
  - Maternity Allowance
  - Carer’s Allowance
  - Disabled Person’s Tax Credit
  - Working Families’ Tax Credit
• doing Jury service and did not have earnings at or exceeding the lower earnings limit from employment. (This does not include self-employment.)

If you think that you should have had National Insurance credits in any of the years detailed in our letter, which we have not taken into account, please, call us on 0845 915 5996 or 44 191 225 4811 if you are living abroad, or fill in section 4 of the enclosed RD171A form. Page 10 tells you how to complete the form.

**Automatic credits**

You can get automatic National Insurance credits for up to five full tax years from the tax year in which you reach age 60 if you are
• a man between the age of 60 to 65, or
• a woman born after 5 April 1950 and aged between 60 and 65.

You do not have to claim automatic credits.

**You should take any automatic credits into account if you are paying, or thinking of paying, voluntary contributions.**

You cannot get automatic credits for any tax year when
• you spend more than 182 days abroad, or
• you have to pay National Insurance contributions as a self-employed person.
**Young people**

You will get credits automatically for the tax years containing your 16th, 17th and 18th birthdays if you did not earn enough to pay or be treated as paying National Insurance contributions.

If you were under 21 in any of the tax years to 2001/02 they will not appear on your letter. The reason for this is that you do not have to have qualifying years for all years in your working life in order to receive a full pension (see page 2). As you will not be able to tell whether it is in your interests to pay for these years they have been omitted. If you wish to know more about these years you can phone **0845 915 5996**, or if you are living abroad phone **44 191 225 4811** for further information.

*Can you give me a pension forecast to help me make up my mind?*

Yes we can.

A State Pension forecast will tell you, in today’s money, the State Pension your contributions or credits have already earned for you, plus what your *expected* contributions will have earned for you by the time you reach State Pension age. The forecast will also tell you if you can improve your basic State Pension.

You don’t have to be close to State Pension age to ask for a State Pension forecast. The earlier you apply, the more time you’ll have to decide whether to make voluntary payments. It will also help you think about making other pension arrangements.

For a State Pension forecast call the Retirement Pension Forecasting Team on **0845 3000 168**, or **44 191 225 4811** if you are living abroad. They’ll ask you

- your National Insurance number
- your current address
- your date of birth
- if you’re married
- if you’re working, and
- if you’re claiming benefit at the moment.
If you are calling 0845 3000 168 their lines are open from 8am to 8pm Monday to Friday and 9am to 1pm on Saturday. If you have difficulties with your hearing or speech, you can textphone on 0845 3000 169.

If you are calling 44 191 225 4811 their lines are open from 8am to 5pm Monday to Friday. If you have difficulties with your hearing or speech, you can textphone on 44 191 225 8604.

If you do not have all your details to hand when you ring they can send you an application form in the post.

**Decision time**

Do you now have enough information to make up your mind about making voluntary contributions? If not, please call us before 5 April 2009.

You can phone us on 0845 915 5996 between 8am and 8pm, Monday to Friday, and 8am and 4pm on Saturday, or if you are living abroad phone us on 44 191 225 4811 between 8am and 5pm, Monday to Friday, or write to us. Our contact details are at the top of the letter.

For more information about the State Pension go to The Pension Service website at www.thepensionservice.gov.uk

**Remember** you do not have to pay anything - it’s your choice. But if you do want to pay, our recommended methods of payment is shown on the back page of our letter. If you want to pay, but not all at once, phone 0845 915 5996, or 44 191 225 4811 if you are living abroad.

**Letting us know if you think your National Insurance statement is wrong**

You can let us know if you think the information in our letter is wrong by calling us on 0845 915 5996, or 44 191 225 4811 if you are living abroad, or if you prefer you can notify us in writing using the enclosed form RD171A.
How to complete the Form RD171A

Section 1: Fill this in if you think your National Insurance contributions as an employee for the year(s) shown on our letter is wrong.

The information that we need is shown on the form. If you have a P60 ‘Certificate of Pay and Tax Deducted’ for the relevant tax year(s), it may help us to investigate your record. Please send it with the RD171A form (any original documents will be returned to you). Your employer may be able to give you a duplicate P60 if you no longer have one. The restriction on issuing duplicate P60s was lifted in May 2003, but employers are not obliged to provide duplicates to their employees and may not hold records for earlier years.

Section 2: Fill this in if you were self-employed during the tax year(s) quoted on our letter, and think that we may not have taken into account any Class 2 contributions you have paid.

Please give as much information as you can about your self-employment during the period shown on the letter, including your dates of self-employment and how you paid your Class 2 contributions (Quarterly Bill, Direct Debit, Cash or Cheque).

Section 3: Fill this in if you have paid Class 3 contributions for the tax year(s) quoted on our letter, and think that we may not have taken them into account.

Please give as much information as you can, including the dates you started and finished paying Class 3 contributions, the number you paid and the method of payment.

Section 4: Fill this in if you think we have not included any credits you may have been awarded for the tax year(s) quoted on our letter. (See Page 6 of this leaflet for further information about National Insurance credits).
Use the letter codes (A - L) on the RD171A form to show the reason for credit entitlement and enter the dates applicable.

**Section 5:** Fill this in if you think you may be entitled to HRP. (See page 4 of this leaflet for further information about HRP).

You may wish to provide additional information on a separate sheet of paper. If you do, please make sure that your name and National Insurance number are shown on the additional sheet.
Voluntary National Insurance contributions
0845 915 5996 or
44 191 225 4811 if you are living abroad. It’s your call.

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