

# State Pension

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A STEP BY STEP GUIDE TO MAXIMISING YOUR  
STATE PENSION BEFORE THE 5 April 2025  
DEADLINE

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6 APRIL 2024 TO 5 APRIL 2025

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### **Important – read this first**

This guide will be particularly relevant for those that are between 35-70 years of age. Many face the risk of not checking their State Pension forecast before the 5 April 2025 deadline as they are not aware of it. Everybody should double check their forecast as it's so quick and easy to do. Doing so before the deadline could potentially mean you're thousands of pounds better off in future.

### **Before you start**

Some may already have an online account (i.e. as they use this for Self Assessment). For those that don't, you'll need to create an online Government Gateway account to check your state pension forecast online. It's fairly easy to set up and will take around 10 minutes to do. The instructions on how to open the online account can be found in the FAQ's section on page 15.

Given that the deadline is so near, it would be advisable to set up the online account. But if you are unable to do so then you can contact the government's Future Pension Service (0800 731 0175) to obtain your State Pension forecast. You can also [complete an application form \(BR19\)](#) and post it to the Future Pension Centre. Application forms can be downloaded from GOV.UK. You'll get your statement within 10 working days.

*This guide is provided for general information only and we cannot accept responsibility for any action that may or may not be undertaken.*

# THE 5 APRIL 2025 STATE PENSION DEADLINE

This deadline applies to any man born after 5 April 1952 or woman born after 5 April 1953. Since the introduction of the new State pension on 6 April 2016, individuals have been granted the opportunity to fill any National insurance gaps going back to 2006, to claim the new State Pension which is worth more. Once the 5 April 2025 deadline passes you will only be able to clear any shortfalls relating to the previous six years from the year that you are in. *(Note, the original deadline was set to 05 April 2023. But this has subsequently been extended to 5 April 2025).*



*If you only qualify for two-thirds of the full amount (roughly what you'd get if you only made 24 out of 35 years of full contributions) then you'd be around £3,800 worse off a year. That will make a difference.*

For many, this could mean missing out on thousands of pounds. For instance, if you only qualify for two-thirds of the full amount (roughly what you'd get if you only made 24 out of 35 years of full contributions) then you'd be around **£3,800** worse off a year. That will make a difference. Even those who hire someone to look after their tax affairs should double check their National Insurance record as many will find that they haven't been contacted about this deadline. You can do this yourself. It only takes a few minutes to check and you do not need to pay anyone to do this for you. All you need to do is log in to your online government gateway account and follow the step- by- step directions contained in this document.

## WHAT IS THE STATE PENSION?

This is not to be confused with any workplace or private pensions you have. This is totally different. The State Pension is what the government will pay you every year once you reach a certain age (66-68) based on your national insurance record. You need a minimum of 10 full years on your national insurance record to qualify. But in order to get the full new State pension amount you will need 35 years.

## HOW MUCH CAN I GET?

The full amount for the current 2024/25 year is **£11,541 a year**. Given that the average person tends to live 20 years past their retirement age this equates to a potential **£230,820** that's up for grabs (likely to be more as it tends to rise each year in line with the cost of living).

## HOW DO I GAIN A FULL YEAR?

A lot of people will automatically gain a full year by working. This is based on their earnings (profits if self employed) and not on the actual tax that they have paid which is a common misconception. So, for those who work its perfectly possible to gain a full yar without having paid any tax (more info in FAQ's section page 13). There are also many other ways outside of work that can help gain a full year, which we will discuss later.

Years that are empty or only partly full can be turned into full years by purchasing what's referred to as **Voluntary National Insurance Contributions**. Topping up just one year will give you an extra **£302 per year**, which over a typical 20 year retirement equates to an extra **£6,040**. This is at the current 2024/25 rate. This is likely to be even higher going forwards (Just this year alone the State Pension increased by 11.7%).

## WHAT DO I NEED TO DO?

There are 4 Main steps:

STEP 1 : Check your State Pension forecast

STEP 2: Review your National insurance Record for any gaps

STEP 3 : Confirm Your State Pension increase with the government's Pension Service

STEP 4 : Make the payment to HMRC

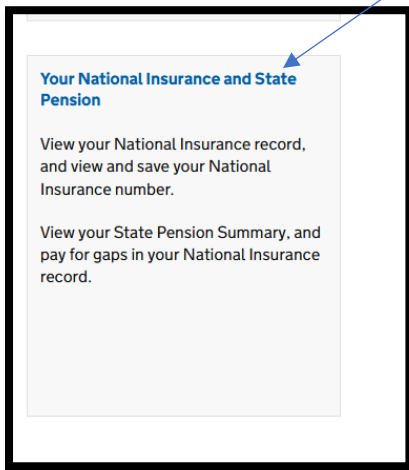
***The FAQ's section at the back contains the answers to the most commonly asked questions***

## STEP 1 : Check your State Pension forecast

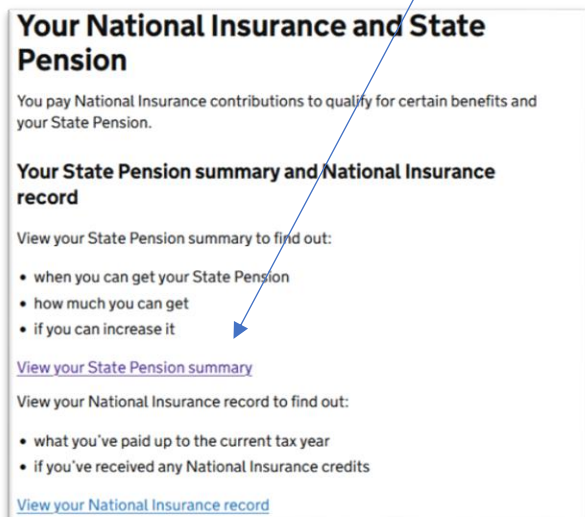
(Note; you can not a get forecast if you are already collecting your State Pension).

➡ Log into your HMRC online account. (If you do not have one, it's fairly easy to set one up. Instructions on how to register for a personal tax account are on page 15).

➡ Scroll down and click on “your National Insurance and State Pension”



➡ Click on “view your State Pension summary”.



➡ You will then be greeted with the screen shown on the next page.

### What you need to next will depend on whether you have been forecasted to get maximum

If your forecast state's that you will receive £221.20 a week, £961.83 a month, £11,541.90 per year then you are forecasted to get the maximum. Your forecast will also inform you 'that £221.20 is the most you can get' and 'you cannot improve your forecast any further'. You should Jump Straight to the next page (page 5). Everyone else should continue with the following illustration.

### For the purposes of illustration, we will assume that this forecast belongs to an individual called Tom.

Tom was born on 28 January 1968 and so his State Pension age will be 67 (subject to any changes in future legislation). Tom will be subject to the new State Pension rules as his State Pension date falls after 06 April 2016.

- Tom has **20 years** of full contributions up to 5 April 2023.
- Tom has **11 years** until he reaches his State Pension age (67).
- Therefore, the maximum number of years that Tom can currently achieve is **31 years** (20 years +11 years).

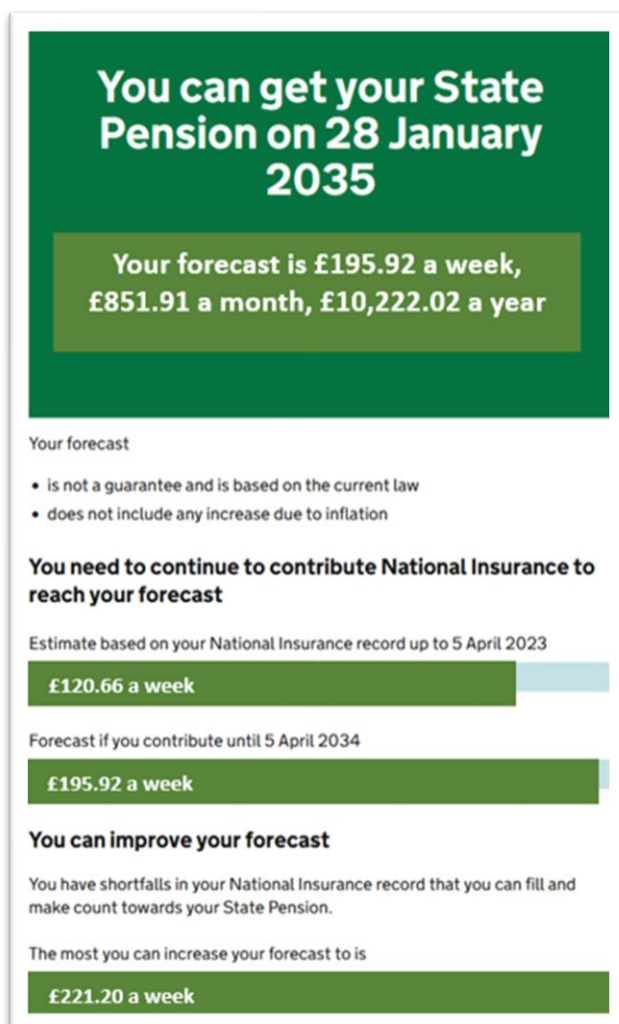
*(This information can be found in your National Insurance Record. We will discuss this a bit later in Step 2)*

## UNDERSTANDING YOUR FORECAST

35 years is total number of years required to get the full State Pension. In the 2024/25 tax year this is set by the government at £221.20 a week (£11,541 a year). *As Tom is forecasted to get less than the maximum, he should act now before the 5 April 2025 deadline to see if he can improve his State Pension. After this deadline he will only be able to go back 6 years to 2017/18 to fill any gaps. However, if he acts now, he will be able to fill any gaps all the way back to 2006/07.*

Tom's 31 years of NI contributions will get him £10,222 a year in the 2024/25 tax year. This can be worked out as:  $31 \text{ years} \div 35 \text{ years} \times £11,541 = \underline{\underline{£10,222}}$  a year. He will start receiving his State Pension on 28 January 2035, when he turns 67.

- The forecast is informing Tom that the 19 years of NI contributions that he has made so far is worth **£120.66** a week.
- Tom has until **5 April 2035** (the last tax year before his state pension age) to add more years to his record. If he successfully adds every year from now until 24 then he is forecasted to receive **£195.92** a week.
- However, Tom can still improve his State Pension to **£221.20** a week by making up for shortfalls on his record. This amount will differ from person to person based on their National Insurance history. **Go to step 2 on page 6 see how to do this.**



If your forecast states that you were 'contracted out' at some stage then your State Pension may be lower. However, you should be entitled to receive a separate additional payment to compensate for this. You can find this amount from your forecast. You may still be able to increase your State Pension by filling in any gaps. There is more information on this in the FAQ's Section on page 13.

# IF YOU ARE FORECASTED TO GET THE MAXIMUM (£221.20 PER WEEK/£11,541 PER YEAR)

If your forecast says that you will receive the maximum £11,541 a year then it may not be worthwhile to purchase any years to fill any previous gaps. What you need to do next will depend on whether or not you have already achieved the maximum 35 years required. There are two groups of people here:

**Group 1:** are those that have already achieved the maximum 35 years required.

**Group 2:** are those that have not yet achieved the 35 years but have been forecasted to get the maximum as they have enough years ahead of them to reach the required 35 years before their State Pension age.

<b>Group 1: If you have ALREADY ACHIEVED the maximum 35 years of contributions required:</b>	<b>Group 2: If you have NOT YET ACHIEVED the maximum 35 years but have enough years ahead of you to do so:</b>
<p>Most people will not benefit from filling any gaps as 35 years is the maximum number of years required.</p> <p><b>If your forecast reads £11,541 per then there is nothing more you need to do.</b></p>	<p>Then it may only make sense in paying any money to purchase National Insurance gaps in your record, if you have reason to believe that you may not be able fulfil the number of future years required.</p> <p><b>If your forecast reads £11,541 per and you are confident in securing the remaining years then there is nothing more you need to do.</b> However, if you find any gaps that can be purchased for very cheap (i.e. £15) then it might be prudent to purchase the year as you never know what the future may hold, i.e. you may have an unexpected career break or decide to move abroad. So, It would still be wise to have a quick look at your NI record (step 2). Some may even find that they can bank some years for free.</p>

**If you have been forecasted to achieve 35 years but the amount is less than £11,541**

*In either of the 2 groups above, if you find your State Pension forecast amount is lower than **£11,541 per year**, despite you achieving/forecasted to achieve 35 years, then this may be because you were contracted out from the State Pension at some stage. Most people will be entitled to a separate (equivalent payment) to compensate for the lower State Pension received. In most cases this will be at least equivalent to the additional State Pension they would have got if they hadn't been contracted-out. You can find out how much this amount is from looking at the additional information on your forecast. Add this weekly amount to your forecasted weekly amount to see how it compares to the current State Pension weekly maximum of £221.20.*

*Buying more years may or may not increase the State Pension amount for those that were contracted out. Much will depend on your NI record prior to 6 April 2016. This can be complicated and you should contact the future pension service (step 3) to help you decide as to whether topping up any years will make a difference to your particular situation. There is also more information on this in the FAQ's section on page 13.*

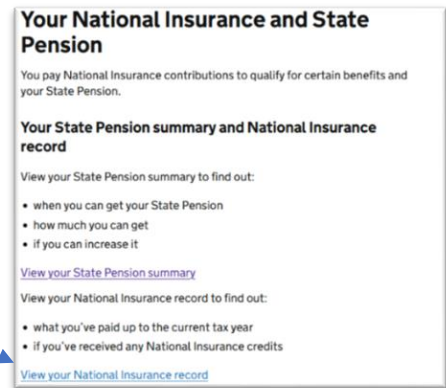
## STEP 2: Review your National Insurance Record for gaps

➡ Click on “**Account Home**” Then click on your National Insurance and State Pension just as you did in step 1.

➡ This time round you will need to click “**view your national insurance record**”

You will then be greeted with the screen below:

➡ Click on **view details** for any year that says “year is not full” to see the amount that it will cost to buy.



### Tom's National Insurance record

You have: 20 years of full contributions  
11 years to contribute before 5 April 2034  
13 years when you did not contribute enough

[View years only showing gaps in your contributions.](#)

2022 to 2023	Your record for this year is not available yet	
2021 to 2022	Full year	<a href="#">View details</a>
2020 to 2021	Full year	<a href="#">View details</a>
2019 to 2020	Full year	<a href="#">View details</a>
2018 to 2019	Full year	<a href="#">View details</a>
2017 to 2018	Full year	<a href="#">View details</a>
2016 to 2017	Year is not full	<a href="#">Hide details</a>

**You did not make any contributions this year**  
Find out more about [gaps in your record and how to check them.](#)

**You can make up the shortfall**  
Pay a voluntary contribution of **£396.25** by **5 April 2023**. This shortfall may increase after **5 April 2023**.  
Find out more about [voluntary contributions.](#)

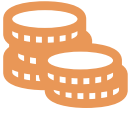
2015 to 2016	Full year	<a href="#">View details</a>
2014 to 2015	Full year	<a href="#">View details</a>

Tom is forecasted to have a total of **31 years** of contributions before he reaches his State Pension age (You can obtain this information from the top of your record). For Tom his calculation works out as:

**20** years of full contributions + **11** years left to contribute before 05 Apr 2035 (State Pension date) = **31 years**

(Remember, if your calculation comes to 35 years or more then it may not be worth purchasing any gaps as discussed overleaf.)

As things stand right now, Tom does not have enough time to reach the maximum 35 years before he reaches his State Pension age (by the time he turns 67). 31 years is the most that Tom can achieve. Tom realises that if he does nothing then he will be 4 years short of the maximum 35 years.



## Tom buys 4 years for a combined total of £1,585.75

- As all of these years are from more than 6 years ago, Tom will lose the ability to buy these years once the 5 April 2025 deadline has passed.



Each year purchased increases your pension by around £302 a year, equating to an extra £6,040 over the typical 20-year retirement period

- Tom has purchased 4 years. Over the typical 20-year retirement period Tom stands to receive an extra **£26,380** + yearly increases. The **£1,585** that he paid seems rather insignificant now.

Tom looks at his National Insurance record to see if he can get any closer to the maximum 35 years required. From looking at Tom's NI record above we can see that he has a gap in 2016/17 which he can buy for **£396.25**. We will assume that Tom finds another 3 years of gaps that he can also purchase (for example purposes will assume that these also happen to cost £396.25 each). So, Tom decides to purchase these **4 years** for a total cost of **£1,585.75**. The 4 tax years purchased are 2016/17, 2010/11, 2008/09 and 2006/07.

*Everyone still has the opportunity to make up for any gaps they have between 2006/07 to 2016/17 as Tom has just done. After 5 April 2025 you will only be able to go back 6 years from the year that you are in. I.e., if you are in the 2024/25 tax year you will only be able to go back as far 2017/18.*

Tom's yearly State Pension will now increase from **£10,222** to **£11,541**. He will now receive **£1,319** more a year. If he lives for 20 years past the State Pension age as on average, he will receive **£26,380** more in State Pension during his lifetime. Furthermore, this amount is likely to be significantly more as the State Pension tends to rise every year (discussed below). While paying **£1,585** feels like a lot of money right now, Tom stands to make a gain of around **£24,795** (£24,240,000- £1,585), which makes this a no brainer for him.

*Each year purchased leads to a **£302** increase to your yearly State Pension. So, buying just one year could generate a return of **£6,040** over the typical 20-year retirement period. In the example above, Tom purchased 4 years, hence why he stands to receive around **£26,380**, extra in State Pension over a 20 year period (£6,040 × 4 years).*

## YEARLY INCREASES

Remember, Tom's State Pension date is in 2035, so his yearly amount is likely to be significantly higher than at today's rate (2024/25). For example, just this tax year, the state pension maximum rate increased by 10% from £10,660 to £11,541. *The state pension tends to increase every by the highest of : (i) average earnings, (ii) inflation (measured by the Consumer Prices Index) or (iii) 2.5%.*

### Calculating how much State Pension you can get:

HMRC publish the maximum State Pension amount every tax year. For the tax year in we are in (2024/25) we know that the maximum amount set by HMRC for the new State Pension is £11,541. We also know that the maximum years required will always be 35 years (subject to any future changes). All you need to do is substitute the number years of contributions that you have made:

When Tom had 31 years of contributions, his yearly State Pension amount was  $31 \div 35 \times £11,541 = \underline{\underline{£10,222}}$  (remember, this is what he was initially forecasted to get in step 1)

With Tom now having 35 years of contributions, his yearly State Pension amount will become:  $35 \div 35 \times £11,541 = \underline{\underline{£11,541}}$

*Note, these calculations may differ slightly from person to person, but act as good rough guide. If you have more than 35 years of contributions, you should only use 35, as this is the maximum. If you were contracted out then this calculation method may not return an accurate result.*





If you see the following message:

***“We are checking this year to see if it counts towards your pension. We’ll update your record when this is finished, you do not need to do anything”.***

It is likely that the year in question has not been included in your State Pension projection. You should contact the National Insurance helpline on 0300 200 3500 before buying any years.



With each year purchased at the maximum cost of £824.20, you will get your money back within 3 years of being on the State Pension as it increases by £302 per year. After which, you will profit the extra amount for the rest of your life.

- Supposing Tom had to pay the maximum **£824.20** for each of the 4 years for a total cost of **£3,296.80**. He will receive his money back within 3 years of receiving his State Pension, after which he stands to profit **£1,208** ( $£302 \times 4$ ) every year for the rest of his life. This is at the 2024/25 rate. Tom’s pension date is in 2035, so this is likely to be significantly higher and he is also likely to get his money back a lot sooner than year 3.

## HOW MUCH DOES ONE YEAR COST TO BUY?

The amount that it will cost to buy a missing year can be easily found in your national record, next to the year you want to buy, just like in Tom’s example.

Not everyone’s amount to purchase a full year will be the same. In our example, Tom’s cost to purchase a year was £396.25. Some may find that they can purchase a year for as little as £15, while others at the maximum cost of £824.20. Even the same person will often find that the cost for one year differs to another as they may already have some NI Contributions/credits in that year making it cheaper to turn into a full year.

If you don’t have any NI Contributions/credits in that year, the cost to buy a full year will be significantly more at £824.20. These are called **class 3 Voluntary contributions**. If you are self-employed, you will have the option to buy a full year by paying **class 2 voluntary contributions**. These are much cheaper costing £160, making this the better choice.

**Check to see if you are entitled to free National Insurance credits before you buy.** Some may also be entitled to free national insurance credits. For example, if you were a carer, you had childcare responsibilities or an illness (This is discussed a bit later).

## IS IT WORTH BUYING A YEAR AT THE MAXIMUM PRICE ?

Let’s suppose in the example above that Tom had to pay the maximum £824.20 per year for his 4 missing years. This would now cost him a total of **£3,296.80** ( $£824.20 \times 4$  years). Tom would still stand to make a substantial profit even at the maximum cost. Here’s why:

Remember, at the 2024/25 rate, each year purchased will increase your State Pension by £302 per year. Hence, buying 4 years will increase Tom’s yearly amount by £1,208. Over the typical 20-year retirement this equates to an extra **£24,160**. Tom stands to make a profit of **£20,864** ( $£24,160 - £3,296$ ). Tom will receive his money back within 3 years of receiving his State Pension, after which he stands to profit £1,208 every year for the rest of his life.

When factoring in the yearly rises, these amounts are likely to be even higher in 2035 at Tom’s State Pension date and likely to get his money back a lot sooner than year 3.

*(for each year purchased at maximum cost of **£824.20**, at the current 2024/25 rate, you will get your money back within 3 years of being on the State Pension as your State Pension increases by **£302** per year).*

## DO I NEED TO GET THE MAXIMUM 35 YEARS?

No, absolutely not. For some, it may not be possible to achieve the full 35 years, but this should not stop you from boosting as many years as you can, as each year banked will be potentially add £302 a year to the State Pension you eventually receive. As, you will soon lose the ability to improve your record between 2006/07 to 2018/19, these are the years that you should focus on first.



Buying 10 years, even at £800 each, costing a total of £8,000 could lead to a staggering return of £65,728 + the yearly increases over a typical 20-year retirement.

- This is why for those who can benefit, investing in State Pension top-ups may generate a better 'rate of return' than almost any other way of using savings.

## FOR THOSE FORECASTED TO HAVE LESS THAN 10 YEARS

Everyone needs a minimum of 10 years of contributions to qualify for the new State Pension. Buying 10 years, even at **£800 each**, costing a total of £8,000 could lead to a staggering return of **£65,728** + the yearly increases over a typical 20-year retirement. This is why for those who can benefit, investing in State Pension top-ups may generate a better 'rate of return' than almost any other way of using savings.

Example: Andy has just looked at his online forecast which tells him that he can only achieve a maximum of 8 years of contributions before he reaches his State Pension age. He will therefore not get any State Pension unless he buys at least 2 more years. Andy purchases these 2 years at **£800 each** for a total cost of **£1,600**. Andy will now receive **£3,286** in State Pension every year and will get his money back within 7 months of receiving his State Pension. He will then continue to receive £3,286 + yearly increases in State Pension every year for the rest of his life. So, if you're close to the 10-year minimum requirement, securing that 10<sup>th</sup> year could help generate an exponential return.

## INCOME TAX AND PENSION CREDIT

The State Pension will be subject to income tax, so this should be factored into any gains that you stand to make. And for those on low income that receive pension credit, this may reduce if your State Pension increases. But for the vast majority of people, filling their gaps can result in lucrative returns, as most people on average tend to live for around 20 years after their State Pension age.

## TIPS BEFORE YOU BUY

- You should focus on addressing any shortfalls between 2006/07 to 2018/19 as you will no longer be able to do so after 5 April 2025
- Years that are partially full will be cheaper to buy i.e. where you've worked in part of the year or gained some free NI credits during that year. Years that are completely empty will be more expensive to buy.
- Anyone that was Self employed can save money by paying voluntary Class 2 contributions instead, which currently cost £163.80 per year, rather than Class 3 contributions which cost £824.20
- People with low incomes that expect to be on benefits in retirement may find that the increase in their state pension will reduce their pension credit or housing benefit.
- Those that were members of a 'contacted out' pension agreement and have paid in 30 years by April 2016 can sometimes find that filling certain

years (particularly those before 2016/17) will have no impact on their state pension.

- Always check to see if you can claim free National Insurance credits before paying for any years. There are a many activities apart from work that can get you a qualifying NI year. Some are given automatically, but others aren't. Be sure to put in a manual claim for any free credits that you do not see on your record. These are listed below:

## YOU NEED TO MANUALLY APPLY FOR THESE:



It's not only work that earns you national insurance (NI) years. There are many other activities that can get you a qualifying NI year. Some are given automatically, but others aren't. Be sure to put in a manual claim for any free credits that you do not see on your record.

- **Statutory sick pay:** You are/were on it and not earning enough for a qualifying year.
- **Unemployed and actively looking for work:** You don't need to have been claiming jobseeker's allowance but will need to prove you were looking for employment.
- **Employment and support allowance:** You were eligible for it but not claiming it.
- **Caring for a family member:** As long as you are/were between 16 and State Pension age and the family member is/was under 12 and not your child. Also known as 'grandparent credits'
- **Caring for a sick/disabled person:** As long as it is/was for at least 20 hours a week.
- **On jury service:** You are/were on it and aren't/weren't self-employed.
- **Wrongly imprisoned:** As long as your conviction has since been quashed.
- **A foster carer (or kinship carer in Scotland):** As long as it's been since 6 April 2010.
- **On statutory maternity, paternity or adoption pay:** You are/were on it and didn't/won't earn enough for a qualifying NI year (additional statutory paternity pay also counts).
- **Spouse of a member of the armed forces:** You're married to, or a civil partner of, a member of the armed forces and went with them on an overseas posting (additional eligibility rules apply here).
- **On a Government-approved training course:** You are/were on one, are over 18, and weren't sent on the course by Jobcentre Plus.

## THESE ARE AUTOMATIC:

- Employed and earning **at least £6,396 a year**
- Self-employed with profits of at least **£6,725 a year** ('small profits threshold')
- Claiming **Universal Credit**.
- On **jobseeker's allowance** and not in education/working for 16 hours or more every week
- On **maternity allowance**
- On income support and providing 'regular and substantial care'
- In a couple and both getting **working tax credits** (only one of you will get NI credits)
- On carer's allowance
- A parent registered for **child benefit** for a child under 12
- On employment and support allowance, or 'unemployability supplement' or allowance
- Over 18 and Jobcentre Plus sent you on a **Government-approved training course lasting up to a year**

### STEP 3 : Confirm Your State Pension increase with the government's Pension Service



Once you have checked your pension forecast and National Insurance record you should call the Government's Future Pension Service on **0800 731 0175**. (Those who have already reached pension age must contact the Pension Service on **0800 731 0469**).

*Their Phone lines are likely to be extremely busy due to this deadline. You may need to try a few times to get through.*

Once you have checked your pension forecast and National Insurance record you should call the Government's Future Pension Service. They will confirm the increase in the amount of State Pension that you will receive for topping up your years. **Do not pay for any years before doing this. Otherwise, you may not get the result you were expecting.**

When speaking to them, some may also discover that they are entitled to more years than they thought as you can build up free years as discussed on the previous page. They will also help you clear up anything that you may still be unsure about it.

### STEP 4 : Make the payment to HMRC



Contact HMRC on **0300 200 3500** to obtain the 18-digit reference number

*Their phone lines are likely to be extremely busy due to this deadline. You may need to try a few times to get through.*

Once you've confirmed the amount of increase to your State Pension with the pension service, contact HMRC on **0300 200 3500** to obtain a 18-digit reference number.

This 18-digit number can be given to you over the phone or sent by post but allow at least two weeks for this to come through by mail. Once you have the 18-digit number, paying for the missed years can be done by online bank transfer, at your bank or by posting a cheque to HMRC. It normally takes around 8 weeks for your record to update.

It is recommended that you read the frequently asked questions section overleaf as it answers a lot of the questions that are commonly asked.

# FREQUENTLY ASKED QUESTIONS

## **Do part years count?**

No. Only a full year counts as it's applied on an all or nothing basis. You will not gain anything towards your State Pension entitlement from years that are only partly full.

## **How do I gain a full year to my record?**

You gain a full year based on your national insurance contributions. You do not necessarily have to have worked to obtain a full year of National Insurance contributions. And if you do work then you do not have to necessarily have paid tax on your employment/self employment (discussed in further detail below).

## **Should I wait for my accountant to contact me?**

Not everyone's accountant will contact them about this deadline. If you have not been contacted about this deadline at this stage then you shouldn't wait for that phone to ring. Two deadlines have already gone past (but luckily waived) and it is only by sheer luck that you still have the opportunity to still act.

## **How much National Insurance tax will I need to pay from working in order to get the maximum?**

Generally speaking, your national insurance contribution for each year is based on your earnings (if employed) and profit (if self-employed) and not on the actual National Insurance tax that you paid. Therefore, it is perfectly possible to gain a full year of NI contributions without having paid any tax. You only need to achieve the lower earnings/profit limit set in the tax year. This earnings/profit limit is set by the government every year. This limit is different for employed (£6,396) and self-employed people (£6,725).

Here's an example: In the 22/23 tax year, James was **self-employed** and made a profit of **£6,725**. He will not have to pay any tax as National insurance will not be due on this amount. However, as he earned the required profit for a self-employed person, he will be treated as having paid the necessary National Insurance contribution in the year, even though he didn't actually pay any tax.

In the same tax year, Mary was **employed** and earned a salary of **£6,396**. She will also not have to pay any NI tax. She will also get a full qualifying year on her National Insurance as she earned the required amount for an employed person.

So, with all things being equal if James and Mary continued as they were for 35 years, they would get the same exact maximum State Pension as someone who earns £50,000 who pays thousands of pounds of NI tax year every year. So, for those who work, you do not have to have paid thousands of pounds of NI tax during your lifetime to get the maximum State Pension. This is a common misconception.

## **Do employed people get a higher State Pension than self-employed?**

No. A self-employed person is entitled to get the same exact State Pension amount as an employed person. The small difference is that a self-employed person will need to have a higher amount of earnings to automatically qualify being £6,725, compared to £6,396 for an employed person. However, a self-employed person will have the advantage of purchasing voluntary contributions for £160 to purchase a full year (a year that is completely empty), which is significantly cheaper than for someone that is employed, who will need to pay around £800.

*If you do your own Self-Assessment tax return for your self-employment then you will need to tick the relevant box that asks if you want to make a voluntary class 2 National insurance contribution. If someone does this on your behalf be sure to tell them that you want to make a voluntary National Insurance contribution for years where your profits fall below that tax year's profit limit. Do not assume that they will naturally always do this for you.*

## **Is the State Pension Taxable?**

Yes. The State Pension is taxable and subject to income tax. But you will usually receive your payment gross (without the tax being deducted at source). It is not subject to National Insurance tax. Furthermore, once you reach the State Pension age you will no longer need to pay national insurance on income where it's typically due (employment /self employment). So, you could continue to work should you wish to, free from having to pay any National Insurance tax.

### **I have my own company and am on the payroll, do I still need to check my NI record before the deadline?**

As Company directors are able to set their own wage, many will find that they are on track to get the maximum State pension amount. However, company directors should still check their Pension forecast. Even if you hire someone to undertake the company payroll, don't assume that your personal NI record has been checked as in a lot of cases it won't be. It only takes a few minutes to check yourself, so make sure you do.

### **Can I claim the State Pension if I retire outside of the UK?**

Yes. The State Pension can be paid to you in a country outside of the UK should you decide to live in another country in the future.

### **Can I make up for any gaps before 2006?**

No. Unfortunately it is too late to buy these years back. This is why it's important to make sure to fill any gaps between 6<sup>th</sup> April 2006 to 5<sup>th</sup> April 2017 before the deadline, as it will soon become too late to improve these years in much the same way.

### **Why is my State Pension amount lower due to being contracted out?**

*Note; Contracting out finally ended on 6 April 2016. Many people will not be aware that they were contracted out. You are more likely to have been contracted out if you had worked in the public sector (civil servants, NHS employees, police officers, teachers and members of the armed forces).*

The old State Pension use to consist of two parts, the basic State Pension and additional State Pension. Under the old State Pension rules (up to 5 April 2016), you were able to 'contract out' of the additional State Pension and redirect these contributions into another pension scheme. As a result, you would have paid less NI Contributions into the state system and is why you may receive a lower State Pension amount. Some may find that they will not get the full State pension amount even with 35 years of National Insurance contributions.

However, you would have been building up a pension in place of the 'additional state pension' that you opted out of. You will therefore be entitled to a separate payment from the pension provider (not the government). This is commonly referred to as the "**Contracted-out Pension Equivalent (COPE)**". This amount in most cases (not always), will be the equivalent of the additional State Pension you would have got if you had not been contracted out. When and how much you stand to receive will be subject to the pension provider's rules. You will be able to find more information on this directly from your forecast. You should add this COPE weekly amount to your weekly State Pension amount, to get the full picture. For example, if your weekly state pension amount is £165.15, you may be wondering why you are not getting the full weekly amount of £185.15. But your State Pension forecast may mention £20 per week from your other pension scheme. So, your total weekly amount in this case is actually at the full State Pension rate of £185.15, and can often be more.

If you are already collecting your pension, as you will not get a forecast, you can check if you were contracted out by looking at any payslip prior to April 2016. If the NI contributions line has D, E, L, N or O next to it, this means that you were contracted out. If you're unsure, check with your employer or pension provider. The Pension Tracing Service can help you find contact details for your workplace or personal pension schemes (0800 731 0193, [gov.uk/find-pension-contact-details](http://gov.uk/find-pension-contact-details))

Anyone that was contracted out may still be able to improve their State Pension amount by filling any gaps. Those that have paid in 30 years by April 2016 can sometimes find that filling certain years (particularly those before 2016/17) will have no impact on their state pension. In which case you may still be able to improve your State Pension entitlement by paying contributions for years occurring after 5 April 2016. It's complicated and is why you should contact the government's pension service (step 3) to decide on whether you will benefit from filling any gaps.

### **Do I need to claim the state pension or is it automatic?**

You have to claim it as it's not automatic. You should receive an invitation letter no later than 2 months before you turn State Pension with instructions on what you need to do.

### **Can I boost my pension even if I am over pension age?**

Yes. As long as the deadline has not passed for paying NICs for a particular year, you can still pay voluntary NICs and this will boost your state pension.

### Are there instances where topping up can make no difference?

If you already have the maximum amount of years on your record or you have been contracted out at some stage (your forecast will tell you if this is the case) then purchasing a year may not make a difference. Furthermore, if you're entitled to benefits such as Pension Credit then you should factor this in before paying for any years. This is why it's absolutely crucial to contact the Governments Pension Service before purchasing any years.

### I am on the old State Pension. Why is my State Pension amount different to what's been discussed here?

If you reached your State Pension age before 6 April 2016, then you will be on the old State Pension and subject to the old rules, where the amounts and rules will differ.

### I have other pensions, can I still get the State Pension ?

Yes. The State Pension is a totally separate pension that is provided by the government.

### Who can pay voluntary contributions?

Your situation	Which class to pay
<a href="#">Employed but earning under £123 a week and not eligible for National Insurance credits</a>	Class 3
Self-employed with income of £1,000 or less	<a href="#">Class 2 or Class 3 – they count towards State Pension and different benefits</a>
Self-employed with income over £1,000 but with profits of less than £6,725	<a href="#">Class 2 or Class 3 – they count towards State Pension and different benefits</a>
Both employed and self-employed, with low earnings and small profits	<a href="#">Contact HM Revenue and Customs (HMRC) to check if you have a gap and how much you need to pay</a>
Self-employed as an examiner, minister of religion or in an investment or land and property business	<a href="#">Class 2 or Class 3 – they count towards different benefits</a>
<a href="#">Living and working abroad</a>	Class 2 – but only if you worked in the UK immediately before leaving, and you've previously lived in the UK for at least 3 years in a row or paid at least 3 years of contributions
Living abroad but not working	Class 3 – but only if at some point you've lived in the UK for at least 3 years in a row or paid at least 3 years of contributions
Unemployed and not claiming benefits	Class 3

# HOW TO CREATE YOUR ONLINE PERSONAL TAX ACCOUNT

It's fairly straightforward to set up an online account with HMRC and usually takes around 10 minutes to set up.

**You will need the following information to hand to verify who you are:**

**i) National Insurance Number**

**ii) And then any two of the following:**

- a valid UK passport
- a UK photocard driving licence issued by the DVLA
- a payslip from the last 3 months or a P60 from your employer for the last tax year
- details of a tax credit claim if you made one
- details from a Self Assessment tax return (if you are on Self -Assessment)
- Answer simple multiple choice security questions about any loans, credit cards or mortgages you have. For example, they'll ask you to select your credit card provider from a given list.

**If you already have an online HMRC account (i.e., for Self Assessment)**

- > You should login into this.
- > Click on "view your personal tax".
- > Then undertake step 12 onwards from the step-by-step instructions overleaf

Note; Your accountant (if you have one) would not have created this online account for you. They will have an entirely separate online account for you. So, registering for an online HMRC account is something that you need to do yourself. If you're not sure, then just open a new online account, starting from step one.

Once you have the relevant information to hand, proceed to the step-by-step instructions overleaf.



1. Visit the following website <https://www.gov.uk/personal-tax-account>  
(You will then see the page below)

### Before you start

To use this service, you'll need to sign in using your Government Gateway user ID and password.

You'll have to prove your identity to register for Government Gateway if you have not used it before.

You'll need your National Insurance number or postcode and 2 of the following:

- a valid UK passport
- a UK photocard driving licence issued by the DVLA (or DVA in Northern Ireland)
- a payslip from the last 3 months or a P60 from your employer for the last tax year
- details of a tax credit claim if you made one
- details from a Self Assessment tax return if you made one
- information held on your credit record if you have one (such as loans, credit cards or mortgages)

### Sign in to or set up your personal tax account

[Start now >](#)

2. Scroll to bottom of the page. Click the green button which says “start now”

## Sign in using Government Gateway

Government Gateway user ID  
This could be up to 12 characters.

Password

[Sign in](#)

### New users of Government Gateway

[Create sign in details](#)

### Problems signing in

[I have forgotten my password](#)  
[I have forgotten my Government Gateway user ID](#)  
[I have forgotten my Government Gateway user ID and password](#)

[Get help with this page](#)

3. Click “create sign in details”

4. Enter your email address
5. HMRC will send you a **six digit code** to your email address. Enter this code and press continue.
6. Enter your full name
7. Create a **password**
8. HMRC will then give a **user id** which is 12 numbers long. Make a note of it as this will be your user id to login.
9. Choose the type of account you want to create, select '**Individual**'.  
You will then be asked to set up security> **select text message**
10. enter your **mobile phone number**
11. HMRC will text you a **6 digit code**. Enter this in.
12. Confirm some security questions First name, Last name, NI number, Date of birth
13. **Choose how to prove who you are:** You can use an app to match your face or you can manually enter the information. I will choose to manually enter the information. Choose "**enter details about your records**"
14. **Choose 2 items we can ask you about:** Choose two options from the list in front of you.  
For example, passport and driving license.
15. Enter the relevant information from the documents as per the onscreen directions.

ALL DONE. YOU SHOULD NOW HAVE ACCESS TO YOUR STATE PENSION FORECAST AND NATIONAL INSURANCE RECORD.

If for whatever reason you were unable to successfully create your online account then you can call the Future Pension Centre (0800 731 0175) and ask for a State Pension forecast. You can also complete an application form (BR19) and send it to the Future Pension Centre to get a state pension forecast. Application forms can be downloaded from GOV.UK. You should get your statement within 10 working days, subject to HMRC's processing times.