

What are National Insurance Contributions (NICs)?

National Insurance contributions (NICs) enable you to qualify for the State Pension as well as certain benefits such as maternity allowance, jobseeker's allowance and bereavement benefits. They are only payable if you are under State Pension age. There are 4 classes of NICs and the class you pay depends on your employment status, how much you earn and whether you have any gaps in your National Insurance record.

If you are self-employed then it is your responsibility to pay the NICs applicable. Failure to do so can result in heavy fines. The majority of self-employed people pay their Class 2 and 4 NICs through their self-assessment tax return and their accountant can give any advice needed to be compliant.

How to qualify for a State Pension

To access any form of State Pension you must be able to show at least 10 years NICs. To get the full basic State Pension you need to have contributed for 35 years (if you reach State Pension age on or after April 2016).

According to HMRC, if you are working you gain a qualifying year if: you are employed and earning over £183 a week from one employer: or you are self-employed and paying National Insurance contributions. You may also get National Insurance credits if you cannot work, for

example because of illness or disability, or if you care for someone full-time or you are unemployed.

Gaps in your National Insurance record

You can slip through the net and attain gaps in your National Insurance record without perhaps realising it. These gaps can occur if you were employed but had low earnings: were unemployed and not claiming benefits: self-employed but did not pay contributions due to small profits: or you lived abroad. If this is applicable to you, we would recommend that you check your National Insurance record. HMRC do not automatically inform you if you have any gaps. So, if you do have any and they are not remedied before you reach retirement age - you will not receive the full State Pension. This could then affect your retirement plans and therefore is definitely worth verifying.

You can check your National Insurance record online by visiting: www.gov.uk/check-national-insurance-record. This will show you what you have paid up to the start of the current tax year: any National Insurance credits you have received: and if gaps in contributions or credits mean some years do not count towards your State Pension (they are not 'qualifying years').

If you do have gaps you may be eligible to pay Class 3 voluntary contributions - but it is advisable to contact the Future Pension Centre (see gov.uk) or your accountant to choose the best plan of action.

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