

National Insurance: check records and fill gaps for a better pension

NATIONAL INSURANCE, paid by most employees and freelancers with profits above £6025 in the tax year ending 5 April 2018, is now almost entirely about what you will get as a state pension. The more qualifying years you have – a minimum of 10 and a current maximum of 35 – the higher your retirement pay from the government.

The rules are complex – there are four basic national insurance classes and lots more including esoteric versions for trawler workers. Most freelancers pay Class 2 contributions – formerly collected by monthly direct debit but now taken alongside income tax self-assessment payments. Class 2 costs £2.85 a week and was due to be abolished from 6 April 2018 – now it has been extended for a further year although the price will rise to £2.95 from April. This is good news for those with lower profitability.

Many also pay class 4 – that's 9 per cent of earnings between £8164 and £45,000 with 2 per cent above that. Currently, class 4 does not count towards any benefits – it's an extra

tax on the self-employed and those in partnerships. You don't pay any national insurance in the tax year after you reach state pension age.

Freelancers especially can find themselves approaching retirement with contribution record gaps.

These can occur because:

- you have spent time abroad;
- you spent time not working or with profits (earnings less expenses) below the payment threshold (currently £6025);
- you worked for an employer but for less than a complete year and may not have qualified for a full year on your record; and/or
- you should have paid Class 2 but did not – at around £130 a year, HMRC did not find it worthwhile to pursue non-payers, a reason for the move away from direct debits.

The first move is to check your contribution record. Start at **www.gov.uk/check-national-insurance-record** – this will tell you if you have gaps.

These can be filled with “voluntary contributions”. If, as a freelance,

you have gaps between 6 April 2006 and 5 April 2011, it will cost £2.65 a week to complete your record. Those with more recent gaps will generally pay the rate applicable in the missing period. Payments must be made before 6 April 2023.

This is usually worthwhile to boost future pension earnings. But if the gaps are due to responsibilities – as a parent or carer – then you can apply for national insurance credits – formerly known as Home Responsibilities Protection.

Class 2 is to be replaced by a new form of Class 4 for the self-employed – this time counting towards the state pension. But there is a lack of clarity from the government on how this will pan out.

However, with Class 2 surviving another year, it is a good time to dig out your record and fill in gaps in case the payment goes up to Class 3 level – £14.65 a week in the 2018-19 tax year.

Always take advice before paying. In some cases, it may not be worthwhile.

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