



## Maximising future state benefits with NIC credits

Until the time comes to make a claim, maximising the potential for entitlement to future state benefits is not often seen as a priority. Nevertheless there are certain relatively inexpensive steps which may be taken now to improve future entitlements.

Different classes of National Insurance credits count towards entitlement to different benefits as follows:

	Class 1	Class 2	Class 3
Basic State Pension	Yes	Yes	Yes
Additional State Pension	Yes		
New State Pension	Yes	Yes	Yes
Contribution-based Employment and Support Allowance	Yes	Yes	
Maternity Allowance	Yes	Yes	
Bereavement Support Payment	Yes	Yes	
Contribution-based Jobseeker's Allowance	Yes		

To receive the full State Pension entitlement, a person needs 35 qualifying years but, if there are gaps in a National Insurance record, voluntary contributions can be made. Anyone can apply for a National Insurance statement from HM Revenue & Customs (HMRC) either through their Online Personal Tax Account or via an online HMRC form <https://www.tax.service.gov.uk/shortforms/form/NISstatement>.

## Voluntary Contributions

A person can make voluntary contributions in respect of the previous six tax years in addition to the following:

- Individuals who reached State Pension age between 6 April 2008 and 5 April 2015, with at least 20 qualifying years already, have 6 years after reaching State Pension age to increase their State Pension; or
- Individuals who reached State Pension age on or after 6 April 2016 have until 5 April 2023 to pay contributions covering the period April 2006 to April 2016.

Voluntary contributions may be either Class 2 or Class 3 depending on individual circumstances:

Class 2 voluntary contributions can be made if the person is:

- Self-employed but earned under the annual Small Profits Threshold, currently £6,205 (£6,365 in 2019/20); or
- In business, which includes property letting with effect from 6 April 2015; or
- Living and working abroad if they worked in the UK immediately prior to leaving and have lived in the UK for 3 continuous years and paid contributions for 3 years.

If none of the Class 2 voluntary contribution circumstances apply, Class 3 voluntary contributions can be made instead.

Voluntary contributions are made at the current year's contribution rate apart from:

- Class 2, the previous tax year is paid at the rate for that year.
- Class 3, the previous two tax years are paid at their respective rates.

The Class 2 rate per week for 2017/18 was £2.85, 2018/19 is £2.95 and 2019/20 will be £3.

From 6 April 2019, the Class 3 weekly rate for years prior to 2009/10 will be increasing from £13.25 to £15, which is a difference of £91 per year. Additionally, the weekly rate for the years 2010/11 to 2016/17 will be increasing to £15 from their respective rates in the year being made up.

## **Child Benefit**

Claiming Child Benefit gives a Class 3 contribution credit to the claimant. If the Child Benefit has to be repaid due to one member of the couple earning over £60,000 per year, the claimant should still make the claim and immediately opt to stop receiving the payments.

By doing this the individual will have made a Child Benefit claim so will receive the National Insurance credit but will not have received any Child Benefit so will not be required to repay this when filing their own or their partner's Tax Return.

If the claimant already has a National Insurance credit for that year, they can choose to transfer the credit to their spouse, provided the latter would be entitled to make the claim for Child Benefit themselves.

This claim should be made before the end of the year following each relevant tax year, eg a claim for the year ended 5 April 2018 should be made before 5 April 2019. HMRC may accept a late claim with a reasonable excuse. In many cases it will be worthwhile cancelling an existing claim and then reclaiming in the other spouse's name to avoid the annual administration.

## **Specified Adult Childcare**

Specified Adult Childcare credits were introduced from 6 April 2011. Where a family member is providing care for a related child under 12, the Child Benefit claimant can transfer the Class 3 National Insurance credit to the family member.

For these purposes the HMRC definition of a relative is very broad.

The relative caring for the child is entitled to a Class 3 National Insurance credit for each week or part week they have cared for the child during the tax year.

The person claiming the Child Benefit must sign the application to transfer their National Insurance credit to the relative. They may only transfer the credit to one relative even when they receive Child Benefit for more than one child. Therefore, if more than one relative provides childcare during the year, the claimant must choose to which relative the credit should be transferred.

Applications cannot be made until October following the relevant tax year to enable the National Insurance Office to check the Child Benefit claimant would have a credit for the year without the Child Benefit credit. It is possible to make a retrospective claim in respect of the tax years from 2011/12 onwards.

If you consider any of the above may be applicable to your circumstances, please contact your usual Chavereys contact who will be pleased to assist.