



Class 3 National Insurance contributions are voluntary contributions which an individual can choose to pay to increase their entitlement to the state pension. Individuals who have gaps in their contribution record from 2006/07 to 2015/16 have a limited window in which to take advantage of an extended time limit for making contributions.

Key dates

The normal deadline for paying voluntary Class 3 National Insurance contributions is six years from the end of the tax year in respect of which the contributions are being paid. However, an extended deadline applies to contributions for the tax years 2006/07 to 2015/16, which must be paid by 5 April 2023. The normal six-year time limit applies to contributions for 2016/17 and subsequent tax year.

This note explains the nature of Class 3 contributions and the limited opportunity to take advantage of the extended deadline to make additional contributions for missed years.

Importance of qualifying years

To be eligible for the full single tier state pension, an individual who reaches state pension age on or after 6 April 2016 needs 35 qualifying years. A person will receive a reduced state pension if they have less than 35 qualifying years, but at least ten. A person will build up qualifying years from the payment of Class 1 contributions if they are employed and from the payment of Class 2 contributions if they are self-employed. A person who does not have sufficient qualifying years for the full state pension can top their pension record by making voluntary contributions.

A person who reached state pension age before 6 April 2016 only needed 30 qualifying years to secure a full state pension.

Check your pension record

Before making voluntary contributions, it is necessary to check your National Insurance record. You can do this online by visiting the Gov.uk website at www.gov.uk/check-national-insurance-record. If you already have 35 qualifying years or expect that you will have 35 qualifying years by the time that you reach state pension age it will not be worthwhile making voluntary contributions.

If you will not have 35 qualifying years by the time that you reach state pension age, it may be beneficial making voluntary contributions. However, if you currently have less than 10 qualifying years, paying voluntary contributions will only be worthwhile if it increases the number of qualifying years that you have to at least ten. People with less than ten qualifying years are not eligible for the state pension.

Nature of Class 3 contributions

Class 3 National Insurance contributions are voluntary contributions that you can opt to pay to fill in gaps in your National Insurance record. Class 3 contributions are payable at a rate of £15.85 per week for 2022/23.

Guidance on how to pay Class 3 National Insurance contributions can be found on the Gov.uk website at www.gov.uk/pay-voluntary-class-3-national-insurance.

Take advantage of the extended time limit

As a result of the increase in the number of qualifying years needed to secure a full state pension for people reaching state pension age on or after 6 April 2016, a longer period applies for making contributions for 2006/07 to 2015/16 where these have not already been paid. Individuals have until 5 April 2023 to fill in any gaps for those years. This provides the chance to add up to ten years to the number of qualifying years, enhancing the state pension by up to 28%.

Contributions for the missing years must be paid at the current rate of £15.85 per week – a cost of £824.20 for each additional year.

However, as contributions relating to the previous two tax years are paid at the rate applying to the year in question, if you only need to top up a couple of years and have not paid contributions for 2020/21 and/or 2021/22 it will be cheaper to pay contributions for these years. The Class 3 rate was £15.30 per week for 2020/21 and £15.40 per week for 2021/22.

Can you pay Class 2 instead?

If you are self-employed and your earnings from self-employment are less than the small profits threshold (set at £6,725 for 2022/23), you are not obliged to pay Class 2 National Insurance contributions, but can do so voluntarily. The extended time limit for paying contributions for 2006/07 to 2015/16 also applies for Class 2 purposes, and where a person is eligible to pay Class 2 voluntarily, they have until 5 April 2023 to make the contributions for some or all of these years. Contributions must be paid at the 2022/23 Class 2 rate of £3.15 a week – an annual cost of £163.80. This is significantly cheaper than paying Class 3 contributions. Where the option is available to take advantage of the extended deadline to plug gaps in your National Insurance record by paying voluntary Class 2 contributions for these years, it is likely to be worthwhile.

Please call us on **01753 888211** or email info@nhllp.com if you need help with any of the issues raised in this Broadcast. We would be happy to help.