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Caring for British Pensioners in Australia

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### FACT SHEET 4

## Voluntary Contributions

### British State Pension

1. British State Pension is a government age pension paid to people who have made contributions to the National Insurance Scheme.
2. Currently, a minimum of ten years contributions is required to receive a part British State Pension and 35 years contributions to receive a full British State Pension. However, if you have paid a minimum of three years contributions, you may be able to pay voluntary contributions to increase your contributions history to reach the ten-year contribution history requirement (and thus get a part pension) or to add to your contribution history to receive a larger pension.
3. You are entitled to receive British State Pension from your **State Pension Age**. Currently your State Pension Age is your 66<sup>th</sup> birthday but from 5<sup>th</sup> April 2026, this will start gradually increasing until it reaches your 67<sup>th</sup> birthday from 5<sup>th</sup> April 2027. This affects people born after 5<sup>th</sup> April 1960. You can check your State Pension Age using the UK Government calculator available by clicking [here](#).

### National Insurance Contributions

4. There are four classes of National Insurance Contribution:

Class	Paid by:
1	Employed people
2	Self-employed people
3	Voluntary contributions
4	Self-employed people with income over a certain level

5. For people living in the UK, voluntary contributions are made at the class 3 rate but, if you live in Australia, voluntary contributions can be made at the cheaper class 2 rate if you meet these criteria:
  - are still working or if you are self-employed **and**
  - you paid national insurance contributions in the UK immediately prior to leaving the UK.

The word “immediately” is open to interpretation. HM Revenue & Customs understands that people do not cease work and leave for Australia on the same day. We understand that if you paid national insurance contributions in the month prior to leaving the UK, you will meet the immediately condition. If you were claiming Jobseeker’s Allowance immediately before leaving for Australia, you must pay voluntary contributions at the class 3 rate.

6. The cost of voluntary contributions increases each tax year<sup>1</sup>. If voluntary contributions are paid by the end of the tax year after the year to which they relate, they can be paid at the rate for that year. If they are paid later than this, they **may** have to be paid at the current rate.
7. You can find current and historical contribution and pension rates in our Fact Sheet 19.

<sup>1</sup> The UK tax year runs from 6<sup>th</sup> April to 5<sup>th</sup> April the following year (both dates inclusive).

## How To Discover How Much Pension You Will Receive

8. You can discover how much British State Pension you will receive by obtaining a State Pension Forecast. There are three ways to obtain a State Pension forecast:
  - Online if you have a user ID with the UK Government Gateway or have an account with GOV.UK Verify. Please click [here](#) to do this. If you do not have a User ID with the UK Government Gateway, please refer to Fact Sheet 27 on How To Get A User ID with UK Government Gateway.
  - By telephone by calling 0011 44 191 218 3600 and asking for a forecast. Be warned that you might have to wait for a long time to speak to someone.
  - Complete form BR19 (which you can obtain by clicking [here](#)) and post it<sup>2</sup> to the address in Wolverhampton on the form.
9. The forecast you will receive should contain two numbers (1) your **starting amount** based on your past contributions and (2) your **personal maximum** assuming all the gaps in your national insurance contribution history are filled and you continue making national insurance contributions up until you reach state pension age.
10. The full rate of British State Pension from 6<sup>th</sup> April 2023 is £203.85 a week. Not everyone will receive this rate as there may be reductions made if at any time during your working life in the UK, you were “contracted out”<sup>3</sup>. Each year of voluntary contributions will increase your New State Pension by 1/35<sup>th</sup> of your **starting amount**. Assuming your **starting amount** is £203.85, 1/35<sup>th</sup> of £203.85 is £5.82 a week (or £302.64 a year).

## Should I Pay Voluntary Contributions?

11. British Pensions in Australia Inc. is not licensed to give financial advice. However, we can guide you in how to make a rational decision.
12. You will need to compare the cost of the voluntary contributions with the extra pension you will receive if you make those voluntary contributions.
13. The increase in your British State Pension will be paid every year from your State Pension Age until you die<sup>4</sup>. You will therefore need to guess how long you will live to calculate how many years of increased pension you will receive. If you are in good health, there is useful calculator available [here](#).
14. Then calculate how much voluntary contributions you are allowed to make (and how much you can afford!). The State Pension Forecast should tell you how much they will cost.
15. Bear in mind that forecasts usually assume you will be paying voluntary contributions at the class 3 rate. This is because class 3 contributions are the only contributions that people in the UK can make. If you are eligible to make voluntary contributions at the class 2 rate (see previous section), this will reduce the cost of voluntary contributions and may make the comparison between the extra pension and the cost of voluntary contributions more obvious.

## Filling Gaps in Your Contributions History

16. You cannot make voluntary contributions for any time when you are over State Pension Age. So, for example, if you reached State Pension Age in March 2023, you may make voluntary contributions in respect of any time prior to March 2023 but you cannot make voluntary contributions in respect of any time after March 2023. You can check your State Pension Age by clicking [here](#).

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<sup>2</sup> We recommend that when you post anything to the Pensions Service or HM Customs & Revenue, you use Australia Post's track and trace service so you can obtain confirmation that what you have posted has been delivered.

<sup>3</sup> That is, any time when your employer provided a workplace pension scheme which provided or will provide you with a pension (whether or not you were required to contribute to the scheme), or you had a personal pension plan.

<sup>4</sup> The British State Pension is not reversionary. Your spouse will not receive your pension after you die (except for those men born before 5<sup>th</sup> April 1951 or women born before 6<sup>th</sup> April 1953 – see Fact Sheet 6 on Spouse Pensions).

17. Usually, you can only make voluntary contributions to fill gaps in your contribution history in the past six years. However, in April 2016 the UK Government made major changes to the British State Pension scheme. As a concession they permitted voluntary contributions for gaps in a person's contribution history as far back as 2006/7. This concession was due to end in April 2023, but HM Customs & Revenue were so overwhelmed by applications to make voluntary contributions in the lead up to this date, the deadline was extended first to 31<sup>st</sup> July 2023, and it was expended again to 5<sup>th</sup> April 2025. **We recommend if you want to make voluntary contributions for past years you do not wait until 2025 to apply.** From 6<sup>th</sup> April 2025, you can only make voluntary contributions for gaps since April 2019.
18. If you have not yet reached state pension age, you can make voluntary contributions for future years as they occur. The rate of British State Pension is adjusted annually for inflation. You will be eligible to receive the benefit of these annual adjustments until the date you start receiving your pension. Your pension will be frozen from the date you are eligible to receive it in Australia.

### How To Apply To Make Voluntary Contributions

19. To apply to make voluntary contributions, complete the form at the back of leaflet NI 38. You can get a copy of leaflet NI 38 by clicking [here](#) or BPiA can provide you with a copy. Do not complete the direct debit section of the form unless you have a bank account in the UK. If you don't have a bank account, include a covering note with your form asking how you can pay your voluntary contributions<sup>5</sup>.
  - Leave question 3 blank.
  - Write Australia as the answer to question 7.
  - Tick the "abroad" box in answer to question 9.
  - Unless you are working for a British company, leave the UK address for your employer in question 18 blank. Note that if you are working for the Australian subsidiary of a British company, you are NOT working for a British company.
  - If you are still working tick the class 2 box at question 22, otherwise tick the class 3 box.
  - Tick the "Annual Payment" box in answer to question 23.
  - Tick the "yes" box in answer to question 25.
20. People who reach state pension age after 5<sup>th</sup> April 2016 are not entitled to a pension based on their spouse's national insurance contributions.

### How to Pay Voluntary Contributions

21. If you have a UK bank account, you can arrange to pay regular voluntary contributions by direct debit. To pay by direct debit, complete form CF83, ensuring you tick the direct debit box on page 2 and complete the instruction to your bank or building society to pay by direct debit. Remember, this option is only for people who have retained a UK bank account. Send the completed form to PT Operations North East England, HM Revenue and Customs, BX9 1AN, United Kingdom. Note that if you are paying ongoing national insurance contributions by direct debit, the monthly direct debit amount will vary depending on whether it is a for a four-week or five-week month.
22. Otherwise, an international transfer can be made from your Australian bank account. To do this, complete form CF83, ensuring you tick the Annual payment box on page 2 and send the completed form to PT Operations North East England, HM Revenue and Customs BX9 1AN, United Kingdom. You will be told how much to pay and given payment instructions.
23. If you want to make a one-off payment of voluntary contributions telephone HM Revenue and Customs at **0011 44 191 203 7010** or write to them at PT Operations North East England, HM Revenue and Customs, BX9 1AN, United Kingdom. You will be told how much to pay and given payment instructions.

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<sup>5</sup> Note that most banks in Australia no longer issue bank drafts in £ (pounds sterling), so an international bank transfer is likely to be the only way you can pay voluntary contributions.

24. The Govt.UK website lists the bank account details for national insurance contributions as:

Barclays Bank PLC  
1 Churchill Place  
London E14 5HP  
United Kingdom  
Sort code: 20 20 48  
Account name: HMRC NIC Receipts  
Account number: 30944793  
Bank identifier code (SWIFT code): BARCGB22

You should include as the reference your National Insurance Number followed by the letters "IC" and as much of your surname as possible. So, if your name is John Smith and your National Insurance number is ZZ999999A, the reference should look like this: ZZ999999AICSMITHJ.

#### **How to assess the merits of making voluntary contributions**

25. BPIA cannot advise you whether or not to make voluntary contributions. This is a decision you must make yourself. But we can guide you in how to make a rational decision.
26. Firstly, you must decide if you can afford to pay voluntary contributions.
27. Then, you must compare the cost of the voluntary contributions against the increase in pension you will receive. This is a simple cost benefit analysis where the cost is the cost of the voluntary contributions, and the benefit is the increase in UK state pension you will receive multiplied by the number of years of increased pension you will receive.

You can assess your expected life expectancy [here](#). If you are in good health, not overweight, have your blood pressure under control, exercise regularly, don't smoke and with modest or no alcohol intake it is reasonable to expect to live longer and thus benefit for a longer time from an increased pension.

*The information provided in this Fact Sheet is based on information from sources believed to be reliable. It is correct at the time of writing but changes in laws or rules or in their interpretation may affect the content. BPIA is not responsible for inadvertent errors.*