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CALL FOR EVIDENCE ON VOLUNTARY NATIONAL INSURANCE CONTRIBUTIONS

Response by Association of Taxation Technicians

1 Introduction

1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the HMRC *Call for evidence on voluntary National Insurance contributions* issued on June 2026[1].

1.2 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.

1.3 As feedback gathered from our members has primarily focused on entitlement to the State Pension, our comments throughout this response largely address that issue. However, we recognise that entitlement to other contributory benefits also depends on individuals having made sufficient National Insurance Contributions (NICs) in the relevant years.

1.4 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 4.

2 Executive Summary

2.1 Voluntary NICs provide a fair and proportionate means of protecting State Pension entitlement where individuals have genuine gaps in their contribution records. Any reform should be evidence-based and should balance fairness, transparency and the protection of legitimate expectations.

The system would benefit significantly from clearer and more personalised information, particularly on the interaction between voluntary contributions and National Insurance credits. Individuals and their agents should be able to establish easily whether a payment is advisable, whether it will increase entitlement and whether any alternative route is available.

[1] https://www.gov.uk/government/calls-for-evidence/voluntary-national-insurance-contributions-call-for-evidence/call-for-evidence-on-voluntary-national-insurance-contributions

For those living overseas, eligibility should reflect genuine connections with the UK and avoid disproportionate outcomes.

Overall, any reform should simplify the system and protect individuals, some of whom may be vulnerable.

3 Responses to questions posed by the call for evidence

3.1 Question 1: Do you agree that these are the right guiding principles for the voluntary NICs system or do you believe there are others we should consider?

3.2 We broadly agree with the three proposed principles of fairness, clarity and accessibility, and long-term sustainability. However, we suggest a further principle of proportionality and protection of legitimate expectations should be added.

Voluntary NICs exist to allow individuals to protect their contributory entitlement where compulsory contributions, such as Class 1 or Class 2 NICs, do not provide the necessary credits for the year in question. Any reform should not disproportionately disadvantage any individual who has relied on the current system to maintain their NIC record.

Individuals should be able to easily understand the entitlement they are accruing, and the circumstances in which voluntary contributions will no longer improve their eventual State Pension.

3.3 Question 2: Do you feel that some of these objectives are more important than others?

3.4 Fairness and clarity should be given the greatest weight. Sustainability is also important as the contribution timespan will cover an individual's adult life from 16 to retirement age. Rule changes mid-term cause confusion and should be avoided. Individuals should not be disadvantaged because they failed to understand the complicated interaction between voluntary contributions and National Insurance credits (see 2.12).

3.5 Question 3: Who is currently using voluntary NICs and why?

3.6 Individuals generally use voluntary NICs to either obtain entitlement to or increase State Pension or to protect eligibility for contributory benefits.

A significant consideration is the comparative cost of contributions weighed against the potential entitlement generated. This makes voluntary contributions attractive where an individual can establish that obtaining a particular year's credit will increase their eventual entitlement.

3.7 Question 4: In what circumstances do people have gaps in their National Insurance record that voluntary NICs are intended to address (including where credits or compulsory NICs are not available)? Please provide examples.

3.8 The system should recognise that individuals do not necessarily have continuous employment histories and should not assume that a gap represents a failure to contribute voluntarily when the individual may have limited ability or knowledge to do so.

3.9 Our members have highlighted that gaps can arise for various reasons, including:

- low paid or part-time employment
- periods of unemployment where no credits have been received
- self-employment with low profits or losses
- periods overseas
- career breaks
- caring responsibilities where the individual does not claim the relevant credit
- periods of illness or other circumstances where credits are not available or claimed
- education or transition between employments
- income being derived from savings, investments, pensions or property income rather than employment or self-employment

3.10 **Question 5: Are there groups who would like to use voluntary NICs but cannot access them, or for whom the current eligibility rules lead to outcomes that feel unfair or inconsistent? What changes would improve fairness, clarity or access (including how people find out whether they are eligible)?**

3.11 Under the current rules, individuals may be unable to pay voluntary contributions where they do not have a gap in their National Insurance record, where they are a married woman or widow paying reduced rate National Insurance, or where the relevant payment deadline has passed. At present, voluntary contributions can generally be made for the previous six tax years. This means that gaps falling outside that period may no longer be capable of being filled, even where making the contribution would otherwise have improved the individual's eventual State Pension entitlement.

In many instances, individuals do not check their National Insurance record until they are nearing retirement age. In those circumstances, due to the deadline, paying six years' credits may not be sufficient to guarantee a full State Pension.

A recent HMRC campaign, which closed on 5 April 2025, permitted individuals to make up gaps in records going back to April 2006.[2] The volume of applicants resulted in the deadline for applications being extended from April 2023 to April 2025, highlighting that many individuals are unaware that they have any gaps in their records.

Many with gaps in their records are those on low incomes, with limited savings and would be unable to afford payments for several years at a time.

An annual statement sent, either by post or electronically, to individuals who have a gap for that particular tax year, would highlight any issue nearer to real time and spread the cost annually rather than requiring a large lump sum to be paid for multiple years at a later date.

3.12 **Question 6: Are there barriers that prevent eligible individuals from receiving credits (for example, awareness, complexity, or administrative steps), leading them to pay voluntary NICs instead? Please provide evidence and examples.**

[2] https://www.gov.uk/government/news/deadline-for-voluntary-national-insurance-contributions-extended-to-april-2025

3.13 There is a risk that complexity and lack of awareness result in people paying voluntary NICs when they could instead have received a National Insurance credit.

For example, when the High Income Child Benefit Charge was introduced, some parents opted out of receiving child benefit, unaware that the partner (who may be non-working) with caring responsibilities would not receive the applicable credits. This error is to be remedied, but affected individuals will need to wait until April 2027 to claim the credits. When the system opens for claims, there should be a significant awareness campaign to ensure no individual misses out on their credit entitlement.

In the annual statement suggested in 2.10 above, a simple explanation such as "You should check if any national insurance credit may apply before paying voluntary NICs" would be helpful, accompanied by signposts to relevant GOV.UK guidance.

3.14 **Question 7: Are there circumstances where credits and voluntary NICs overlap or interact in ways that create confusion, duplication, or unintended outcomes? If so, what changes would improve fairness and clarity?**

3.15 There should be a distinction, in any statement or other information provided by HMRC, between:

- a year that is already qualifying,
- a year that could become qualifying through a credit,
- a year that could be completed through using voluntary NICs, and
- a year where voluntary payment would not increase entitlement.

3.16 **Question 8: How do individuals decide whether to pay voluntary NICs, and to what extent do people use voluntary NICs as a long-term way to build qualifying years (including what information they use, who advises them, and what prompts them to act)?**

3.17 The decision is driven primarily by obtaining a copy of their National Insurance record and/or State Pension Forecast.

Individuals may rely on information from GOV.UK, professional advisors, friends, family or social media. It is important that any decision is supported by a simple calculation showing the cost of making contributions for a particular year and the potential increase in entitlement.

3.18 **Question 9: To what extent does the current pricing of voluntary NICs (including differences between Class 2 and Class 3) affect perceptions of fairness compared with compulsory NICs paid through work?**

3.19 The difference between compulsory and voluntary NIC rates can appear unfair when viewed solely as the amount paid to obtain a qualifying year.

However compulsory NICs do not only give entitlement to State Pension. They also give access to other benefits such as Maternity Allowance, New Style Job Seekers Allowance, New Employment and Support Allowance and certain bereavement benefits.

Comparisons should be based on the overall entitlements and protections obtained and not merely by comparing weekly rates.

Voluntary Class 3 NICs cost significantly more per week than voluntary Class 2 NICs for the self-employed. However, those who are self-employed will also pay Class 4 NIC in profitable years, receiving an automatic

credit for Class 2. Even within Class 2 NIC there are three differing rates, the flat rate, the share fisherman rate and the volunteer development worker rate.

This mismatch in rates can cause confusion and a clear explanation as to the rationale behind the differing amounts would be useful.

3.20 **Question 10: Who benefits most from being able to pay voluntary NICs at lower cost, and how does this relate to ability to pay (for example, income, wealth, or being supported by other sources of income)? Please share any analysis or data.**

3.21 Voluntary NICs are most valuable to individuals who have sufficient disposable income to make the payment, but whose circumstances mean they cannot make contributory contributions, for example those working overseas, or living off property income or investments.

This means that the current system may be most accessible to those with the financial flexibility to make payments, rather than those who are most likely to rely on the State Pension in later life.

Unfortunately, individuals with lower incomes, or limited savings, who may have the greatest need to improve their State Pension entitlement, can often be least able to afford voluntary contributions, particularly where several missing years need to be filled at once.

Greater government analysis of existing voluntary NIC payers or those with missing years would give a clearer indication of social factors and blockers. This could include wealth, age, employment status, residence, caring responsibilities and any disability.

3.22 **Question 11: Does the current system create unintended incentives (for example, to delay engagement, to structure work/income to qualify for lower cost contributions, or to focus on buying back specific years)? If so, what changes could reduce these effects?**

3.23 We have no evidence of any unintended consequences. However, our members have stated that most requests to review state pension entitlement come from those nearer retirement age.

3.24 **Question 12: How effective is existing guidance (including digital journeys and helplines) in helping people understand whether paying voluntary NICs is in their interests, and what would improve it?**

3.25 Existing guidance provides substantial information, however individuals need to combine information from various sources to ascertain whether making a contribution is worthwhile. Although State Pension forecasts and National Insurance records are available via an individual's Personal Tax Account, the information could be clearer and include details of the potential increase in entitlement, the costs involved and the relevant deadlines. For the digitally excluded the application process is cumbersome.

3.26 **Question 13: Are there risks of poor outcomes linked to misunderstanding or third-party advice (including where individuals pay when it provides little or no benefit)? What safeguards or changes could improve decision making?**

The significant risk is that individuals treat voluntary NICs as an investment without first establishing whether the contribution will increase their entitlement.

An important safeguard would be a mandatory confirmation before payment stating whether the contribution is expected to increase entitlement.

If HMRC and DWP were to provide this information, then this would mitigate the risk.

3.27 **Question 14: In what circumstances do individuals end up with partial year gaps in their National Insurance record?**

3.28 Partial year gaps arise where individuals have some earnings or credits for part of the year but insufficient to make a qualifying year.

This could occur when individuals:

- start or leave employment part way through the year
- have a gap between employments
- work part-time
- have fluctuating earnings
- are self-employed with variable profits
- have periods of unemployment
- move between employment and self-employment
- have periods covered by NIC credits and periods that are not.

3.29 **Question 15: How effectively does the current system enable individuals to fill partial-year gaps in their NI record, and to what extent do current arrangements deliver outcomes that are proportionate and fair?**

3.30 Individuals need clear information on the number of weeks required to complete a qualifying year. This could be included in the suggested mandatory confirmation suggested at 2.25.

3.31 **Question 16: How do individuals abroad find out about, and navigate, the rules on paying voluntary NICs for overseas periods (including any role for employers, advisers, or online communities)?**

3.32 Individuals living and/or working abroad may have particular difficulty, especially with the recent changes in eligibility to pay voluntary Class 2 NICs. A single decision tool that determines eligibility for individuals overseas based on their dates of UK residence, UK work history and previous contribution history would be useful.

Many, especially those on short term contracts, are unaware of the possible NIC gap which could arise while working overseas. A prompt in the P85 process could be helpful.

In some cases, the employer will offer to make the voluntary contribution on behalf of the employee, though this is not guaranteed.

3.33 **Question 17: Are the current eligibility conditions for paying voluntary NICs from abroad (including tests based on previous residence or previous qualifying years) the right way to reflect a 'connection to the UK'? What alternatives would be fairer or easier to administer?**

3.34 A connection to the UK test is reasonable in principle.

We welcome the provision allowing individuals who applied to pay voluntary Class 2 NICs and made contributions in 2024/25 or 2025/26 to instead pay Class 3 contributions where they meet the previous three-year condition, rather than being subject to the more restrictive ten-year condition.

The GOV.uk guidance could be improved by adding greater explanation of what constitutes a period of 'ten continuous years of UK residence' and a period of 'ten years of contributions paid in the UK, excluding voluntary payments from abroad'. Worked examples covering different scenarios would be particularly helpful in illustrating when an individual does, and does not, meet these conditions.

As currently drafted, the guidance does not address two situations which may create uncertainty. First, it does not explain how compulsory UK National Insurance contributions paid while working overseas under a social security agreement should be treated. For example, a detached worker holding a certificate of coverage may continue to pay compulsory UK contributions while abroad. Such contributions are not voluntary, but neither are they paid "in the UK" in a geographical sense.

Secondly, the guidance does not address insurance periods completed in countries with which the UK has a reciprocal social security agreement. Some agreements provide for the aggregation of insurance periods when determining entitlement to benefits, and it is therefore unclear whether, and if so how, such periods should be taken into account for these purposes.

3.35 **Question 18: What are the impacts of allowing voluntary NICs for overseas periods (for example, who uses it, at what income/wealth levels, and how it affects decisions to maintain UK links)? Please provide any evidence.**

3.36 Evidence should be gathered by HMRC to determine the characteristics of individuals paying voluntary NICs for periods of non-UK residence. Statistics regarding wealth, country of residence, previous UK contribution history, and main country of residence of spouse or civil partner and children may help to determining if the recently changed rules are proportionate and determine whether a close connection exists in reality.

HMRC could gather this evidence by analysing existing administrative data, including National Insurance records, applications to pay voluntary NICs from overseas, P85 notifications and relevant HMRC/DWP records, supplemented where necessary by targeted surveys or user research.

3.37 **Question 19: How do perceptions of fairness change when voluntary NICs are paid from abroad and what factors shape views on the pricing of contributions abroad?**

3.38 We have received no responses from our members to this query.

3.39 **Question 20: What reforms to voluntary NICs should the government consider to improve fairness between contributors?**

3.40 To summarise the points made in our response, we suggest the following reforms should be considered:

- a single personalised NI & State Pension entitlement dashboard showing gaps, credits, eligibility and the consequences of paying voluntary amounts
- automatic warnings when an individual may qualify for credits before they pay voluntary NICs
- a clear 'will this payment increase my State Pension?' calculation
- simplification of Class 2/Class 3 rules where possible
- a transparent and proportionate overseas close connection test

- improved guidance on the 'close-connection test'
- better transitional protection where significant eligibility rules are changed
- publication of data on who uses voluntary NICs and who benefits from them

3.41 **Question 21: What further reform of the voluntary NICs system should the government consider?**

3.42 We would suggest that National Insurance in general needs a broader review. The differing classes and rates cause confusion. In 2016 the Office of Tax Simplification recommended that there should be a closer alignment of income tax and national insurance. However, any move towards closer alignment would still need to preserve a mechanism for voluntary National Insurance contributions, as individuals making such contributions may not have taxable income and therefore would not be brought into the income tax system. The ATT has ten principles for the tax system[3] which set out how we believe the tax system should be designed and operated. These principles should apply equally to National Insurance Contributions.

4 Contact details

4.1 We would be pleased to join in any discussion relating to this consultation. Should you wish to discuss any aspect of this response, please contact us at atttechnical@att.org.uk.

The Association of Taxation Technicians

5 Note

5.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.

[3] https://www.att.org.uk/technical/atts-principles-tax-system