Low Incomes Tax Reform Group.

A voice for the unrepresented.

Call for evidence on voluntary National Insurance contributions
Response from the Low Incomes Tax Reform Group (LITRG)

1. Executive Summary

1.1. We welcome the opportunity to respond to the call for evidence on voluntary National Insurance Contributions (NICs)[1].

1.2. Our central concern is that, although voluntary NICs provide an essential safety net for people seeking to protect entitlement to the state pension and certain contributory benefits, the present system is too complex and can produce unfair outcomes. Many of these problems arise not from the voluntary contribution rules alone, but from their interaction with compulsory contributions, National Insurance credits, Home Responsibilities Protection (HRP) and the different treatment of employees and self-employed people. Reform should therefore be considered in the context of the wider National Insurance framework.

1.3. Fairness should be assessed by reference to both outcomes and ability to pay. A particularly clear inequity affects people with multiple low-paid jobs: because earnings are generally considered separately for National Insurance purposes, an individual may work throughout the year and have combined earnings above the Lower Earnings Limit but still fail to build a qualifying year. They may then have no practical option other than paying the much higher Class 3 rate. At the same time, any reconsideration of Class 2 pricing or eligibility must protect genuinely low-income self-employed people.

1.4. Individuals should not be asked to pay voluntary NICs where a National Insurance credit or HRP could cover the same gap. HMRC should therefore build a mandatory check for available credits and HRP into both online and telephone payment journeys, support appropriately flexible backdated claims and refund contributions paid unnecessarily. This is especially important where individuals only discover missing entitlement as they approach state pension age, or where delays in government services create the impression that payment is required in the meantime.

1.5. Decision-making support also needs substantial improvement. Clearer plain-English guidance, properly resourced telephone services and better digital tools should help individuals understand whether a payment will increase their entitlement, whether future work or credits may fill the gap, and whether an increased state pension could affect means-tested support. Week-by-week partial-year calculations, real-time alerts and automated "no benefit" or "limited benefit" warnings would reduce the risk of people paying unnecessarily or seeking paid third-party help for decisions that official services should enable them to make confidently.

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

1.6. Alongside these safeguards, the government should address specific administrative problems, including the Maternity Allowance Class 2 advance-payment and refund process, delays to the replacement National Insurance credits service, partial-year shortfall calculations and the revised rules for contributions from abroad. However, these measures will not fully resolve the underlying inconsistencies. We therefore encourage the government to consider whether a broader review is needed to ensure that the National Insurance system treats employees, self-employed people, carers and those with fragmented work histories coherently, transparently and fairly.

1.7. We have included a number of illustrative examples in the Appendix.

2. Opening comments

2.1. For some people, voluntary NICs are a vital safety net that allows them to protect entitlement to the state pension and, in some cases, other contributory benefits, in years when their working patterns, health, or caring responsibilities mean they cannot otherwise build a qualifying year.

2.2. We are pleased that this call for evidence has been launched to take stock of the voluntary NIC system in its present form. As our responses to the questions show, we are concerned that there can be arguably unfair outcomes for certain taxpayers under the present system. We are also concerned that the system is unduly complex and can be difficult for taxpayers to understand and navigate confidently.

2.3. The issues of unfairness and complexity for voluntary NICs are, in many cases, consequences of how they interact with the wider National Insurance framework – including National Insurance credits, compulsory contributions, situations where National Insurance is 'treated as paid', and more broadly the different classes of National Insurance. In our view, any changes to the operation of voluntary NICs cannot remedy these key concerns of fairness and complexity without reviewing the wider National Insurance system.

2.4. We think the clearest structural issue at present is the position of people with more than one low-paid job. Unlike income tax, National Insurance contributions for employees are generally calculated separately for each employment. This means someone earning, for example, £110 a week in one job and £100 a week in another – a combined income well in excess of the Lower Earnings Limit – may build no qualifying weeks towards their state pension in either job, even though their overall earnings would have been more than sufficient had they been aggregated or had that same income been earned from a single employer (see Example 1 in Appendix). Such individuals are then left with no realistic route to fill the resulting gap other than paying the full cost of voluntary Class 3 NICs, despite having been in paid work throughout. We think this deserves specific attention as part of any reform, given that multiple jobs are common among low earners, including many part-time and shift workers.

3. Guiding Principles

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?*

3.1.1. We broadly agree that fairness across groups, clarity and accessibility, and long-term sustainability are all sensible principles. However, we think the framing of 'fair outcomes between individuals and taxpayers collectively' must seek to encompass the following:

- Voluntary NICs should continue to provide an effective and affordable safety net for people whose National Insurance record is incomplete for reasons outside of their control or reasonable foresight – for example fluctuating low-paid jobs, part-year self-employment, caring responsibilities, or ill health.

- Equity between work patterns: the system should, so far as possible, treat low-income employees, self-employed people, carers and those with interrupted work histories consistently, regardless of how their income happens to be structured. At present the 'treated as paid' rule – which protects an employee's qualifying year where earnings sit between the Lower Earnings Limit and the Primary Threshold, as well as self-employed individuals whose profits exceed the Small Profits Threshold – has no direct equivalent for people with fragmented, multiple low paid jobs. This kind of structural inconsistency, rather than any real difference in financial circumstances, currently drives some of the gaps that voluntary NICs are left to fill.

3.1.2. Further, it is our view that 'fairness' should not be assessed only by reference to the price paid relative to the value of the resulting state pension uplift. It should also take into account ability to pay. A payment of £189.80 (Class 2 NIC) or £956.80 (Class 3 NIC) a year may be genuinely difficult to find for someone on a low or fluctuating income, even though, in isolation, it looks like very good value when compared to the state pension entitlement it buys. Conversely, for a wealthier individual the same sum may be a smaller proportion of their income and the resulting impact on their state pension entitlement less significant to their ability to meet essential living costs in retirement. A system that looks equally 'generous' in cash terms can therefore have very different fairness implications depending on who is using it.

3.1.3. Proportionality is equally important. The fivefold difference between Class 2 rate (£3.65 a week for 2026/27) and the Class 3 rate (£18.40 a week) for the same underlying state pension entitlement is significant, and the reasons for the difference are not clearly explained in GOV.UK guidance to help people understand the reasoning. As set out further under Question 9 below, this may contribute to a perceived unfairness between people in genuinely similar financial circumstances who simply happen to have a different employment status.

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

3.2.1. Clarity and accessibility are, in practice, the precondition for the other two objectives being met at all. A voluntary NICs system that is fair in design but poorly understood, or hard to access without confident use of digital services or paid advice, will not deliver fair outcomes in practice for the people who most need it. We would therefore encourage the government not to treat clarity and accessibility as a secondary objective, but as central to whether the system actually achieves its aims for those on lower incomes.

4. Eligibility and access

4.1. Question 3: *Who is currently using voluntary NICs and why?*

4.1.1. Based on the enquiries LITRG receives, low-income users of voluntary NICs typically fall into several overlapping groups:

- Self-employed people with profits below the Small Profits Threshold who choose to pay voluntary Class 2 NICs because it is a low-cost way of maintaining entitlement to the state pension and, in some cases, contributory benefits such as Maternity Allowance or new style Employment and Support Allowance.
- Employees who have reduced their hours, taken early retirement, or otherwise stopped working before the state pension age and later discover - often only when checking a state pension forecast - that they have gaps in their record.
- Carers who did not realise they needed to claim a National Insurance credit (for example Carer's Credit or Specified Adult Childcare Credits) and are paying voluntary contributions to cover a period that, in principle, a 'free' credit could have covered.

4.2. 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.*

4.2.1. In addition to the well-recognised circumstances set out in the call for evidence (low employed earnings, low self-employed profits, time abroad, and income not subject to compulsory NICs such as pension, property or dividend income), we would highlight the following:

- Part-year patterns of work, where someone moves between employment, self-employment, unemployment and caring responsibilities within a single tax year, and the combination of contributions and credit does not quite add up to a full qualifying year.
- Irregular and zero-hours contract work, and seasonal work more generally, where sporadic or fluctuating income means an individual works throughout the year but never quite reaches the qualifying threshold in some weeks or months.
- Situations where an individual meets the qualifying criteria for a credit-carrying benefit, and is aware that they meet those criteria, but decides for legitimate personal reasons not to claim it – for example a reluctance to engage with a means-tested application process, concern about how a claim might affect a family member's own benefit position, or simply a preference for financial independence. This is distinct from the awareness barriers discussed under Question 6 below. Here, the individual is aware of their potential entitlement to the underlying benefit, but the resulting National Insurance consequence is often not something they have been told about or have considered as part of that decision (see Example 5 in Appendix).

4.3. Question 5: *Are there groups who 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)?*

4.3.1. One example is the six-year backdating rule. This rule, and how it interacts with an individual's specific gaps, can lead to cases where the chance to top up affordable years is missed simply because the individual was not made aware the window existed or was closing.

5. Interaction with National Insurance credits

5.1. ***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.*

5.1.1. Yes. Some credits are automatic (for example for those receiving Universal Credit, new style Employment and Support Allowance or Carer's Allowance), but many require a separate, proactive claim that is not always well known about or well signposted at the point it becomes relevant – Carer's Credit and Specified Adult Childcare Credits being two examples.

5.1.2. We have also previously raised, and welcomed the government's move to address, the position of parents and guardians who did not claim Child Benefit – often to avoid the High-Income Child Benefit Charge – and, as a result, a lower-earning or non-earning partner lost the associated National Insurance credit without realising it (see Example 3, Appendix).

5.1.3. We recommend that HMRC ensures anyone who had already paid voluntary NICs to cover a year that a backdated credit would otherwise cover should be refunded, and that there should be no time limit on claiming the backdated replacement credit, since many people only discover the gap once they approach state pension age.

5.1.4. We would also flag that the delay to the replacement National Insurance credits service, now expected in April 2027, is a current, practical barrier. Some individuals affected by the delay may see a short-term gap in their record and feel they need to pay voluntary contributions to protect their position in the interim (despite this not being necessary).

5.1.5. Another barrier is where someone knows they could claim a benefit that would also give them a National Insurance credit but chooses not to claim it for personal reasons (see Example 5, Appendix). This group should be treated separately from people who simply do not know they are eligible. The issue is not that they need to be told they can claim the benefit; it is that they may not understand the National Insurance consequences of choosing not to claim it. Clear, non-judgemental guidance should explain that not claiming may mean missing out on the associated National Insurance credit. This would help people weigh that consequence against their other reasons for not claiming and decide whether paying voluntary NICs is the right way to protect the year.

5.1.6. As a more general point, guidance should also explain more clearly the difference between National Insurance credits and situations where contributions are treated as paid. This is not just a technical distinction. It can affect how people understand their National Insurance record and may have different consequences depending on the benefit or entitlement involved. At present, the two concepts are easy to confuse and terminology is commonly conflated.

5.2. ***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?*

5.2.1. The rules on how contributions and credits combine within a single week may be difficult for an individual to understand. For example, if someone pays, or is treated as having paid, Class 2 NICs for a particular week and also receives a National Insurance credit for that same week, that week can only count once towards a qualifying year. The contribution and the credit cannot be added together to create two qualifying weeks. As a result, the individual may still have a gap in their record, even though at first glance it appears that their contributions and credits together equate to 52 weeks of coverage.

5.2.2. Similarly, the historic interaction between missing HRP[2] and voluntary NICs for earlier years created a real risk that people may have paid twice for entitlement they would otherwise have received for free because we understand HMRC's online voluntary contributions service did not explicitly prompt people to check their HRP position first (see Example 2, Appendix).

5.2.3. We would encourage HMRC to build in a clear mandatory check (or messaging to prompt the individual to check) availability of any non-automatic National Insurance credits/HRP entitlement as a step in the online and telephone voluntary NICs payment journey, before any payment can be made, so that people are not paying for entitlement they may already have for free.

6. Value, incentives and behaviour

6.1. ***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)?*

6.1.1. Individuals may only engage with the decision whether to pay voluntary NICs when prompted — for example, by checking their state pension forecast online, receiving a letter from HMRC or the Department for Work and Pensions, or experiencing a life event such as reduced hours, retirement, or bereavement. Although official guidance and tools have improved, including through the Personal Tax Account and HMRC app 'view payable gaps' functionality, they may not always make the underlying trade-offs clear enough for someone to decide with confidence. This is particularly the case where circumstances are more complex, such as fluctuating self-employment income, multiple jobs, or a mixture of contributions, credits and time abroad, or where a person is still some way off state pension age.

6.1.2. Low-income individuals may treat voluntary NICs as a reactive, one-off way of filling a specific past gap, rather than as a long-term strategy to build qualifying years.

6.1.3. We believe that low profit self-employed people are somewhat more likely to use Class 2 proactively as an ongoing choice, given they are prompted to consider this as part of the annual tax return process. We understand employees do not receive the same annual 'prompt'.

6.1.4. A distinct decision-making scenario is Maternity Allowance. Since Class 2 NICs became non-compulsory from April 2024, most self-employed people with profits above the Small Profits Threshold have their Class 2 position "treated as paid" automatically once their Self Assessment return is processed, without needing to make any active payment decision at all. This creates a

[2] https://www.gov.uk/home-responsibilities-protection-hrp

particular difficulty for pregnant self-employed women, whose Maternity Allowance claim, and the associated evidence requirements, typically fall well before their Self Assessment return for the relevant tax year has been filed or processed. As set out in Example 6 in the Appendix, this timing mismatch can force an active, and avoidable, payment decision – and a subsequent refund claim – onto a group who would not otherwise need to engage with voluntary Class 2 payments at all.

6.2. ***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?*

6.2.1. The gap between Class 2 (currently £3.65 per week) and Class 3 (currently £18.40 per week) is itself a source of confusion and, in some cases, may be a source of perceived unfairness, particularly for people who do not qualify for the cheaper Class 2 rate purely because of the technical basis on which their income arises (for example those with fluctuating employment rather than self-employment) rather than because of any meaningful difference in their financial circumstances.

6.2.2. We think it is important that any reconsideration of pricing does not lose sight of the fact that, for many low-income Class 2 payers, the current £3.65 rate reflects a deliberately low threshold designed to keep the safety net affordable, and any increase could price out exactly the low-income individuals the class was designed to help.

6.2.3. However, it may be appropriate to consider if a similar lower rate could also be made available to low-income employees, who find they have been unable to obtain a qualifying year due to low or fluctuating employment income – but who have nonetheless remained in employment. We explore this further under Question 10.

6.3. ***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.*

6.3.1. For the low-income group particular, price is closely tied to access. Even a modest increase could risk excluding people who are already on very limited means.

6.3.2. We recognise there may be a smaller group who maintain a nominal or marginal self-employment, or structure otherwise flexible working patterns specifically in order to remain eligible for Class 2 rather than because it reflects the genuine shape of their economic activity.

6.3.3. However, we would caution against responding to this particular issue by raising Class 2 rate generally, or by treating all low-profit self-employed people as though they were engaged in the same behaviour: the majority are not, and the low Class 2 rate remains, for them, a proportionate reflection of genuinely low profits and low ability to pay.

6.3.4. It must not be forgotten that low-paid employees, whose economic position and ability to pay may be largely identical to their self-employed counterparts, do still face a higher financial cost in addressing their own National Insurance records gaps. For low-paid employees (whose income per-pay period falls below the Lower Earnings Limit resulting in an overall deficient contribution position for the year) the higher cost seems quite unfair.

6.3.5. However, the systemic difference in how a qualifying year is assessed for low-earning self-employed people versus low-earning employees means that achieving parity under the current system is not straightforward, and warrants wider review.

6.4. ***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?*

6.4.1. We have less direct evidence in this area for low-income taxpayers specifically, as most do not have meaningful flexibility over how their income is structured.

6.4.2. To the extent that behavioural effects arise, they are more likely to relate to timing than to income structuring. Because backdating is available for six years, some individuals — particularly those with fluctuating self-employment income — may delay a decision until they are closer to state pension age, or until a lump sum becomes affordable, rather than paying incrementally as gaps arise.

6.4.3. We would not want any reform to shorten the backdating window in a way that removes this flexibility for people on genuinely low or unpredictable incomes.

7. Information, guidance and decision-making

7.1. ***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?*

7.1.1. Digital tools such as the online state pension forecast and the 'view payable gaps' functionality in the Personal Tax Account and HMRC app are a real improvement, but they are not a complete answer. Not everyone is confident, or able, to use online services – whether because of age, disability, digital exclusion, or simply the complexity of their own record. It is therefore important that telephone routes through the Future Pension Centre and Pension Service remain available and are properly resourced, so that individuals are not deterred by long wait times from obtaining the guidance they need before committing money.

7.1.2. We would also encourage clearer, plain-English guidance (in both digital and paper/telephone form) that explicitly sets out key questions a person should ask themselves before paying, including:

- Whether a National Insurance credit or HRP entitlement might cover the gap instead (or in the case of HRP which fixes a historic problem on the NIC record, mean that the gap in question is of lesser impact);
- How close they are to state pension age, and whether they are likely to fill the gap any way through future work or credits;
- Whether they already have, or are likely to reach, the maximum qualifying years;
- Whether an increased state pension could affect entitlement to means-tested support such as Pension Credit;
- The state pension entitlement cannot be passed on to a beneficiary after death, which is a relevant consideration for older individuals in poor health; and
- For self-employed women looking to claim Maternity Allowance, whether an early Class 2 payment is genuinely necessary in their case, or whether they are already likely to have Class

2 treated as paid once their Self Assessment return is processed (see Example 6 in Appendix).

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

7.2.1. We do consider it is likely that some individuals pay for voluntary NICs that provide little or no benefit – for example because National Insurance credits may have been available to cover the gap, or because the resulting increase in state pension could affect means-tested entitlement elsewhere, or because the individual still had sufficient working years ahead of them that making voluntary contributions would not, in hindsight, have been necessary.

7.2.2. Given the complexity involved, it is possible that people turn to paid third-party assistance to help them navigate the decision, when free, impartial guidance from the Future Pension Centre, Pension Service or HMRC ought to be able to meet that need. We would encourage HMRC and DWP to ensure that free official routes are prominent, well-publicised and adequately resourced so that people do not feel they need to pay for advice or facilitation that is otherwise available for free, unless their situation is particularly complex.

7.2.3. As a specific, practical safeguard, we would recommend a clear ‘no benefit’ or ‘limited benefit’ flag within an individual’s online National Insurance record and payment journey, generated automatically from their own record (for example, where they already have or are projected to reach, the maximum qualifying years), so that the warning is presented at the point of decision rather than relying on the individual, or their advisor to work this out unprompted.

7.2.4. A similar principle should apply for the Maternity Allowance Class 2 process. DWP and HMRC hold enough information, in most cases, to indicate whether an early payment is actually likely to be needed, and this should be made clear to the claimant before they are asked to find the money.

8. Partial Year Voluntary NICs

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

8.1.1. Partial year gaps may be common for people moving between different types of activity within a tax year – for example someone who is self-employed for part of the year and then claims Universal Credit, or an employee who changes jobs (or transitions from employment to self-employment) partway through the year with a gap in between. They are also common for people with multiple part-time jobs, whose earnings pattern fall just short of a full qualifying year even though they have been in continuous work, and for people on zero-hour contracts or in seasonal work, whose income fluctuates around the Lower Earnings Limit from one week to the next.

8.2. ***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?*

8.2.1. The ability to top up a partial year by paying only for the specific number of weeks needed, rather than a full year regardless of the size of the gap, is a valuable and already proportionate feature of the system, particularly for low-income individuals whose credits or contributions almost, but not quite, reach the qualifying threshold. However, as discussed under Question 13, identifying exactly which weeks are missing, and therefore how much is actually owed, is not something most people can easily work out or verify for themselves online.

8.2.2. We would recommend that this week-by-week shortfall calculation be built into the self-service digital tools, alongside real-time, in year alerts (for example through the HMRC app) that notify an individual as soon as it becomes apparent, they are on track for a partial-year gap, together with practical guidance on the options available to them before the tax year closes.

8.2.3. We also feel that there should be better mainstream guidance available to help employees understand how partial year gaps can arise where they have been consistently employed but with fluctuating income.

9. Contributions for periods abroad and connection to the UK

9.1. ***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)?*

9.1.1. This is a less central area of our expertise, as our focus is primarily on people on low incomes in the UK. However, we would make the following points, drawing on our experience of the Autumn Budget 2025 changes, which took effect from 6 April 2026.

9.1.2. We would highlight that, from 6 April 2026, voluntary Class 2 NICs are no longer available for periods spent abroad at all – only the considerably more expensive Class 3 route remains, a roughly five-fold increase in cost for the same underlying entitlement (see Example 7 in Appendix). This is a bigger change than a simple tightening of eligibility, and we are concerned it is not yet widely understood, including by lower-income individuals who worked in the UK for a period and later moved abroad.

9.1.3. We would also flag the knock-on effect that is easy to overlook: because Class 3 only builds entitlement to the state pension, individuals abroad who previously used Class 2 to protect entitlement to contributory working-age benefits, such as New Style Employment and Support Allowance, will no longer be able to do so for periods spent overseas. This is a real loss of protection for a specific group, and one that may not be obvious to those affected until they come to claim.

9.1.4. Individuals abroad will typically rely on GOV.UK guidance, online communities, advisers and employers to understand their position, but the ‘connection to the UK’ test may not always be clearly explained, especially for those with complex or mixed UK/overseas residence histories.

9.2. ***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?*

9.2.1. We understand the fairness rationale for tightening access to voluntary NICs for periods spent abroad, particularly given the evidence that some users have limited ongoing connection to, or economic contribution to, the UK. However, we would caution that a test based on 10 continuous years of UK residence, or 10 years of qualifying contributions, could also catch people with a genuine and meaningful connection to the UK – for example, someone who worked and paid NICs in the UK for a number of years on a low income before moving abroad for family or health reasons, but who does not meet the 10 year threshold. A single residence or contribution test is blunt and may be difficult for people with complex or mixed UK/overseas histories to apply to their own position with confidence.

9.3. **_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.*

9.3.1. Allowing voluntary NICs from abroad lets people maintain state pension entitlement, and can influence decisions to keep UK ties, such as retaining property in the UK. It also gives people with mixed UK and overseas careers a route to avoid gaps in their record.

9.3.2. It could disproportionately favour those with higher income or wealth who can more easily afford to pay while abroad – particularly now that only the pricier Class 3 route is available and given that Class 3 does not build entitlement to contributory working-age benefits in the way Class 2 previously did.

9.3.3. HMRC should also seek to understand more clearly why different overseas groups want to maintain access to the UK system. There may be important differences between UK nationals moving abroad and migrants who have worked in the UK, paid NICs here, and then later leave. In the latter case, behaviour may be driven by perceptions of the UK state pension, concern that NICs already paid cannot generally be refunded, or uncertainty about entitlement in their home country's system. We would encourage HMRC to gather and publish more data, including through surveys or people paying voluntary NICs from abroad, so that any reforms are based on evidence about motivations and not assumptions.

9.4. **_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?*

9.4.1. Perceptions may be shaped by pricing (Class 3 only access abroad feels expensive relative to Class 2 available to some in the UK), by how arbitrary the connection test feels to individuals who consider themselves genuinely connected to the UK but who fail to meet it, and by how UK-based low-income contributors view wealthier expatriates being able to buy entitlement cheaply.

10. Further suggestions

10.1. **_Question 20:_** *What reforms to voluntary NIC's should the government consider to improve fairness between contributors?*

10.1.1. We would prioritise reforms that address the clearest structural sources of arguable unfairness between contributors, extending some protection to people whose National Insurance record is incomplete because earnings from multiple low-paid jobs are not aggregated (see Example 1, Appendix).

10.1.2. Building a mandatory check of National Insurance credit and HRP eligibility into voluntary NICs payment journey, so people are not incorrectly paying for entitlement they could get for 'free' (see Example 2 and 3, Appendix).

10.1.3. Ensuring any changes to pricing or eligibility consider ability to pay.

10.1.4. Maintaining flexibility in backdating rules for people who only discover gaps late in life, so reform aimed at improving fairness for the system as a whole does not inadvertently disadvantage people who acted reasonably on the information available to them at the time.

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

10.2.1. Beyond the fairness focused changes above, we would encourage the government to consider continued investment in free guidance and adequately resourced telephone support, recognising that not everyone can, or wants to, transact entirely online.

10.2.2. Prioritising timely delivery of the replacement National Insurance credits service, with full and prompt compensation for anyone affected by the delay.

10.2.3. Making the partial year shortfall calculation visible through self-service digital tools, alongside real time in year alerts, so people do not need to telephone HMRC to find out what a partial year will cost (see Example 4, Appendix).

10.2.4. An automated 'no benefit' or 'limited benefit' flag on the online National Insurance record check and payment journey.

10.2.5. Addressing structural inconsistency between the 'treated as paid' protection for some employees and the lack of an equivalent for people with fragmented, multiple low paid jobs.

10.2.6. Streamlining the Maternity Allowance Class 2 advance payment and refund process (see Example 6, Appendix).

10.2.7. Reconsidering the eligibility test for paying voluntary NICs from abroad (see Example 7, Appendix).

10.2.8. Periodically reviewing the list of specific categories automatically entitled to the lower Class 2 rate.

10.2.9. Review the voluntary NICs journey end-to-end across HMRC and DWP, so that responsibility for guidance, decision points, payments, credits, refunds and state pension outcomes is clear to the individual and does not depend on the claimant navigating departmental boundaries.

10.2.10. The government could also consider whether there is scope to use, or offset, NICs paid in circumstances where they do not generate additional benefit — for example, where someone continues working beyond state pension age and therefore receives Class 1 employer NICs but still has earlier gaps in their record. Allowing some form of allocation against historic gaps could provide a safeguard for low-income individuals who remain in work later in life, particularly where they have not reached a full state pension record. We recognise this would require careful design, but it illustrates the need to consider the wider coherence of the system rather than voluntary NICs in isolation.

11. LITRG's Key recommendations

11.1. Drawing together the points made in this response, we would ask the government to consider the following as part of any reform for voluntary NICs:

11.2. Address the fairness gap created by the lack of aggregation of earnings across multiple low-paid jobs for National Insurance purposes, which can leave people with substantial combined earnings without a qualifying year through no fault of their own (see Example 1, Appendix).

11.3. Build a mandatory check of National Insurance credit and HRP eligibility into the voluntary NICs payment journey (online and by phone), so that people are prompted to claim free entitlement before being able to pay, and ensure that backdating rules for relevant credits are sufficiently flexible so that people are not forced into paying voluntary NICs simply because the credit route was not identified earlier. (see Examples 2 and 3, Appendix).

11.4. Ensure guidance clearly explains the National Insurance consequences of not claiming a credit-carrying benefit an individual is otherwise entitled to, so that people who choose for personal reasons not to claim can still make an informed decision about whether to protect the year in another way, such as by paying voluntary NICs (see Example 5, Appendix).

11.5. Streamline the process for self-employed women claiming Maternity Allowance so they are not required to make an early, voluntary lump sum payment of Class 2 NICs simply to meet DWP's evidence requirements ahead of their Self-Assessment return being processed, and then separately reclaim it once their profits are confirmed as above the Small Profits Threshold (see Example 6, Appendix).

11.6. Ensure that any changes to pricing or eligibility consider ability/means to pay, so that reform aimed at the latter does not restrict or price out the former.

11.7. Maintain flexibility in backdating rules for people who only discover gaps in their record late in life and avoid retrospective restrictions that disadvantage people who acted reasonably on the information available to them at the time.

11.8. Continue to invest in free, accessible guidance and adequately resourced telephone support (Future Pension Centre and Pension Service), recognising that not everyone can, or wants to, transact entirely online, and that the decision whether to pay is genuinely complex.

11.9. Prioritise timely delivery of the replacement National Insurance credits service, and ensure that anyone left out of pocket, or forced to pay voluntary NICs unnecessarily, because of the delay is fully and promptly compensated.

11.10. Make the existing, already proportionate, partial-year shortfall calculation (the number of weeks needed and their cost) visible through self-service digital channels, so individuals do not have to telephone HMRC to find this out, and introduce real-time, in-year alerts so people can address a developing partial-year gap before the tax year closes (see Example 4, Appendix).

11.11. Add an automated “no benefit” or “limited benefit” flag to the online National Insurance record and payment journey, so individuals are warned before paying for a year that will not increase their entitlement.

11.12. Address the structural inconsistency between the ‘treated as paid’ protection available to some employees and the absence of any equivalent for the low-profit self-employed or those with multiple low-paid jobs.

11.13. Reconsider the eligibility test for paying NICs from abroad so that it reflects a rounded assessment of the UK connection, rather than a residence blunt contributions threshold, and ensure the impact of the withdrawal of overseas Class 2 access – including the loss of associated working-age benefit protection – is clearly communicated to those affected (see Example 7, Appendix).

11.14. Periodically review the list of specific categories automatically entitled to pay the lower Class 2 rate (for example examiners, invigilators, and ministers of religion without a stipend), to ensure it remains up to date and well publicised.

12. Closing

12.1. Voluntary NIC reform should not be treated as a narrow exercise in adjusting prices or eligibility conditions. It provides an opportunity to test whether the wider contributory framework remains coherent, transparent and fair. The boundaries between employed and self-employed NICs, the role of employer NICs, the distinction between tax and NICs, and the increasingly limited contributory principle are larger questions beyond the immediate scope of this response, but they form the backdrop against which perceptions of fairness in voluntary NICs arise. We would therefore encourage the government to consider whether a fuller review of the National Insurance framework is now needed.

13. About Us

13.1. The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those who are least able to pay for professional advice. We also produce free information, primarily via our website www.litrg.org.uk, to help make a difference to people’s understanding of the tax system.

13.2. LITRG works extensively with key stakeholders such as HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the tax system. LITRG also considers the welfare benefits system, and other related systems, to the extent that they interact with tax.

13.3. The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT’s primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

14. Contact

14.1. We would be happy to provide further information or discuss any aspect of this response. Please contact us at litrg@ciot.org.uk.

LITRG
DATE 14/09/2026

Appendix: Illustrative Examples

The following illustrative examples are referenced at the relevant points in the response above. Figures are based on the 2026/27 rates and thresholds unless stated otherwise and are provided to illustrate the underlying issue rather than as advice on any individual's position.

Example 1: Multiple low-paid jobs and the lack of NI aggregation

Priya works two part-time cleaning jobs. In job A she earns £110 a week, in job B she earns £100. Meaning Priya earns £210 a week in total, well above the overall Lower Earnings Limit of £129 per week. However, because Class 1 National Insurance is calculated separately for each employer, neither job on its own reaches the Lower Earnings Limit, so Priya builds no qualifying weeks towards her state pension in either job, despite working full weeks throughout the year. Had the same £210 been earned from a single employer, she would have built a full qualifying year at no extra cost. Assuming she is not entitled to National Insurance credits, Priya's only way to protect this year is to pay voluntary Class 3 NICs of £956.80, for a year in which she was already working throughout.

Example 2: Home Responsibilities Protection and voluntary NICs overlap

Janet claimed Child Benefit for her son between 1998 and 2007, entitling her to Home Responsibilities Protection (HRP) for those years, but this was never formally applied to her National Insurance record. On checking her state pension forecast during the extended window to pay NICs back as far as 2006, she saw gaps covering this period and, unaware she might already be entitled to HRP, paid in voluntary Class 3 NICs to fill one of the years that was still available under the extended window. She only discovered, when later contacting HMRC about a separate query, that HRP should have covered the year for free, and has since had to apply separately to have HRP applied to her record and to request a refund of the voluntary payment she need not have made.

Similar instances to this could continue to apply where a person decides to pay voluntary contributions for a more recent year to ensure they meet the required 35 years, but where historic HRP might have made this unnecessary.

Example 3: High Income Child Benefit Charge and a lost NI credit

Tom and Amara have two young children. Amara is not in paid work and cares for the children full time. Because Tom's income means the High-Income Child Benefit Charge would cancel out most of the value of the Child Benefit, the couple decided not to claim it, to avoid the administrative burden of the charge. As they never claimed Child Benefit, Amara did not receive the associated National Insurance credit for the years she was caring for the children, leaving gaps in her own record. If Amara is unaware of the replacement credits service from April 2027, she may go ahead on make voluntary contributions unnecessarily.

Example 4: Partial-year shortfall requiring a phone call

Michael was self-employed for nine months of the tax year and then claimed Universal Credit for the remaining three months, during which he received Class 3 credits. His state pension forecast shows the year as a gap but does not tell him how many of the 52 weeks are actually missing, or what it would cost to fill just those weeks. To find this out, Michael has to telephone HMRC's National

Insurance Contributions Office and wait on hold rather than being able to see a specific, already-proportionate weekly figure through his Personal Tax Account or HMRC app.

Example 5: Eligible for a credit-carrying benefit but choosing not to claim

Grace cares for her elderly mother for more than 35 hours a week and would be eligible for Carer's Allowance, which carries an automatic National Insurance credit. Grace has decided not to claim it, as she finds a means-tested benefit application intrusive, and is concerned that reporting a change in her mother's care needs to DWP might complicate her mother's own benefit claim. This is a reasonable, personal decision for Grace to make. However, she is not aware that not claiming Carer's Allowance also means she is not receiving the associated National Insurance credit, and she may only discover the resulting gap in her record years later, at which point paying voluntary Class 3 NICs may be her only remaining option to protect that year.

Example 6: Maternity Allowance and the Class 2 advance payment and refund cycle

Beth is self-employed with profits comfortably above the Small Profits Threshold of £7,105, meaning her Class 2 National Insurance would normally be treated as paid automatically once her Self-Assessment tax return is processed, without her needing to pay anything. Beth's baby is due in September 2026, so to receive Maternity Allowance at the full rate of £194.32 a week, DWP need evidence that she has paid Class 2 NICs for at least 13 of the 66 weeks before the due date. However, Beth's Class 2 position for the relevant tax year will not normally be confirmed until she files her Self-Assessment tax return, due the following 31 January – well after her Maternity Allowance claim. To meet DWP's evidence requirement in time, Beth has to make an early, voluntary lump sum payment of Class 2 NICs. Once her tax return is later filed and her profits are confirmed as above the Small Profits Threshold, Beth is entitled to a refund of the Class 2 NICs she paid early, since she would have been treated as having paid them anyway. Beth must therefore find the cash and pay in advance, at a financially pressured time, and then separately navigate a refund process, purely because of a timing mismatch between the Maternity Allowance claim and the Self-Assessment cycle.

Example 7: Impact of the withdrawal of overseas Class 2 access

David worked and paid Class 1 National Insurance in the UK for 12 years before moving abroad in 2027 to care for an elderly relative. Under the rules that applied before 6 April 2026, David would have been able to pay the lower Class 2 rate for periods spent abroad, provided he had been employed or self-employed immediately before leaving the UK. From 6 April 2026, only the considerably more expensive Class 3 rate is available for periods spent abroad, meaning the cost of protecting each year of David's state pension has increased roughly five-fold, from £189.80 to £956.80 a year, despite his clear and lengthy prior connection to the UK.