

# National Insurance credits changes – public consultation

October 2010

# Contents

- Introduction..... 3
  - About this consultation ..... 3
  - How to respond to this consultation ..... 4
  - How we consult..... 4
- The consultation ..... 7
  - National Insurance credits for grandparents and certain other adult family members who provide childcare ..... 7
  - Starting credits ..... 9
  - Further background..... 10
- Annex 1 ..... 11
  - Basic State Pension ..... 11
- Annex 2 ..... 16
  - Bereavement Benefits..... 16

# Introduction

This consultation seeks views to inform two National Insurance (NI) credits changes we are legislating for by April 2011:

- introducing new **NI credits for grandparents and certain other adult family members who provide familial childcare for children under the age of 12**, from the 2011/12 tax year; and
- bringing to an end, awards of NI credits for the tax year in which people reach age 16 and the two following tax years – **Starting Credits** – to have effect from 6 April 2010.

## About this consultation

### Who this consultation is aimed at

We would like to hear from all who are interested, particularly those representing:

- childcare providers to help define who should be included in the list of adult family members who provide familial child care (an example question is “Should a former spouse or former civil partner remain a step-parent?”); and
- the bereaved to help define how we protect the position of people whose entitlement to Bereavement Benefits may be impacted as a result of the cessation of awards of Starting Credits.

### Scope of consultation

This consultation applies to England, Wales and Scotland.

### Duration of the consultation

The consultation period begins on **Friday 15 October 2010** and runs until **Friday 26 November 2010**.

The Government Code of Practice on Consultation recommends a minimum 12-week consultation period for public consultations, unless there are good reasons for a limited consultation period. In this case, this issue is of relatively limited interest, therefore our Minister has agreed that a limited consultation is appropriate.

## How to respond to this consultation

Please send your consultation responses to:

State Pensions Division  
5<sup>th</sup> Floor Caxton House  
6-12 Tothill Street  
London SW1H 9NA

**Fax** 020 7449 5896

**Email** [PENSIONS.STATE@DWP.GSI.GOV.UK](mailto:PENSIONS.STATE@DWP.GSI.GOV.UK)

Please ensure your response reaches us by **Friday 26 November 2010**.

When responding, please state whether you are doing so as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear who the organisation represents, and where applicable, how the views of members were assembled. We will acknowledge your response.

We have notified this consultation to people and organisations who have already been involved in this work or who have expressed an interest in it. Please share this document with, or tell us about, anyone you think will want to be involved in this consultation.

We will publish the responses to the consultation by the end of February 2011 in a report on the consultations section of our website [www.dwp.gov.uk/consultations](http://www.dwp.gov.uk/consultations). The report will summarise the responses and the action that we will take as a result of them.

An impact assessment has not been produced to go with this consultation as there is no impact on the private sector and minimal impact on the public sector. An equality impact assessment will be produced for the legislation required for these changes.

### Queries about the content of this document

If you have any queries about this consultation, or would like to receive the consultation document in a different format, please contact us using the contact details above.

## How we consult

### Freedom of information

The information you send us may need to be passed to colleagues within the Department for Work and Pensions, published in a summary of responses received and referred to in the published consultation report.

All information contained in your response, including personal information, may be subject to publication or disclosure if requested under the Freedom of Information Act

## National Insurance credits changes – public consultation

2000. By providing personal information for the purposes of the public consultation exercise, it is understood that you consent to its disclosure and publication. If this is not the case, you should limit any personal information provided, or remove it completely. If you want the information in your response to the consultation to be kept confidential, you should explain why as part of your response, although we cannot guarantee to do this.

To find out more about the general principles of Freedom of Information and how it is applied within DWP, please contact:

Central Freedom of Information Team  
The Adelphi  
1-11 John Adam Street  
London WC2N 6HT

>> [Freedom-of-information-request@dwp.gsi.gov.uk](mailto:Freedom-of-information-request@dwp.gsi.gov.uk)

The Central Freedom of Information Team cannot advise on specific consultation exercises, only on Freedom of Information issues. More information about the Freedom of Information Act can be found on the DWP website.

>> [www.dwp.gov.uk/freedom-of-information](http://www.dwp.gov.uk/freedom-of-information)

## The consultation criteria

The consultation is being conducted in line with the Government Code of Practice on Consultation.

>> [Government Code of Practice on Consultation](#) (BIS).

The seven consultation criteria are:

- **When to Consult.** Formal consultation should take place at a stage when there is scope to influence the outcome.
- **Duration of consultation exercises.** Consultations should normally last for at least 12 weeks, with consideration given to longer timescales where feasible and sensible.
- **Clarity of scope and impact.** Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence, and the expected costs and benefits of the proposals.
- **Accessibility of consultation exercises.** Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is designed to reach.
- **The burden of consultation.** Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.
- **Responsiveness of consultation exercises.** Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

## National Insurance credits changes – public consultation

- **Capacity to consult.** Officials running consultation exercises should seek guidance in how to run an effective consultation exercise, and share what they have learned from the experience.

### Feedback on the consultation process

We value your feedback on how well we consult. If you have any comments on the process of this consultation (as opposed to the issues raised) please contact our Consultation Coordinator:

Roger Pugh  
DWP Consultation Coordinator  
1<sup>st</sup> Floor Crown House  
2 Ferensway  
Hull HU2 8NF

**Phone** 01482 584681

>> [roger.pugh@dwp.gsi.gov.uk](mailto:roger.pugh@dwp.gsi.gov.uk)

In particular, please tell us if you feel that the consultation does not satisfy the consultation criteria. Please also make any suggestions as to how the process of consultation could be improved further.

If you have any requirements that we need to meet to enable you to comment, please let us know.

# The consultation

This consultation seeks views to inform two National Insurance (NI) credits changes we are legislating for by April 2011:

- introducing new **NI credits for grandparents and certain other adult family members who provide childcare for children under the age of 12**, from the 2011/12 tax year; and
- bringing to an end, awards of NI credits for the tax year in which people reach age 16 and the two following tax years – **Starting Credits** – to have effect from 6 April 2010.

## National Insurance credits for grandparents and certain other adult family members who provide childcare

### Overview

Lobbyists have previously made representations about the help with childcare given by grandparents. For example, it is recognised that many grandparents look after their grandchildren to enable the Child Benefit recipient (usually their parent(s)) to work. For some, this may mean sacrificing their own incomes in retirement.

In the 2009 Budget, it was announced that grandparents looking after children under the age of 12, where the Child Benefit recipient works, will be credited with NI contributions towards their State Pension. It was also confirmed that this protection would not be restricted to grandparents but would also cover other adult relatives providing childcare.

### About the change

- We propose that weekly Class 3 NI credits will be made available to help protect the eligibility to a basic State Pension and Bereavement Benefits for grandparents and certain adult family members providing childcare.
- The new NI credits will not be awarded automatically; they must be applied for. NI credits will be transferred from the Child Benefit recipient to an eligible applicant.
- Since 2008, it has been possible to transfer Home Responsibilities Protection and now NI credits, from the parent receiving Child Benefit to the other, as long as the person from who the NI credits are being transferred has a qualifying year and does not need the protection for their basic State Pension (or State Second Pension).

## **National Insurance credits changes – public consultation**

- A similar condition will apply in relation to grandparents and certain other adult family members providing childcare for a child under the age of 12. This avoids any problem that such relatives might be treated more favourably than fathers.
- This also removes the need for supporting evidence and avoids burdensome verification arrangements because administrative data already held is used. Consequently, an application countersigned by the Child Benefit recipient is all that is required.
- Applications will need to be made retrospectively as it could only be seen whether the Child Benefit recipient had the necessary qualifying year once Her Majesty's Revenue & Customs' NI records for the tax year in question are complete. The need for the Child Benefit recipient to have a qualifying year removes any risk of double provision.

## **The details**

- Unlike transferring NI credits between Child Benefit recipients where we rely on the recipients living at the same address, for these NI credits, it is unlikely (although possible) that the applicant will live at the same address as the Child Benefit recipient at the time of the application. We will not, therefore, be able to use the same address or surname as a means of validation.
- Where applications are made by more than one person, the applications will be reviewed before any NI credits are awarded. Awarding NI credits for the relevant weeks rather than complete years will reduce the volume of such "rival" applications. So, too, will the inherent need for retrospective applications; it will only be possible to determine whether NI credits may be transferred some time after the relevant tax year has ended. This results from the condition (as with transfers between parents) for the Child Benefit recipient to have a qualifying year by other means (NI credits or NI contributions). This means that patterns of childcare can be recorded and submitted with the application – for instance, a child may spend alternate weeks with their different grandmothers and at the end of the year, each grandmother can apply for the weeks they provided childcare.
- Applications will be accepted from grandparents and certain other adult family members who provide childcare. However, the Child Benefit recipient will need to countersign the application form, thereby not only confirming the childcare arrangement, but also authorising the transfer of NI credits from their record (where they cannot count) to another's.
- There will be no time limits for such applications.

## **Issues for the consultation**

We welcome comments from all individuals and organisations, particularly those representing childcare providers to help define which categories of adult family members should be who entitled to apply for NI credits by virtue of their providing childcare for a child under the age of 12.

A sample question is “Should a former spouse or former civil partner continue to be treated as a step-parent and therefore be eligible to receive this credit?”

## **Starting credits**

### **Overview**

Since April 1975, NI contributions have been credited to people for the tax year in which they reach age 16 and the following two tax years in order to protect their future basic State Pension entitlement and Bereavement Benefits for a spouse or civil partner (“Starting Credits”). The policy intention behind the credits was to ensure that young people staying on in education beyond the minimum school leaving age did not lose future benefit entitlement as a result. There is no requirement for the individual to be in the UK at the relevant age. This was primarily to ensure that young people being educated abroad were not penalised.

### **About the change**

- We propose stopping new awards of Starting Credits from 6 April 2010 since pension changes that were introduced in April 2010 mean that they will be largely irrelevant for State Pension purposes for people who have lived and worked in the UK most of their lives.

### **The details**

- Subject to Parliamentary approval, the Government has decided that Starting Credits should be discontinued from April 2010 but existing awards will remain in place.
- Starting Credits are awarded to all young people for the tax years in which they attain age 16, 17 and 18 up to the level needed to make it a “qualifying year” which counts towards basic State Pension and Bereavement Benefits.
- The reduction in the number of qualifying years needed for a full basic State Pension to 30 from 6 April 2010 means that few people who have spent most of their working lives in the UK will need to have relied on their Starting Credits for this purpose.
- For operational reasons, these credits are awarded whenever a NI number is allocated; there is no requirement to have been in the UK at the relevant time so that people coming to the UK, even for a relatively short time, who need a NI number for any reason, acquire these credits.
- The removal of the “de minimis” condition (25% rule) which meant that people reaching State Pension age before 6 April 2010 needed qualifying years for at least 25% of the number of years needed for a full basic State Pension in order to get any basic State Pension at all means that a person can now acquire a basic State Pension of 10% of the full amount based on award of Starting Credits alone. A

## **National Insurance credits changes – public consultation**

person with no real connection to the UK can become entitled to UK State Pension in this way.

- The removal of Starting Credits will have no effect on future State Pension customers until at least 2025 and any subsequent effect will be negligible for the majority of people who have spent their working lives in the UK.
- However, a small number of young people, currently below age 18, may be adversely affected. These are people who marry or form a civil partnership, and have responsibility for children, and whose spouse or civil partner dies relatively early in their working life.
- In order to get the full amount of Widowed Parent's Allowance, there is a condition that 90% of the "working life" (from the start of the tax year in which age 16 is reached until the end of the tax year before the one in which death occurs) is covered by qualifying years of NI contributions or credits. Where these young people are concerned, Starting Credits may have a significant effect on entitlement.

## **Issues for the consultation**

We welcome comments from all individuals and organisations, particularly those representing the bereaved, to help define how we protect the position of people whose entitlement to Bereavement Benefits may be impacted as a result of the cessation of awards of Starting Credits.

## **Further background**

**Annex 1** – Basic State Pension

**Annex 2** – Bereavement Benefits

# Annex 1

## Basic State Pension

### What is it?

The basic State Pension is awarded to a person who has claimed it and who is at or over State Pension age and meets the qualifying conditions summarised below. The award is based on their National Insurance (NI) record of contributions and credits. In some circumstances the NI record of contributions and credits made by a husband, wife or civil partner, or a late or former husband, wife or civil partner, may be used in the calculation of how much State Pension a person may receive. *[Social Security Contributions and Benefits Act 1992, Part III]*

### How does someone qualify for a basic State Pension?

There are two parts to qualifying for a basic State Pension. A person must:

- have reached their State Pension age
- have enough NI contributions for the necessary number of qualifying years in their working life. They may have paid the contributions, been treated as having paid them or been credited with them. *[Pensions Act 2007, Section 1]*

### What NI contributions count towards State Pension?

We include Class 1, 2 or 3 NI contributions paid, credited, or treated as paid when we work out State Pension. Basic State Pension is paid at a full rate when the contribution conditions are met in full, or otherwise at a reduced rate (subject to the conditions being satisfied). NI contributions are payments to the NI Fund. *[Social Security Contributions and Benefits Act 1992, Sections 5-9 and 11-14]*

If a person earns less than the Primary Threshold (£110 a week for 2010/11), but at or above the Lower Earnings Limit (£97 a week for 2010/11), they will be treated as if they had paid NI contributions, although no NI contributions will actually be paid. If a person is self-employed they will have to pay Class 2 NI contributions unless Her Majesty's Revenue & Customs (HMRC) has given them what is called a Small Earnings Exception. People with this exception may choose to pay Class 2 NI contributions which are paid at a flat rate (£2.40 a week for 2010/11). They may also have to pay Class 4 NI contributions which HMRC normally collects with income tax. Class 4 NI contributions do not count for benefit purposes. If a person does not work, or if they earn below the Lower Earnings Limit either some, or all, of the time, they may choose to pay Class 3 voluntary NI contributions. Class 3 NI contributions cost £12.05 a week for 2010/11.

## **What is meant by “enough NI contributions”?**

A person has to have paid, been treated as having paid or been credited with enough NI contributions on their earnings in a given tax year for it to count as a qualifying year. *[Social Security Contributions and Benefits Act 1992, Section 122 (1)]*

## **What counts as earnings for basic State Pension?**

Earnings on which Class 1 and Class 2 NI contributions have been paid, and Class 3 NI contributions, will count towards State Pension. Earnings on which full rate Class 1 NI contributions have been paid or are treated as having been paid, count as qualifying earnings. Earnings on which Class 1 NI contributions have been paid or treated as paid (up to the Upper Earnings Limit (UEL) of £844 a week in 2010/11) and Class 2 and Class 3 NI contributions count towards State Pension. Each Class 2 or 3 NI contribution counts as one week's earnings at the Lower Earnings Limit. For 2010/11 this means that if a person paid 20 Class 2 NI contributions, they would count as earnings of 20 x £97, and this would count as earnings of £1,940.

Earnings from married women and widows who have chosen to pay reduced-rate NI contributions do not count as qualifying earnings. Instead, they have opted to pay a lower rate of NI from their earnings. *[Social Security Contributions and Benefits Act 1992, Section 22; Social Security Earnings Factors Regulations 1979]*

## **What is meant by the “Lower Earnings Limit”?**

The Lower Earnings Limit (£97 a week for 2010/11) is set by Parliament each year. If a person has earnings for the tax year that fall below this level then they will not pay NI contributions or be treated as having paid them to the NI scheme. *[Social Security Contributions and Benefits Act 1992, Section 5]*

## **NI contributions if the earnings are below the Primary Threshold**

People whose earnings are more than the Lower Earnings Limit, but are below the Primary Threshold (£110 a week for 2010/11) set for that tax year, will not have to pay NI contributions based on their earnings. They will be treated as if they have paid NI contributions. These NI contributions will count when we work out their State Pension. *[Social Security Contributions and Benefits Act 1992, Section 5]*

## **What is meant by “a qualifying year”?**

Since April 1978 a qualifying year has meant a tax year in which a person received (or was treated as having received) qualifying earnings of at least 52 times the weekly Lower Earnings Limit set for that year. *[Social Security Contributions and Benefits Act 1992, Section 122]*

For the tax years 1975/76 – 1977/78, a qualifying year is 50 times the weekly Lower Earnings Limit set for each year. *[Social Security Act 1975, Schedule 3]*

## **National Insurance credits changes – public consultation**

For the period before April 1975, we change the flat rate NI contributions into a number of qualifying years by dividing the total number of NI contributions paid, (or credited with having been paid) by 50. There is a limit on this number. This means that the figure cannot be more than the number of years in a working life up to 5 April 1975. *[Social Security (Widows Benefits and Retirement Pensions) (Transitional) Regulations 1979, Regulation 7(2)]*

### **Working life**

From the start of the tax year in which a person becomes 16 to the end of the tax year before the one in which they reach their State Pension age, or in which they die, if they die before reaching State Pension age, is what we call the working life. This is the period over which a person can meet the contribution conditions for basic State Pension.

### **What is the “necessary number of years”?**

To qualify for a full basic State Pension, a person needs 30 qualifying years in their working life. If they have fewer than 30 years, they will qualify for a basic State Pension of 1/30th of the full rate of basic State Pension for each complete qualifying year they have built up, up to a maximum of 30/30ths. The only people reaching State Pension age on or after 6 April 2010 who will not be entitled to any basic State Pension, are those who have not built up one qualifying year through NI contributions they have paid or are treated as having paid, or credits. *[Social Security Contributions and Benefits Act; Pensions Act 2007, Section 1]*

### **People who do not have enough NI contributions**

If a person does not have enough NI contributions based on their own record they may be able to use the record of their husband, wife or civil partner or their former husband, wife or civil partner for the calculation of their basic State Pension. *[Social Security Contributions and Benefits Act, Section 48]*

If their NI contributions record is not complete, they may be able to pay for the missing NI contributions in order to qualify for, or improve, their basic State Pension. (There are time limits on making these payments.) *[Social Security (Crediting and Treatment of Contributions, and National Insurance Numbers) Regulations 2001]*

### **Paying Class 3 NI contributions for previous years**

It may be possible to pay Class 3 NI contributions (for example, to make up for gaps in previous tax years) to qualify for a basic State Pension or to increase the rate of the basic State Pension. Class 3 NI contributions can be paid after a person reaches State Pension age, but they will not normally count towards backdating State Pension for a past period. They will only count from when the NI contributions were actually paid.

Married women and widows cannot pay Class 3 NI contributions for any tax year when they had liability to pay reduced-rate NI contributions for the whole year.

## **NI credits**

In some circumstances, people may get credits on their NI record. This means they do not actually pay NI contributions, but are credited with them. People will get these NI credits added to their NI record if they satisfy certain conditions and they were:

- getting Working Tax Credit;
- on an approved training course;
- on jury service;
- serving a prison sentence for a conviction which was subsequently quashed;
- getting Statutory Sick Pay;
- getting Statutory Maternity Pay;
- getting Statutory Adoption Pay;
- getting Maternity Allowance;
- getting Jobseeker's Allowance;
- getting Incapacity Benefit or Employment and Support Allowance;
- getting Unemployability Supplement;
- getting Carer's Allowance;
- getting Child Benefit for a child under 12;
- are an approved foster carer;
- getting Carer's Credit;
- a wife, husband or civil partner of a member of Her Majesty's forces on an accompanied assignment outside the UK.

Since 1975 people get NI credits automatically for the tax year in which their 16th birthday fell and the two following years. (Prior to 1975 NI contributions could be credited to any person who had not attained the age of 18 for any week of education, apprenticeship or training provided there was no liability to pay a NI contribution. The class of NI credit depended on their circumstances, but for someone who had not regularly worked it was a NI credit as a non-employed person (similar to the present Class 3)). Between 1983 and April 2010, men also got NI credits for the tax year in which their 60th birthday fell and the four following tax years. These are being phased out from 6 April 2010 in line with the increase in women's State Pension age. Men born after 5 October 1954 will not get these NI credits. Men born earlier will get between one and five full years of automatic NI credits depending on their date of birth. [*SSCBA 1992 Section 22 (5); Social Security (Credits) Regulations 1975*]

## **Classes of NI contributions**

There are six classes of NI contributions. Only three count towards qualifying years for State Pensions:

## National Insurance credits changes – public consultation

**Class 1** (*Sections 5 to 9 of and Schedule 1 to the Social Security Contributions and Benefits Act 1992*) Paid for by employed earners and their employers. Employees pay Class 1 NI contributions if they work for an employer and earn more than the primary threshold (£110 per week in 2010/11). The percentages paid are:

- 11% of £110.01 to £844 per week;
- 1% above £844 per week.

The employer also pays NI contributions for the employee if they earn more than the primary threshold.

- 12.8% on earnings above £110 per week – there is no upper limit on the employer's NI contributions.

Some married women and widows can still pay their NI contributions at a reduced rate.

**Class 2** (*Sections 11 and 12 of and Schedule 1 to the Social Security Contributions and Benefits Act 1992*) Paid by self-employed people. Paid at a flat-rate (£2.40 per week in 2010/11).

**Class 3** (*Sections 13, 13A and 14 of and Schedule 1 to the Social Security Contributions and Benefits Act 1992*) Voluntary NI contributions that may be paid to protect to protect a NI contributions record in some circumstances. Paid at a flat-rate (£12.05 per week in 2010/11).

Class 3 NI contributions can be paid for previous years to enable someone either to qualify for a basic State Pension at the minimum rate or to increase the rate of the basic State Pension for which they have qualified.

Any arrears of NI contributions paid after State Pension age cannot normally count for payment of basic State Pension from a date earlier than the day on which the NI contributions were paid.

Married women and widows cannot pay Class 3 NI contributions for any tax year in which they had reduced-rate liability for the whole year.

# Annex 2

## Bereavement Benefits

### What are they?

There are three Bereavement Benefits based on National Insurance (NI) contributions:

- Bereavement Payment;
- Bereavement Allowance; and
- Widowed Parent's Allowance.

### Bereavement Payment

A tax-free payment of £2,000 payable to someone after their wife, husband or civil partner has died.

### Bereavement Allowance

A taxable weekly benefit which can be paid to someone for up to 52 weeks from the date of death of their wife, husband or civil partner.

Bereavement Allowance can be claimed if all of the following apply to a person:

- they are a widow, widower or surviving civil partner aged 45 or over when their husband, wife or civil partner died;
- they are not bringing up children;
- they are under State Pension age; and
- their late husband, late wife or late civil partner paid NI contributions or they died as a result of an industrial accident or disease.

Bereavement Allowance is paid on a sliding scale according to the surviving spouse or surviving civil partner's age at the date of death with the lowest maximum rate being payable to those aged 45 (£29.30 in 2010/11) and the highest maximum rate to those aged 55 or over up to State Pension age (£97.65 in 2010/11). The actual amount payable to the surviving spouse or surviving civil partner depends on:

- the overall level of their late spouse's or late civil partner's NI contributions;
- the surviving spouse's or surviving civil partner's age at the time of their late spouse's or late civil partner's death; **and**
- if relevant, may be paid if Widowed Parent's Allowance stops within 52 weeks of bereavement, depending on the surviving spouse's or surviving civil partner's age at death.

## **Widowed Parent's Allowance**

This is a taxable weekly benefit which may be payable to a parent whose husband, wife or civil partner has died if they have at least one child for whom they receive Child Benefit.

All the following conditions must apply:

- they are bringing up a child or young person under 19 (or 20 in some cases) for whom they are getting Child Benefit;
- they are under State Pension age;
- their husband, wife or civil partner has died; **and**
- their husband, wife or civil partner paid NI contributions.

Widowed Parent's Allowance may also be payable if:

- a woman is expecting her late husband's baby or (from fertility treatment) late civil partner's baby; or
- a spouse or civil partner died as a result of their work – even if they did not pay NI contributions.

The maximum basic Widowed Parent's Allowance is £97.65 a week; a reduced payment is made if the NI contributions record falls short of what is needed for full Widowed Parent's Allowance. There may also be entitlement to Additional State Pension.

### **What NI contributions count towards Bereavement Benefits?**

### **What counts as earnings for Bereavement Benefits?**

### **What is meant by the "Lower Earnings Limit"?**

### **NI contributions if earning are below the Primary Threshold**

### **What is meant by a "qualifying year"?**

### **People who do not have enough NI contributions**

### **NI credits**

### **Classes of NI contributions**

These are the same as for basic State Pension – see Annex 1.

## **Contribution conditions for Bereavement Payment**

There is only one contribution condition for a Bereavement Payment. The husband, wife or civil partner who has died must have actually paid, in any one tax year, enough Class 1, 2 or 3 NI contributions to make a "qualifying year". NI contributions paid in different years can be added up in certain circumstances – for example, if the spouse or civil partner had only just become liable to pay NI contributions when they died.

## Contribution conditions for Bereavement Allowance and Widowed Parent’s Allowance

The first contribution condition is that the husband, wife or civil partner who has died must have actually paid enough Class 1, 2 or 3 NI contributions in any year before they died to achieve a “qualifying year”. This condition does not need to be satisfied if they were getting long-term Incapacity Benefit or contributory Employment and Support Allowance in the year they died.

The second contribution condition is that the late husband, wife or civil partner must either have paid or been credited with contributions for 90% of their “working life”. If they did not have NI contributions or NI credits for the right number of years, a reduced rate of Widowed Parent’s Allowance or Bereavement Allowance may be payable so long as they had NI contributions or NI credits for at least 25% of the necessary years.

### Working Life

The working life for Bereavement Benefits purposes is from the start of the tax year in which age 16 is reached until the end of the tax year before the one in which the spouse or civil partner dies.

90% of the years within that “working life” need to be qualifying years of paid, treated as paid or credited NI contributions in order to satisfy the second contribution condition for Widowed Parent’s Allowance and Bereavement Allowance in full. This effectively means that for different durations of “working life” the following number of “qualifying years” is necessary:

<b>Duration of working life</b>	<b>Number of years needed</b>
10 years or less	number of years in working life minus 1
20 years or less (more than 10)	number of years in working life minus 2
30 years or less (more than 20)	number of years in working life minus 3
40 years or less (more than 30)	number of years in working life minus 4
More than 40 years	number of years in working life minus 5

Before 6 April 2010, the number of “qualifying years” needed could be reduced by the number of tax years for which Home Responsibilities Protection (HRP) had been awarded for up to a maximum of half the “working life”. From 6 April, HRP was replaced by a system of NI credits for parents and carers. Any full tax years of HRP were converted to “qualifying years” of NI credits. These converted years can be used for up to half the “working life” of a person who died on or after 6 April 2010 in addition to any other NI credits.

## **Paying Class 3 NI contributions for previous years**

It may be possible to pay Class 3 NI contributions to fill gaps in the NI contributions record of the spouse or civil partner who has died. This can be either to qualify for one of the Bereavement Benefits or to increase the rate of Bereavement Allowance or Widowed Parent's Allowance. Class 3 NI contributions can be paid after Bereavement Allowance or Widowed Parent's Allowance has been put into payment but they will only count (ie: increase the rate) from when they are actually paid. Class 3 NI contributions cannot be paid for any year in which the late wife or late civil partner had a valid married woman's reduced-rate election throughout the year.