

## **British pensions Class 2 and 3, voluntary contributions (VC's)**

If you have worked in Britain for 11 years (Men), 10 years (Women) you will be entitled to a part (25%) £1035/yr. (\$2505) UK State age pension. This also applies to Australian nationals.

If you are not yet at retirement age, 65 men, 60 women, then on application to the UK's Department of Work and Pensions (DWP), you will be invited and probably allowed to pay "Class 3" (VC's). If the offer is accepted by you this will crystallise your entitlements to date and increase your pension entitlement, by about 2% (£83/yr) for each year's extra contributions. Otherwise those initial entitlements will evaporate and be lost.

You should be invited to back pay 6 years of VC's and pay for the remaining years to retirement, e.g. if you are 61(male) then you can pay 6 + 4 years VC's, increasing your entitlement by about 20% (£828/year [\$1988])

Each year's VC, presently costs about £350 (approx. \$850), but the pay-back is good, about 4.3 years for a single man or woman or 2.7 years if receiving a married man's pension for a dependent wife too.

**Class 2 VC's apply but only if one is still working, and currently cost only about £105/year (\$255), however this option is applicable only since 2000.**

**If you have not reached the threshold of 11years (men) or 10 years (women) you can achieve the threshold by paying required VC's. Such action is thoroughly recommended**

The April 2004-March 2005, single person's basic full rate of a UK State pension is £79.60/week. (Approx. \$190). If married with a dependent wife the pension is £127.36/week (approx \$307), at current exchange rates. This is indexed each year but only until yours commences.

Receiving a UK State pension in Australia, there is also an 8% UPP allowable deduction in calculating your Australian taxable income.

The good news ends there, for in most Commonwealth countries, once commenced, the UK State pension is never adjusted for inflation, it is "frozen" for the rest of your life. Not so in some 49 countries around the world like the USA, Turkey, Israel, and the expanded EU including EEA countries, where it is regularly inflation indexed.

However, an Alliance of Commonwealth expatriate pensioner associations is challenging this unwarranted discriminatory pension regulation in UK Courts; the plaintiff being Cape Town based Mrs. Annette Carson. The case will now be heard in the House of Lords, in February 2005, and may have to go to the European Court of Human Rights, thereafter.

If you should travel to most of the 49 "unfrozen" countries, then for the duration of your stay your UK pension will be inflation indexed but you will have to advise the DWP of your travelling arrangements.

For more information on any of, the VC's, the UK number to receive a pension forecast, Mrs. Carson's legal challenge in the UK courts, the tax deduction, or your extra UK pension on vacation, call Jim Tilley 02 9521 7964, write to PO Box 524 Campbelltown NSW 2560 or email [HYPERLINK mailto:jimtilley@bigpond.com](mailto:jimtilley@bigpond.com)

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