Isle of Man Government

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Social Security

A guide to the new Manx State Pension (and the Manx Pension Supplement)

The Treasury
Yn Tashtey

MSP5
April 2023

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1. Introduction

The State Pension has changed for people who reach state pension age on or after 6 April 2019. This is men and women born on or after 6 January 1954.

The old State Retirement Pension rules (which included basic State Pension and Additional State Pension) were complicated, making it difficult to know how much you'd get until you were close to state pension age. With the introduction of the new Manx State Pension from 6 April 2019, people will know from a much younger age how much they're likely to get from the state, providing a solid base for their saving and retirement planning.

References to the "new State Pension" in the rest of guide are to be read as references to the "new Manx State Pension".

2. What is the State Pension?

The State Pension is a regular payment from the government most people can claim when they reach state pension age. Not everyone gets the same amount. How much you get depends on your National Insurance record.

Most people who will reach state pension age before 6 January 2039 who live on the Isle of Man will also get the Manx Pension Supplement (see page 7), in addition to their State Pension. For those who are eligible, the Manx Pension Supplement is paid at the same time and in the same way as their State Pension.

For many people, the State Pension is only part of their retirement income. They may also have money from a workplace pension, other pension, savings and/or earnings.

3. How does the new State Pension work?

The new State Pension is based on people's individual National Insurance records.

People with no National Insurance record before 6 April 2019 will need 35 qualifying years to get the full amount of new State Pension, when they reach state pension age.

However, most people will have made, or been credited with, National Insurance contributions before 6 April 2019. When they reach state pension age, in most cases, their new State Pension will take into account their National Insurance record both before and after 6 April 2019. The new State Pension rules make sure that the amount of State Pension you get for your contributions before 6 April 2019 is no less under the new State Pension than you would have got under the old State Retirement Pension rules, provided you meet the 10 year minimum qualifying period, which is explained below.

For the new State Pension, you'll normally need at least 10 'qualifying years' on your National Insurance record to get any State Pension. These can be from before or after 6 April 2019, and they don't have to be 10 years in a row.

Under the new State Pension, how much you get will usually be based on your own National Insurance record only. Your wife's, husband's or civil partner's National Insurance record won't normally be considered.

What is a 'qualifying year'?

A qualifying year for State Pension can be made up through combining earnings, National Insurance credits, self-employment and voluntary contributions.

A qualifying year can be built up if -

- you're employed and earning over £145 a week or more from one employer and paying National Insurance contributions

- you're employed and earning between at least £123 a week, but less than £145 a week, from one employer and are treated as having paid National Insurance contributions
- you're self-employed and paying Class 2 National Insurance contributions (£5.70 a week - or £7.00 a week if you are a share-fisherman
- you pay voluntary Class 3 National Insurance contributions (£17.45 a week)
- you qualify for National Insurance credits – see page 4

The amounts stated above relate to the **2023/24 tax year**. They are different for earlier years and will most likely be different for future years.

If you don't earn enough or pay enough Class 2 or Class 3 National Insurance contributions you can get National Insurance credits in certain circumstances, for example, when -

- you have caring responsibilities (including getting Child Benefit for a child under 12)
- you're claiming certain benefits such as Carer's Allowance, Employed Person's Allowance, Jobseeker's Allowance or Incapacity Benefit.

If you're responsible for a child under 12 but aren't entitled to child benefit because of the level of your household's income, you may be eligible for credits. You should claim these as soon as possible, as it's not always possible to backdate them.

3a – How much is the new State Pension?

The full amount of the new State Pension is £222.67 a week from 10 April 2023. It will most likely increase from April 2024, and each April after that. Not everyone will get the full amount of the new State Pension. Some people will get more, some people will get less. The amount you get will depend on your National Insurance record.

3b – What is a 'starting amount' for the new State Pension?

If you have qualifying years on your National Insurance record as at 5 April 2019, we work out a 'starting amount' for you for the new State Pension. This is the higher of either -

- the amount you would have got under the old State Retirement Pension system up to 5 April 2019, or
- the amount you would get on your record to 5 April 2019 if the new State Pension had been in place at the start of your working life.

Both amounts reflect any periods when you were 'contracted out' of the Additional State Pension (see section 7 on page 5). Your 'starting amount' could be less than, more than or equal to the full amount of the new State Pension.

If your 'starting amount' is less than the full amount of the new State Pension

Each 'qualifying year' you add to your National Insurance record after 5 April 2019 will add a certain amount (about £6.36 a week - this is £222.67 divided by 35) to your 'starting amount', until you reach the full amount of the new State Pension (£222.67 a week from 10 April 2023) or you reach state pension age, whichever happens first.

If your 'starting amount' is more than the full amount of the new State Pension

You'll get this higher amount when you reach state pension age. It will be possible to have a starting amount which is higher than the full amount of the new Manx State Pension if you have accrued some Additional State Pension under the old State Retirement Pension rules. The difference between the full new State Pension and your 'starting amount' is called your 'protected payment'.

If your 'starting amount' is equal to the full new State Pension

You'll get the full amount of the new State Pension when you reach state pension age.

3c – How can I find out how much I could get?

To get a statement of how much IOM State Pension you could get please print the BR19 application form and once completed send to the Income Tax Division, Government Office, Douglas, Isle of Man, IM1 3TX. The form is found at https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/forms/ under the National Insurance drop-down menu.

This statement provides personalised information, including your state pension age, an estimate of how much State Pension you may get at that point and if you can increase this amount.

4. Your National Insurance record and the State Pension

How much State Pension you get depends on your National Insurance record.

Generally, you build up your record over your working life by paying National Insurance contributions or getting National Insurance credits.

4a – Paying National Insurance contributions

You pay National Insurance contributions when you work and are earning over a minimum amount (£145 a week in 2023/24). If you earn between £123 and £145 a week (2023/24) from one employer you won't have to pay National Insurance contributions, but you'll still be building up your National Insurance record. These figures relate to employed earners ("employees") only. For more information on National Insurance contributions for self-employed earners, please see section 6 on page 5.

If you're employed, your employer takes National Insurance contributions from your wages and pays them to the Treasury. It is a certain percentage of your pay. You can see the amount you pay in National Insurance on your payslip.

If you're self-employed, you are responsible for paying your own National Insurance contributions to the Treasury.

When you reach state pension age, you won't have to pay any National Insurance contributions, even if you continue working.

4b – Getting National Insurance credits

If you're not paying National Insurance contributions because, for example, you can't work due to illness, or you're caring for a child or a disabled adult, you may be able to get National Insurance credits.

National Insurance credits help to build up your National Insurance record and so protect your entitlement to the State Pension. So it's important you get your National Insurance credits.

With some benefits (such as Child Benefit for a child under 12, Jobseeker's Allowance, and Incapacity Benefit) you get National Insurance credits automatically.

However, there are some circumstances where you have to apply for credits. For example -

- if you're responsible for a child under 12, but aren't entitled to Child Benefit because of the level of your household's income, you may be eligible for Carer's Credits.
- if you care for someone for at least 20 hours a week you may be able to apply for Carer's Credits.
- if you're looking after a child under 12 who is not your child but is related to you, you might be eligible for Specified Adult Childcare credits.

- if you’re the wife, husband or civil partner of someone in HM Forces and you have accompanied them on a posting abroad since 1975, you may be eligible for National Insurance credits.

You should claim National Insurance credits as soon as possible, as it’s not always possible to backdate them.

4c – How might I have a gap in my National Insurance record? And what can I do about it if there is a gap?

If there was a time when you didn’t pay enough National Insurance contributions or get enough National Insurance credits to give you a qualifying year, you may find you have a gap in your National Insurance record. For example, you may have been -

- living abroad
- working, but with low earnings (in 2023/2024 less than £123 a week)
- not working and not claiming any benefits
- self-employed, but not paying National Insurance contributions because of small profits.

If you weren’t paying National Insurance contributions, but were claiming benefits, including Child Benefit for a child under 12 (or under 16 before 2010), then you may have automatically been getting National Insurance credits, and therefore not have a gap.

If you do have a gap, you might not need to do anything. It is possible to have some gaps in your National Insurance record and still get the full new State Pension. You need 35 qualifying years on your National Insurance record to get the full amount of the new State Pension.

Gaps in your National Insurance record can affect the amount of new State Pension you get. You may be able to pay voluntary (Class 3) National Insurance contributions to fill these gaps.

Voluntary National Insurance contributions can help you to protect your National Insurance record if you’re not building up your National Insurance record through working or receiving credits.

5. When should I claim the new State Pension?

You can claim it up to 4 months before you reach state pension age.

The earliest you can start to get your State Pension is when you reach state pension age.

You should claim your State Pension within 12 months of reaching state pension age. If you claim it after this time you may lose money you would otherwise have been entitled to.

6. How does the new State Pension work for self-employed people, or people who have been self-employed in the past?

If you’re self-employed, you pay both Class 2 and Class 4 National Insurance contributions if your profits are above a certain level (£7,540 in the tax year 2023/2024).

Class 2 National Insurance contributions paid both before and after 6 April 2019 will count towards the new State Pension.

7. What if I have been a member of a workplace pension scheme and have been “contracted out” of the additional state pension scheme?

State Pension under the old State Retirement Pension rules was made up of 2 parts: the basic State Pension and the Additional State Pension (the Additional State Pension is sometimes called the State Second Pension or “SERPS”).

Members of 'defined benefit' pension schemes (normally a final salary or salary-related pension scheme), are likely to have been contracted out of the Additional State Pension.

Before April 2012, some personal pension schemes are also likely to have been contracted-out of the Additional State Pension.

If you have been contracted-out of the Additional State Pension at any time before 6 April 2019, we will make a deduction when working out your starting amount for the new State Pension. The deduction is applied to both possible starting amounts: the one based on the old State Retirement Pension rules, and the one based on the new State Pension rules.

This is because, depending on the type of scheme -

- you would have paid National Insurance contributions at a lower rate, or
- some of the National Insurance contributions you paid were used to contribute to your personal pension, instead of the Additional State Pension.

From 6 April 2019 these contracting-out rules no longer apply.

8. Getting or inheriting the State Pension from your husband, wife or civil partner

8a – Can I get some State Pension based on the National Insurance record from my husband, wife or civil partner?

If you reach state pension age on or after 6 April 2019, your State Pension will be based on your own National Insurance record only.

There is one exception to this, which relates to married women or widows who opted to pay reduced-rate National Insurance contributions. This is called a 'Reduced Rate Election' (previously known as 'Married Woman's Stamp').

A woman who made this choice may get a new State Pension based on different rules if these will give her more than the amount of new State Pension that she would otherwise get based on her own National Insurance record. Where these rules apply, she won't need 10 qualifying years of National Insurance contributions of her own to get any State Pension.

She'll get a State Pension that will be about the same as -

- the lower rate basic State Pension under the old State Retirement Pension rules of £93.60 a week (2023/2024 rate) - if she is married and her husband has also reached state pension age, or
- the rate of the basic pension under the old State Retirement Pension rules of £156.20 a week (2023/2024 rate) - if she is widowed or divorced.

She'll also get any Additional State Pension that she built up before 6 April 2019 on top of this basic amount.

To qualify, her Reduced Rate Election must have been in force at the start of the 35-year period ending on 5 April 2019 before she reaches state pension age.

8b – Can I inherit some of my husband's, wife's or civil partner's State Pension?

You may be able to inherit an extra payment on top of your new State Pension if you are widowed or a surviving civil partner. The extra payment may consist of Additional State Pension or a protected payment (if any).

This will depend on whether the deceased:

- reached state pension age - or died - <u>before</u> 6 April 2019, or
- reached state pension age - or died before reaching state pension age - <u>after</u> 5 April 2019.

You might also be able to inherit an extra State Pension or a lump-sum payment if your late spouse or civil partner reached state pension age before 6 April 2019 and put off claiming their State Pension.

8c – What if I remarry or form a new civil partnership?

If you remarry or form a new civil partnership before you reach state pension age you won't be able to inherit any extra state pension from your deceased spouse or civil partner.

8d – Can my State Pension be affected if I get divorced or dissolve my civil partnership?

The courts can make a 'pension sharing order' for those who get divorced or dissolve their civil partnership. The court can decide that a person must share their Additional State Pension or 'protected payment' with their former husband, wife or civil partner. Their State Pension will be reduced accordingly and their former husband, wife or civil partner will get this amount as an extra payment on top of their State Pension.

9. What can I do to increase the amount of money I have in retirement?

The State Pension is intended to be a part of your retirement income.

You might also be eligible for an occupational or "works" pension if you have worked for an employer, or a personal pension if you have paid into one.

If you have only a relatively small amount of pension income, you may be eligible for Income Support. Income Support is an income-related benefit that tops up your weekly income to a guaranteed minimum amount. The amount you get depends on your circumstances and the amount of your pension and other income you have, and your capital (including savings and investments). If you have a partner their income and capital will also be taken into account.

By 'partner' we mean wife, husband, civil partner or a person who lives with you as if you're married or in a civil partnership.

10. Manx Pension Supplement

The Manx Pension Supplement (or "Supplement" for short) is an extra amount which may be added to your Manx State Pension if you reach state pension age before 6 January 2039.

The Supplement is paid at the same time and in the same way as your Manx State Pension.

10a Who can get it?

You can qualify for the Supplement if you -

- normally live in the Isle of Man;
- are entitled to a Manx State Pension; and
- have at least 10 years of 'relevant National Insurance contributions' (see page 8).

10b How much will I get?

The amount you get will depend on -

- the number of years of relevant National Insurance contributions you have; and
- the date on which you reach state pension age.

To get the maximum amount - according to the date on which you reach state pension age - you need to have at least 30 years of relevant National Insurance contributions. See page 9 for the maximum amounts.

If you have less than 30 years of relevant National Insurance contributions - but at least 10 - you will get a proportion of the Manx Pension Supplement.

The Manx Pension Supplement is being gradually phased out between 6 April 2019 and 5 January 2039. Therefore, the later you reach state pension age, the less Manx Pension Supplement you'll get.

10c Relevant National Insurance Contributions

To have "relevant National Insurance contributions" for any year you must -

- have had enough earnings on which you have paid National Insurance contributions as an employed earner **in the Isle of Man**; or
- paid enough self-employed or voluntary National Insurance contributions while you were **in the Isle of Man**,

in that year for it to be a "qualifying year" towards entitlement to the Manx State Pension.

In some circumstances National Insurance contributions you pay while you're outside the Isle of Man can also count as relevant National Insurance contributions.

National Insurance contributions paid at a reduced rate by certain married women or widows do not count as relevant contributions. However, the contributions of the person to whom they are or were married (or are or were in a civil partnership with) will be counted as if they were their own contributions.

NI contributions paid for periods in the UK before the 1996/97 tax year can also count as relevant contributions if your National Insurance record was held in the Isle of Man at the relevant time.

11. Income Tax

You may have to pay tax on your Manx State Pension and any Manx Pension Supplement you get.

However, we won't make any deductions for tax from payments of your Manx State Pension or Manx Pension Supplement.

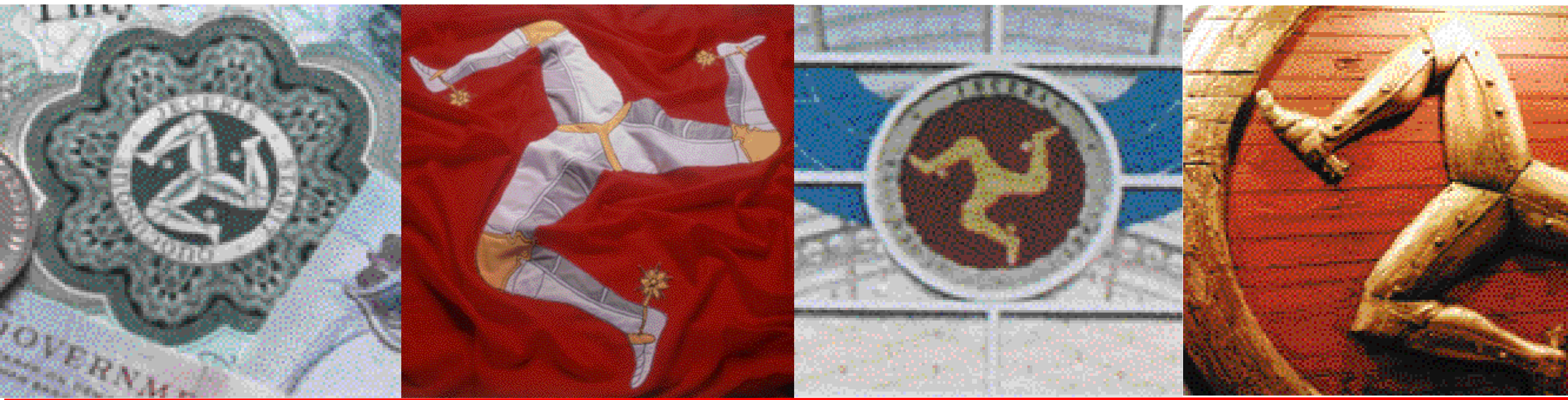
Manx Pension Supplement

Maximum amounts payable with new Manx State Pension

You reach state pension age between		£ per week
6 April 2019	5 July 2019	53.08
6 July 2019	5 October 2019	52.41
6 October 2019	5 January 2020	51.73
6 January 2020	5 April 2020	51.06
6 April 2020	5 July 2020	50.39
6 July 2020	5 October 2020	49.72
6 October 2020	5 January 2021	49.05
6 January 2021	5 April 2021	48.38
6 April 2021	5 July 2021	47.70
6 July 2021	5 October 2021	47.03
6 October 2021	5 January 2022	46.36
6 January 2022	5 April 2022	45.69
6 April 2022	5 July 2022	45.02
6 July 2022	5 October 2022	44.34
6 October 2022	5 January 2023	43.67
6 January 2023	5 April 2023	43.00
6 April 2023	5 July 2023	42.33
6 July 2023	5 October 2023	41.66
6 October 2023	5 January 2024	40.98
6 January 2024	5 April 2024	40.31
6 April 2024	5 July 2024	39.64
6 July 2024	5 October 2024	38.97
6 October 2024	5 January 2025	38.30
6 January 2025	5 April 2025	37.63
6 April 2025	5 July 2025	36.95
6 July 2025	5 October 2025	36.28
6 October 2025	5 January 2026	35.61
6 January 2026	5 April 2026	34.94
6 April 2026	5 July 2026	34.27
6 July 2026	5 October 2026	33.59
6 October 2026	5 January 2027	32.92
6 January 2027	5 April 2027	32.25
6 April 2027	5 July 2027	31.58
6 July 2027	5 October 2027	30.91
6 October 2027	5 January 2028	30.23
6 January 2028	5 April 2028	29.56
6 April 2028	5 July 2028	28.89
6 July 2028	5 October 2028	28.22
6 October 2028	5 January 2029	27.55
6 January 2029	5 April 2029	26.88
6 April 2029	5 July 2029	26.20
6 July 2029	5 October 2029	25.53
6 October 2029	5 January 2030	24.86
6 January 2030	5 April 2030	24.19

6 April 2030	5 July 2030	23.52
6 July 2030	5 October 2030	22.84
6 October 2030	5 January 2031	22.17
6 January 2031	5 April 2031	21.50
6 April 2031	5 July 2031	20.83
6 July 2031	5 October 2031	20.16
6 October 2031	5 January 2032	19.48
6 January 2032	5 April 2032	18.81
6 April 2032	5 July 2032	18.14
6 July 2032	5 October 2032	17.47
6 October 2032	5 January 2033	16.80
6 January 2033	5 April 2033	16.13
6 April 2033	5 July 2033	15.45
6 July 2033	5 October 2033	14.78
6 October 2033	5 January 2034	14.11
6 January 2034	5 April 2034	13.44
6 April 2034	5 July 2034	12.77
6 July 2034	5 October 2034	12.09
6 October 2034	5 January 2035	11.42
6 January 2035	5 April 2035	10.75
6 April 2035	5 July 2035	10.08
6 July 2035	5 October 2035	9.41
6 October 2035	5 January 2036	8.73
6 January 2036	5 April 2036	8.06
6 April 2036	5 July 2036	7.39
6 July 2036	5 October 2036	6.72
6 October 2036	5 January 2037	6.05
6 January 2037	5 April 2037	5.38
6 April 2037	5 July 2037	4.70
6 July 2037	5 October 2037	4.03
6 October 2037	5 January 2038	3.36
6 January 2038	5 April 2038	2.69
6 April 2038	5 July 2038	2.02
6 July 2038	5 October 2038	1.34
6 October 2038	5 January 2039	0.67

This information is only a guide and does not cover every circumstance. We have done our best to make sure that the information is correct as the date shown on the front cover. It is possible that some of the information is oversimplified, or may become inaccurate over time, for example because of changes to the law.



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