



22 APR, 2026

That London job could qualify you for a UK pension

Australian Financial Review, Australia

Page 1 of 2

That London job could qualify you for a UK pension

Expats An extended stint working in Britain might offer the opportunity to add thousands to your retirement income, writes Michelle Bowes.

If you're one of the estimated 2 million Australians who have worked in London (or, in fact, anywhere in the UK), you may remember paying National Insurance.

This UK government tax paid by workers is used to fund benefits such as the pension, jobseeker payments or maternity leave, and if you paid it, you might be entitled to receive a full or part UK state pension when you retire.

To receive any UK pension you need to have paid at least 10 years of NI contributions, but that doesn't necessarily mean you need to have worked for 10 years in the UK.

A scheme was introduced in 2001 to allow people with some history of NI contributions to buy additional years, and has been changed several times since, first being expanded and, more recently, wound back.

The latest change – scrapping the cheaper “class two” rate at which extra NI contribution years could be bought for many Australians – was announced in the November 2025 UK budget and took effect from April 6 this year (the start of the UK financial year).

At the old class two rate, buying additional contributions cost about \$360 a year; the class three rate is about \$1800 a year. Despite this tightening, a stint in London still offers the opportunity to add tens – or hundreds – of thousands of dollars to your retirement income.

And unlike the Australian age pension, the UK state pension is not means tested based on your assets or income.

The UK pension opportunity explained

For 10 years of NI contributions you'll receive a pension of about \$6500 a year in retirement in today's dollars, while a

full UK state pension (for which you need 35 years of NI contributions) pays about \$23,000 a year.

John Ring, operations director of XtraPension, an Ireland-based pension consultancy, says that while buying contributions at the class two rate equated to a pay-off of \$42 for every \$1 contributed to the system, even if buying additional years of NI contributions now costs more, it's “still a great deal”.

“Even at the more expensive class three rate, the payback is typically 2½ years. So for every \$1 you put into it, you're going to get \$8 back over a 20-year retirement, guaranteed.”

If you're making a new application to buy NI contributions today, here's what it will cost – and what you can get:

If you worked and paid NI in the UK for three years or less | Because the maximum amount of past years that can be bought is six, and the minimum number of years required to qualify for any UK state pension is 10, for these people there is no point buying any past years, Ring says.

And no, you can't get a refund of the one, two or three years of NI contributions you paid.

If you worked and paid NI in the UK for four to nine years | Because the maximum amount of past years that can be bought is six, for someone who worked in the UK for four years buying six years would bring you to the 10-year minimum required to get a UK state pension of about \$6500 a year, Ring says.

Someone who worked in the UK for nine years and bought the additional six years would then have 15 years on their NI record.

This would qualify them for a UK

state pension of about \$9800 a year.

The outlay to buy six years of contributions at the class three rate will be about \$10,800.

If you worked and paid NI in the UK for 10 years or more | Because you have a legitimate 10-year UK work and NI history, you're eligible to buy six past years of NI contributions at the cheaper class two rate, and you can also still buy future years (at the more expensive class three rate) to get you to 35 years and a full UK state pension.

For someone with 10 years of NI contributions, buying six years of past contributions will cost \$2160, while buying 19 years of future contributions will cost about \$34,200.

Each year of NI contribution you have equates to a pension payment of \$657, so to work out what you might receive, multiply \$657 by the number of NI contribution years you have.

Additional considerations | Ring says he doesn't anticipate a further tightening of the rules.

“I don't see them changing that again because they did that in a way to tighten it as to make it as restrictive as possible,” he says of the November 2025 change.

However, Craig Robinson, a workforce and innovation partner at KPMG who advises expats on tax, says there are no guarantees. “There is obviously the risk that future governments or future reforms result in you actually not being entitled to any form of pension.”

Here are five other factors to consider:

■ **It's not tax-free** | If you're an Australian tax resident, your UK pension will be taxed as income in Australia at your marginal tax rate. Robinson warns that



22 APR, 2026

That London job could qualify you for a UK pension

Australian Financial Review, Australia

Page 2 of 2

because the UK government won't withhold tax on your payments, you could end up with a tax bill that you haven't planned for.

■ **It affects Australian age pension eligibility** | "The Australian age pension has a number of tests [including your] age, assets and income level, and [UK pension payments] would fall within the income level," Robinson says. So receiving a UK state pension may reduce the amount of Australian age pension you're eligible to receive, or may result in you not receiving any

Australian age pension at all.

■ **It won't increase with inflation** | The UK state pension is indexed in line with inflation, however Ring says that once you begin receiving it, the amount is fixed at that rate and not subject to further increases. Robinson says this means that the value of your UK state pension will effectively reduce over time due to inflation.

■ **The eligibility age varies** | The age at which you can start receiving a UK pension varies depending on when you were born. People born between

March 1961 and April 1978 can claim from age 67, while for those born after April 1978 that increases to 68.

■ **You get nothing if you die** | If you die before reaching the age at which you qualify for the UK pension, your dependents don't receive your payments, nor can they get the NI contributions you paid back. [51](#)



About 2 million Australians have worked in London and paid National Insurance. Many could be in line for a state pension.