

**THIS TRANSCRIPT IS ISSUED ON THE UNDERSTANDING THAT IT IS TAKEN FROM A LIVE PROGRAMME AS IT WAS BROADCAST. THE NATURE OF LIVE BROADCASTING MEANS THAT NEITHER THE BBC NOR THE PARTICIPANTS IN THE PROGRAMME CAN GUARANTEE THE ACCURACY OF THE INFORMATION HERE.**

## **MONEY BOX**

**Presenter: PAUL LEWIS**

**TRANSMISSION: 21<sup>st</sup> JANUARY 2012 12.00-12.30 RADIO 4**

**LEWIS:** Hello. In today's programme, we look at the problems of getting tax returns back by the January deadline for people serving in Afghanistan. Just how tough will the Revenue be? New coins are being minted as we speak, made of steel, but will hundreds of thousands of coin operated machines be ready for the slightly thicker pieces? We look at the best and worst ways of getting money for your old mobile phone. And thousands of retired people face a cut in their income as the interest rate on government bonds falls to a record low.

But first, British forces serving in combat zones who need to fill in a tax return could face a £100 fine if they fail to complete the online form by next week's deadline of January 31<sup>st</sup>. The fine is levied this year whether any tax is due or not. The issue was raised with us by a Money Box listener concerned for her husband now in his tenth month in Afghanistan. She explained the issues to me earlier this week.

**ANONYMOUS WOMAN:** For anybody in Afghanistan filling in a self-assessment form, you can try and do it over the internet or fill in a paper form. Now postal delays are fairly common and telephone time is limited to 30 minutes a week in telephone booths. So if you're ringing up Customs & Revenue or you're ringing the bank or you're ringing any other organisation where you need details, it takes up quite a lot of your phone time and then you have to wait for the following week to get your next 30 minutes.

**LEWIS:** Can they go online and take a normal length of time to fill in a self-assessment form?

**ANONYMOUS WOMAN:** They can go online if they're fortunate enough to have internet access. Now not everybody in Afghanistan has that facility.

**LEWIS:** No. And does your husband know of colleagues in the same position?

**ANONYMOUS WOMAN:** There are medics, there are all sorts of people who will just be on the cusp of that higher rate taxpayer level, and they will be in the same situation.

**LEWIS:** What did he ask the Revenue for?

**ANONYMOUS WOMAN:** He asked them for an extension. Their reply was there was no special provision for serving members of Her Majesty's Forces.

**LEWIS:** What would you like Revenue & Customs to do?

**ANONYMOUS WOMAN:** I would like Revenue & Customs to look at the people in the armed forces, look at the very stressful situations they are in, and come to some arrangement whereby they fill in their tax form on their return. Give them a different deadline or a deadline that, for example, you know if you are back at the end of February, then 2 weeks after that or 4 weeks after that is when your form needs to be in rather than the date being the end of January whether you are in Kabul, Bastion or Kandahar.

**LEWIS:** Well that's one military wife's experience. I've not used any names as she doesn't want to compromise her husband's position. Now many military personnel could be subject to self-assessment of tax: warrant officers, majors and above and equivalent ranks, they pay higher rate tax and are most likely to be involved; but those

earning less than that who rent out their property, for example, may also be caught. With me is Jane Moore, Technical Manager of the Institute of Chartered Accountants England and Wales. Jane Moore, this £100 fine, this penalty, it's completely inflexible, it seems. It has to be imposed if you're late.

**MOORE:** It is inflexible. And the one thing I'd just say about that statement or what the last person has just said, it's true that the Revenue can't move the actual legal deadline, but if you are late there is this wonderful thing called 'reasonable excuse' whereby if you've got a good reason for filing late - and I should have thought being in the line of battle was quite a good reasonable excuse - you will not be charged the penalty.

**LEWIS:** Yes, I mean that's certainly true. But I've seen appeals on other grounds and they fight them pretty hard, the Revenue, normally, don't they?

**MOORE:** You can look at the Revenue's website for their published guidance and a reasonable excuse is really something beyond your control and unusual, so it might be your serious illness or a bereavement or something like that.

**LEWIS:** Or active service.

**MOORE:** Right, yes.

**LEWIS:** And I have to say we've been talking to HM Revenue & Customs all week about this, trying to clarify it. They refused to be interviewed to come and explain it themselves. And then this morning, at half-past eleven, just over half an hour ago, they told us, "If our people in the armed forces let us know they are in Afghanistan, HMRC will immediately cancel the penalty." Now that's in sharp contrast with the policy set out in the letter to our listener.

**MOORE:** I think what they're saying is they'll just assume that there's a reasonable

excuse and not argue about it. They're not actually moving the deadline.

**LEWIS:** No, they're not changing the deadline, but they're saying if they let us know. They have to let them know. And also the other question of the time limit. Now on the website, HMRC's website, it does say there's a 30 day deadline to appeal the penalty, but now we've been told this will be waived for people who've been in Afghanistan. They're going to, as they put it to me this morning, apply commonsense.

**MOORE:** Well that sounds good because presumably you can then appeal once you get back from your tour of duty.

**LEWIS:** Yes, well that's what they seem to be saying, that you can always appeal. But of course if you don't appeal, you will have to pay it, won't you?

**MOORE:** Yes, although sometimes the Revenue will accept a late appeal. And another important point is if you've got a reasonable excuse but you have filed late, send in your details with your return. Don't wait for a penalty notice. If you get your reasonable excuse letter in quickly, you may not even be charged a penalty in the first place.

**LEWIS:** Oh right, so with your form just send in the letter at the same time to say I've been serving in Afghanistan?

**MOORE:** Yes, or file online and send a letter in the post.

**LEWIS:** Okay, Jane Moore, thanks very much for that. Live now to talk to Patrick Mercer, the Conservative MP for Newark and a former soldier himself. Patrick Mercer, HMRC has clearly been stung by this criticism this morning and I wondered if you'd react to what seems to me like a change of policy - that they will always waive this if you tell them?

**MERCER:** Well it's all very well Paul, but the phrase that the anonymous lady contributor made a few minutes ago was "there are no special allowances made for members of Her Majesty's Armed Forces" I'm afraid leaves me breathless with anger. And the fact that the Revenue seem to have done a quick about turn within minutes of this programme - okay, fine, but please our soldiers, sailors, airmen and marines are fighting for our safety. If special allowances can't be made for this category of people, then who should be looked after?

**LEWIS:** The Revenue of course puts it in the context of the legal position. The law says the penalty notice has to be issued. They have no flexibility, they tell me, on doing that.

**MERCER:** Well fine. I'm sorry, this is petty fogging and it is the most appalling piece of bureaucracy. What I know will happen, having been a soldier and understanding the mentality myself, I know that individuals will just say hey, what the hell, I'm just going to accept this fine and just get on with it. That is not good enough. What we've got to do is introduce this as part of some form of legislation either into the military covenant or in some form of bill which might come out of the military covenant which is akin to the American GI Bill where soldiers, sailors, airmen and marines are protected by law.

**LEWIS:** If they're serving abroad. So you'd actually like a change in the law. Will you be taking this up then? You're an MP. I mean you're the one who can bring this before parliament.

**MERCER:** Yeah, I've lobbied long and hard on issues to do with the military covenant, and this is certainly something, along with the again I think very sensible American provision whereby income tax is not paid by servicemen and women who are on operations. These sorts of things are very ... well are overdue certainly.

**LEWIS:** Sure. I mean that would obviously be a much more generous concession.

**MERCER:** Of course.

**LEWIS:** What do you think about the suggestion by the lady we spoke to that, at the very least, the deadline should be say 4 weeks after you come back to the UK?

**MERCER:** I think that's fine, but I think that that's really playing catch-up. What needs to happen is that unit administration officers - whether battalion, regiment or whatever, ship or RAF equivalent is going on operations - should be able to submit their names in advance to the tax office. They should be (as I've already said) protected by law. And of course the individuals, who are not part of formed units, should also be amenable to this.

**LEWIS:** Patrick Mercer, thanks very much for that.

**MERCER:** Thank you very much, Paul.

**LEWIS:** And we'll be taking your questions on tax, including self-assessment, on Money Box Live here on Wednesday at 3 o'clock.

The operators of coin operated machines are spending an estimated £80 million to adapt hundreds of thousands of mechanisms to take the new 10 and 5p coins that will be issued shortly. The new coins will be made of steel rather than a mixture of copper and nickel. It's the first change in the metal used for our silver coins since real silver finally disappeared from them in 1947, and this change has been made for much the same reason: cost. Bob Howard's here. Bob, what will the savings be exactly?

**HOWARD:** Well Paul, the Government decided to make this change as part of the savings in the 2010 spending review. Now the costs of the metal alone in one 10p piece is around 4.5p at current market values. Steel's much cheaper. The steel in the new coins is worth about a fifth of a penny. Now the Treasury estimates that the saving will be around 7 or 8 million pounds a year.

**LEWIS:** And the Treasury will save 7 or 8 million you say a year. But the coin machine operators, the Treasury also estimates, will have to spend ten times that just to adapt their machine.

**HOWARD:** Yes, that's right. The new coins will look much the same as the current ones - there's not going to be any change in the design or the diameter or the weight - but because steel is lighter than cupronickel, they have to be about 11% thicker; and that means existing coin mechanisms would reject them as fakes if they weren't adapted. Now I've been speaking to some of those affected to see how prepared they are. Transport for London told me it had already adapted 90% of its ticket machines at bus-stops and stations. I asked Network Rail whether the machines which let you into loos and its stations had been adapted. A spokesman seemed confident they would be, but wasn't able to give me any details of action that had actually been taken.

**LEWIS:** Legs crossed they get that one right in time. Thanks, Bob. Well the Royal Mint couldn't supply us with any of the new coins, but with me is Jonathan Hilder. He's Chief Executive of the Automatic Vending Association and he's turned up in the studio with some. And I've got some in my hand here. I don't know if you can hear them. Now those are the steel ones and these are the old ones. I must say they sound exactly the same to me. (*laughs*) But of course the big difference is if I pass this magnet - this is great on radio - over them, the old ones don't jump up to it. But can you hear the new ones go - ting - as they jump up? Maybe you couldn't. Anyway, I've seen it, so it's magic because they're made of steel. And, Jonathan, the new coins are a fraction of a millimetre thicker. Now I could hardly see any difference, I have to say. Will they really cause a problem?

**HILDER:** Yes, if we hadn't altered the ... We have 462,000 refreshment vending machines in the UK, and we have to alter them otherwise these coins would be rejected.

**LEWIS:** And refreshment vending - that's the thing you get your soft drinks and your sandwich and your bag of crisps at the station?

**HILDER:** Correct, yes

**LEWIS:** And how confident are you that if I'm on a lonely, quiet, remote country station at 11 o'clock at night and I'm desperate for a bag of crisps that my new 10p piece will work in that machine?

**HILDER:** We are very confident that the hard work done by the coin mechanism manufacturers and the operators of vending machines in the UK has ensured those machines will start accepting coins from April.

**LEWIS:** Now this has been an expensive process. I gave the estimate the Treasury gave of 80 million for the whole lot. What's it cost your members so far?

**HILDER:** When it was originally introduced, our estimate was 42 million, but we managed to persuade Justine Greening that ...

**LEWIS:** The minister?

**HILDER:** The minister. ... that we could actually delay the implementation until this year. So the actual cost to my businesses will be about £25 million.

**LEWIS:** 25 million. And of course it goes way beyond vending machines, doesn't it?

**HILDER:** It does.

**LEWIS:** Do you know what's happening, for example, with parking meters and old pay phones and things like that?

**HILDER:** Certainly the representations made to the Treasury were made by the British Parking Association and the industry that operates payphones, and my understanding is that the changes there are slightly more complicated than in vending

machines and I think that some of the councils are struggling with the cost of changing them.

**LEWIS:** Yeah, I mean is it possible that some of those older machines will simply stop taking 5s - a lot of them don't anyway - and stop taking 10s even completely?

**HILDER:** Certainly in terms of vending, our base coin is 10p. But if you go into parking, I believe that 5s and 10s are used. So, yes, that could be one of the ways that it's dealt with.

**LEWIS:** So that's going to cause everyone a bit of inconvenience really, isn't it? And just briefly, I asked about the thickness making a difference. What do you have to do to adapt a machine? Do you have to take the whole mechanism out and put in a new one?

**HILDER:** There are three things that you do to change the way that the coins are accepted. One, you can change the actual mechanism itself, which is the most expensive route. Secondly, there is a software download, so we have to have an engineer visit the machine and download new software so it will accept both the new and the old. We need to make that very clear: it will do both. And then there is a recalibration where you put coins through.

**LEWIS:** Jonathan Hilder, thank you very much. And those new coins should be appearing in your pockets probably around Easter.

Now we're all encouraged to upgrade our mobile phones every year or so, but what do you do with the old one? If it's relatively new, particularly if it's a Smartphone, it might be worth money. A quick search on the internet will find firms that promise to pay you if you post them your old phone, but is that a safe way to turn the old mobile into cash? Money Box reporter Mike Wendling has been finding out. Mike?

**WENDLING:** Yes Paul, it's called mobile phone recycling, but in reality they're not really recycling the phone. The company buying your phone will probably just sell it on. The problem is that there are a huge number of these firms and almost no regulation. For instance, Money Box has heard from people who sent their phones to two websites - Skyphones and Fone Craze - both of which apparently went out of business last year. A number of customers who sent their phones to them didn't get any money and they didn't get their phones back either.

**LEWIS:** Well that certainly sounds a bit dodgy, but surely there must be legitimate companies out there?

**WENDLING:** That's right, yeah, there certainly are, and we put a few of them to the test. Now here I have an old iPhone that I've wanted to get rid of. It's about 3 years old. So I went to a comparison site and picked out a company called Cash4Phones. They offered me up to £65. I thought that sounded okay, so I posted it to them.

**LEWIS:** I sense the operative word in that offer was "up to"?

**WENDLING:** Up to, yes. After they received the phone, they told me that because of what they called "excessive wear and tear" they could only give me about £39. It was only when I complained that they came back and offered me the original £65. They upped their offer. We found an internet forum with dozens of similar stories about this one company.

**LEWIS:** So it's a bit of a game really, isn't it? If you complain about a low offer, they'll increase it. It's a bit like being in a market, isn't it?

**WENDLING:** Well it certainly seems like that, a bit of haggling. But Cash4Phones says the complaints that we saw represent only a fraction of their business and they have hundreds of other satisfied customers.

**LEWIS:** And at the heart of this is the question just how much is your old phone really worth? And you know you've explained the problems, Mike, but how do you get the maximum value?

**WENDLING:** Well yeah, that's what we wanted to find out as well. So once I got my phone back from Cash4Phones minus a £5 postage charge, I took it around the neighbourhood to see how much I could get. I got offers of £50 from a pawn shop, a similar offer of £50 from a second-hand phone dealer. But the best was an electrical reseller called CEX. They have high street shops and they're also behind the website Webuy.com. They offered me £61 plus another £25 if I can find the charger, which I suspect is lurking in a drawer somewhere. Also I should note that judging from recent sales, I could probably get a bit more than that if I sold the phone on eBay.

**LEWIS:** Okay. Well thanks for that, Mike, and there's a queue forming outside the door for your old phone, I think. And of course there are fees associated with eBay, and if you take it into a shop you can at least get the money right away. Well joining us from Inverness is Brian Turner from a company called Techwatch.co.uk. He's been looking into the phone recycling industry. Brian Turner, what should people do if they want the maximum return from their phone?

**TURNER:** Well I think it's more a case of balancing how much effort you want to put into it. Obviously if you want to sell on eBay, you've got the time associated with setting up the account, setting up the sale and monitoring the sales process, and what the mobile phone recycling companies do is try and make this simple and easy. So it's basically a case of how much effort do you want to put into it to maximise the value?

**LEWIS:** Of course if you do post it off to a company and they say oh, sorry, it was a bit grubby, we'll only pay you half what we offered, the temptation must be to accept that because otherwise you've got the hassle of them posting it back, you paying them to post it back, and then you've got to start all over again.

**TURNER:** Yes, this is one of the big problems in the industry. There's about three or four established companies that have been working for years in this - Mobile Phone Exchange, Envirofone, Mazuma Mobile, Fonebank. You might have seen televised advertising they've done. But then there's a whole slew of opportunists who just want to jump onto this market and try and get involved and can't necessarily serve the customers properly. And then at the other end of the spectrum, you've got companies which basically are just scamming customers one way or another by keeping the phones, not providing money and leaving people losing out.

**LEWIS:** Now we call this recycling, but what happens to these phones? Are they sold as phones or are they broken up for all the bits and pieces inside?

**TURNER:** Well usually they're resold. They're sent to markets like Hong Kong, which serve as major global hubs, and then resold in developing markets such as China and India where there's obviously quite a large demand.

**LEWIS:** Yes. And what about charity? There are charities, aren't there - and you see them advertising as well - who'll put your phone to good use. I mean is it a good option to give it to charity and let them have the hassle of selling it and worrying about just how much they get for it?

**TURNER:** Well again it's a case of just deciding what's simpler and easier for you. Are you more worried about getting an extra couple of pounds for the phone for driving into town and dropping it round a few shops to get a value, or is it a case of just putting it in an envelope and sending it to one or more companies?

**LEWIS:** Yes, though always make sure you know the company you're sending it to. Brian Turner from Techwatch.co.uk, thanks very much.

Thousands of people are facing a big cut in their retirement income. They've chosen to use their pension pot that they've saved up all their lives not to buy an annuity,

which is a guaranteed income for life from an insurance company, but to keep the capital they've saved invested and draw down some of the fund as an income. To stop people taking out too much and draining their funds and maybe claiming benefits, the Government limits the amount that can be withdrawn each year, and that limit is related to how much an annuity would actually pay out if they bought one, and that at the moment is at a record low. Money Box listener John Butler is one of those who's been affected. He started taking drawdown from his pension fund about 5 years ago. Things were very different from then, as he discovered when the amount he could take was reviewed last summer.

**BUTLER:** I think the Government have been overcautious when they set the new guidelines and the new drawdown amounts. Until recently, I had an income of £16,000 from my pension. As a result of this, I've suffered a £5,000 reduction in my annual income from my drawdown. It has hit me quite substantially.

**LEWIS:** Well that's one listener's experience. Live now to Edinburgh to talk to Stuart Bayliss from the Better Retirement Group. Stuart Bayliss, is that experience typical that we heard there from John?

**BAYLISS:** Of people who reviewed their income around what was called A Day, if you remember, back in 2006, yes it is.

**LEWIS:** That's when they could first do this, from 2006?

**BAYLISS:** Exactly, that was when the income limit actually increased to 120% and it was meant to be reviewed every 5 years.

**LEWIS:** And that 120% is 120% roughly speaking of the amount you could get from an annuity. But now that's been cut, hasn't it?

**BAYLISS:** Yes it is, it's being cut to 100%. So that's the first problem: you've

effectively lost a sixth of your maximum income by a rule change introduced last year. You've then got the other problem that gilt yields or the interest rate that you were basing the annuity on was probably around 4.5% 5 years ago. And now, this month, the gilt factor inside the limit is 2.25, so that's halved.

**LEWIS:** It's halved. And there are thoughts it might go even lower - in fact so much the Government's put a floor on it, so it can't go below a certain amount.

**BAYLISS:** Yes, effectively this is a table that's drawn up, and what they've said is that anything below 2% just doesn't count. But there's another factor that affects the GAD limit and that is this life expectancy. And obviously between 5 years ago and now the actuaries have professionally increased life expectancy twice, and that's what is also reflected in this thing that looks a bit like an annuity rate but isn't really.

**LEWIS:** Yes. And GAD is the Government Actuaries Department that draws up these tables every month.

**BAYLISS:** Yeah.

**LEWIS:** Well draws up the tables, then changes them every month as rates change. So in effect with John Butler losing £5,000 out of £6,000, it could have been much worse, could it?

**BAYLISS:** Oh I heard the background to John Butler and his fund during that period had actually grown slightly. And that's the other bit that's done. You've got this factor, which is the GAD limit, and that is then applied as a percentage of your current fund. And if your fund had fallen in value, that makes that much worse. And frankly quite a lot of people between - if you're looking forward into 2012 - fund values in 2007, you've then taken some income. Is your fund going to be lower or higher this year? It's likely to be a little bit smaller.

**LEWIS:** Yes, so that's a third thing that affects it.

**BAYLISS:** Yeah.

**LEWIS:** And these amounts are fixed when you start it, but then they're reviewed. If interest rates did rise and the amount you could take rose, could you ask for a review in the middle of a review period to get your income put up?

**BAYLISS:** Yes you can. The SIPP providers who provide drawdown products, their rules vary. But one of the major ones will charge you £150 for the privilege, so you need to have a good idea that it's going to work in your favour, and then you can do it at the anniversary of your policy.

**LEWIS:** Right, so watch out for them rising and then do that. Stuart Bayliss of Better Retirement, thanks. And Mike, just time to talk about one other tax deadline that's looming, briefly.

**WENDLING:** This affects a very different group of people - people who are non-taxpayers but who do have some savings. Their tax will be deducted automatically from the interest paid. That's left about £200 million in the Treasury's coffers. It shouldn't be there. The Government has decided to change the law to make it more difficult to claim back. At the moment you can go back to tax year 2005/6, but you have to get your claim in by 31<sup>st</sup> January. The deadlines for the other 2 years coming up shortly after that - March 31<sup>st</sup> and April 5<sup>th</sup>. That's 3 years in quick succession.

**LEWIS:** Mike, thanks very much for that. And there'll be more on tax, as I said, on Money Box Live Wednesday at 3. That's it for today. More on our website, as ever: [bbc.co.uk/moneybox](http://bbc.co.uk/moneybox). There's my newsletter, podcast, listen again, and send us your ideas and comment on any of the stories if you want to in this week's programme. As I said, I'm back on Wednesday afternoon with Money Box Live with those questions on tax and self-assessment - all aspects covered. I'm back with Money Box next

weekend, as usual. Today the reporter was Michael Wendling, the producer Bob Howard, and I'm Paul Lewis.