

# That Starbucks franchise issue - and yes, boycotts are ...

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I gather the question of Starbucks' franchises was raised on Question Time last night - with the implication that targeting them was to target a tax paying company in the UK since they're not owned by Starbucks themselves.

Well, yes, that's true in theory. But only to a very limited degree at best, I suspect.

First, if Starbucks is unable to make money paying the price it does for coffee to its Dutch roaster who in turn pays the inflated price that seems to emanate from Switzerland then I doubt a franchise can either, especially as Starbucks say the franchisees pay the same 6% royalty that their stores do, which also contributes to their loss. So, in other words, I think the chance much tax is being paid by these franchisees is very low.

Secondly, let's recall that the reason why that is the case is that both the owned stores and the franchises alike are paying fees and charges that are stripping profit straight out of the UK system to the Netherlands and Switzerland. So the arrangement to which the franchisees are a party involves exactly the same stripping of the UK tax system of revenue that Starbucks themselves do. That means then that the franchisees are, in effect, as much a part of the problem as Starbucks owned stores.

So what we come down to when the franchisees plead their innocence is the perpetual argument that because they're creating jobs in the UK how the corporation tax is paid must be ignored. And I can't do that. These franchisees competitors on the High Street do not pay franchise fees and excessive coffee prices out of their profits to reduce their corporation tax bills with an effective subsidy being given by the UK taxpayer as a result: they pay tax on their profits instead.

So we have an option here when choosing who to buy our coffee from: we can go to employers who are paying corporation tax in the UK and employers not paying tax in the UK (which Starbucks franchisees are unlikely to do because of the fees they pay). And if we want future employment prospects in this country we need employers who

pay tax to bear the cost of supplying the staff, the infrastructure, the health care system and everything else that their business models here in the UK are dependent upon.

Being a franchisee and making low profit here means that a corporation tax contribution is not or is at best unlikely to be made when a better option - buying coffee from a UK tax paying company - is available.

In other words, the choice to boycott remains completely valid whether or not a franchise is involved or not, I say. Franchise or directly owned, Starbucks are still screwing the UK tax system.