

Funding the Future

Note to Starbucks: we don't want token gestures. We wan...

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Starbucks has announced ([according to Sky](#)):

Starbucks has confirmed it is now planning to pay more corporation tax than it is obliged to amid the row over contributions from big foreign multi-national firms.

The company's UK Managing Director Kris Engskov said: "Having listened to customers and to the British public, Starbucks in the UK will be making changes which will result in the company paying higher corporation tax in the UK - above what is currently required by law.

"Specifically, in 2013 and 2014 Starbucks will not claim tax deductions for royalties or payments related to our intercompany charges."

Forget it guys. That solves nothing. No one asked you for voluntary box donations. We asked you to pay the right amount of tax in the right place at the right time.

The reason why Starbucks has not been paying the right amount of tax in the right place at the right time is that it has put in place legal and accounting structures that have meant that the way it has been able to record its profits do not match with the underlying economic reality of the way it must make its money. So, royalties were being paid to reflect the supposed costs of creating new products and associated "intellectual property". But no one, anywhere, thinks it costs 6% of turnover to know how to put water on coffee, mix a milkshake with a silly name or sell a chocolate brownie. So it was the structure that was wrong.

The same with the coffee beans: what was wrong was attributing the profit to the traders in Switzerland. It was the end customer who created the profit on those beans, not the dealer in Switzerland.

Since I was involved in the original Starbucks story (although Tom Bergin of Reuters is the complete star of this issue) I can tell you working out what was happening in this company was hard: they did all they could to obscure the realities of the economic substance of what was happening. Their accounts are as clear as mud:

there aren't any for Switzerland for a start. They're just not available. So a lot of fevered effort went into fathoming out what is now known.

Now what Starbucks is saying is that it will leave these structures that permitted in place but not claim the costs for a couple of years. And that's a total fail. We do not want voluntary box donations thank you very much. we want real change.

What's the real change we want? Try these:

1) Full [country-by-country reporting](#) that will tell us for each and every country where Starbucks works what is made, what costs are, how much is paid to staff, what the profit is, what taxes are paid and critically how much of all of this is down to intra-group rather than genuine customer trading.

2) A blow by blow explanation of tax actually due and paid: not accounting numbers but real numbers too.

3) A commitment to make tax payments where profits are really earned - which is where the end customers are, where people are employed and where the real assets (stores mainly in their case) are.

That's what we want. You can keep you £10 million. Invest it in transparency. That's what i say. And if you don't know how to do it, call me in. I'll show you.