

Kingfisher chief warns of store closure over online firms' tax advantage

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Kingfisher chief executive, Ian Cheshire doubles as chairman of the British Retail Consortium, which is campaigning for lower business rates. Photograph Frank Baron for the Guardian

The government stands to lose out on one of its biggest sources of revenue by failing to reform the tax system to take account of online selling, the chief of one of the UK's biggest retailers has warned.

Ian Cheshire, chief executive of Kingfisher, said he would close a quarter of his company's stores were it not for long-term leases and other arrangements that would make the closures expensive. Business rates are one of the biggest charges the retailer faces, with as much as £120m going on the tax each year.

"We do pay our taxes [for the] public good," said Cheshire. "But online retailers are not facing the same tax take. For the Treasury, there is a danger that their tax base is going to disappear."



If the company were to reduce the number of its stores, the government's tax take

would fall accordingly. "So 25% fewer stores would be 25% less tax," warned Cheshire, who said the company's sales and profits would be unaffected by any such move.

Online retailers take advantage of their lower costs to undercut offline competitors, who face not only business rates but rent, higher energy and staffing costs.

"The challenge for the government is that they have to raise tax from somewhere," said Cheshire. He advises differential tax rates to stimulate business. "The tax base is based on historic models. We need a different model."

Cheshire is also chairman of the British Retail Consortium, which is campaigning for lower rates for businesses. The BRC notes that business rates are set to rise by 2.6% in April, after a 5% raise last year. Instead, the trade body would like a single year freeze in rates from April, which it says would help halt the slide in the sector. Retailers – with the demise of long-established names such as [HMV](#), Jessops and Comet – have been among the worst hit businesses in the grip of double dip recession.

Cheshire met Danny Alexander, chief secretary to the Treasury last week to press his views. The hits to the high street come as some large online companies are under scrutiny for their tax affairs. Amazon was revealed to be using its Luxembourg subsidiary to avoid paying corporation tax in the UK and Google's £2.5bn in UK sales resulted in tax bill of only £3.4m in 2011, as it channels profits via Ireland and Bermuda.

But Cheshire said that the revelations of alleged tax avoidance by large companies could backfire on them, with people preferring brands that pay fair tax.

Kingfisher is Europe's largest home improvement retailer with more than 1,000 stores in eight countries, under brands including B&Q, BricoDepot and Castorama. The company employs about 80,000 people and sales in 2011-12 reached £10.8bn, of which more than half came from outside the UK, chalking up pre-tax profits of £807m.

While Kingfisher also runs Screwfix, which has a major online presence in trade tools and hardware, and sells thousands of lines through its web sites, some of the company's other popular product lines – such as new kitchens, paints and other decorations, and gardening products – are still more likely to attract customers to physical stores.

Nevertheless, "if I were starting today, I'd start Screwfix not B&Q," said Cheshire.

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