

Estimates of McDonald's 2020 Subsidies and Tax Breaks

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Contact media@waronwant.org for further information

Briefing: McDonald's £872million Covid-19 subsidy and tax break in 2020

Summary

This paper sets out how McDonald's UK business¹ received an estimated £872 million from UK Covid-19 tax breaks and subsidies during the pandemic in 2020.

These tax breaks and subsidies were taken by the world's largest fast-food business, despite it ending the year with increased UK sales², and paying out a record \$3.75 billion (£2.9 billion) to shareholders throughout the year.

McDonald's appears to have anticipated public opprobrium for benefiting from public funds. Although there was no public announcement at the time, the accounts of its main UK subsidiary, McDonald's Restaurants Ltd state it returned funds received under the Coronavirus Job Retention Scheme (CJRS / "Furlough" Scheme) and business rates relief. However, under McDonald's business model 91% of McDonald's stores in the UK are run by franchisees not by the main UK subsidiary. The accounts seen of these franchisees, which all pay royalties on sales, all show them benefiting from Coronavirus Job Retention Scheme (CJRS / "Furlough" Scheme) and business rates relief. Most of the franchisee accounts seen show them reporting profits in 2020.

Overall McDonald's UK business as a whole, including franchises, is estimated to have received £297 million from the Coronavirus Job Retention Scheme (CJRS / "Furlough" Scheme), £143 million from Eat Out to Help Out, £60 million from business rates relief, and £372million from the temporary reduced rate of VAT for hospitality³.

By comparison, in 2019, McDonald's Restaurants Limited accounts stated a gross profit of £510 million, and just £77.6 million in corporation tax owing. The accounts also stated that McDonald's UK business transferred £161 million in franchise rights fees to its McDonald's group companies.⁴ This briefing paper also reveals McDonald's easy and frequent access to UK government ministers, with whom McDonald's lobbyists met 15 times between March and June 2020 at the start of the pandemic⁵.

¹ McDonald's organises the majority of its restaurants worldwide using a franchising model, where franchisees pay franchise rights fees, rent and other payments to the corporation. 91% of McDonald's restaurants in the UK are franchised (see Appendix B). All references to "McDonald's UK business" and estimates of the tax breaks and subsidies received in this paper refer to both company's corporate-run and franchised restaurants in the UK. References to "McDonald's Restaurants Ltd" refer to the main UK subsidiary which runs corporate-operated stores and collects fees from franchisees.

² McDonald's, "McDonald's Reports Fourth Quarter And Full Year 2020 Results", 21 January 2021, <https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/FinancialNews.Q4-and-2020-Results.html>

³ See appendices for the methodology used to arrive at these estimates. These estimates are rounded to the nearest million.

⁴ McDonald's restaurants limited 2019 accounts

⁵ Based on analysis of the following transparency data releases of ministers' meetings, hospitality, gifts and overseas travel: 'BEIS Ministerial Meetings, January to March 2020 - GOV.UK', accessed 9 November 2020,

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904249/january-march-2020-disclosure-ministerial-meetings.csv/preview; 'BEIS: Ministerial Gifts, Hospitality, Travel and Meetings, April to June 2020', GOV.UK, accessed 9

Pandemic Business Support and Policy Choices

The rapid spread of the Covid-19 virus and the resulting health crisis in 2020 meant that policymakers had the challenging task of creating economic programmes that could deliver economic support quickly and efficiently. Nevertheless, policy choices shaped the degree to which business owners' or workers' needs were prioritised, whether the subsidies created were adequately targeted, or came with appropriate conditions attached, and therefore who would ultimately bear the costs and risks of the Covid-19 pandemic.

For example, the Institute for Public Policy Research (IPPR) estimated that 45% of the furlough pay received by UK workers went to landlords, banks, and other lenders. Therefore much of the economic assistance provided by the UK government amounted to “an implicit bailout” of rentiers, with the costs shouldered by workers.⁶

A handful of the largest publicly traded companies which made use of Coronavirus Job Retention Scheme (CJRS) “Furlough” in the UK had combined profits of £42 billion over the previous five years – an amount equal to the estimated total cost of the furlough scheme to the UK government, according to research by the High Pay Centre.⁷

Whilst widespread fear of job losses and economic disruption generated broad public support for large-scale government interventions, questions remain over the distributional impacts, the suitability of recipients, and the lack of greater conditionality. Business supported financial intervention as customers and workers staying at home was threatening their ability to continue operating profitably. Financial relief was not intended to allow already large corporate firms to expand their market share, or to fund generous dividends to shareholders. Evidence presented in this briefing paper suggests this is exactly what happened in the case of McDonald's. The company received substantial public funds, despite having sufficient finance available to continue operations, and despite paying out record amounts to shareholders. McDonald's ended the year with increased comparable UK sales⁸.

November 2020, <https://www.gov.uk/government/publications/beis-ministerial-gifts-hospitality-travel-and-meetings-april-to-june-2020>; 'Defra: Ministerial Gifts, Hospitality, Travel and Meetings, January to March 2020 - GOV.UK', accessed 10 November 2020, <https://www.gov.uk/government/publications/defra-ministerial-gifts-hospitality-travel-and-meetings-january-to-march-2020>; 'Defra: Ministerial Gifts, Hospitality, Travel and Meetings, April to June 2020', GOV.UK, accessed 9 November 2020, <https://www.gov.uk/government/publications/defra-ministerial-gifts-hospitality-travel-and-meetings-april-to-june-2020>; 'HMT Ministers' Meetings, Hospitality, Gifts and Overseas Travel: 1 January to 31 March 2020', GOV.UK, accessed 10 November 2020, <https://www.gov.uk/government/publications/hmt-ministers-meetings-hospitality-gifts-and-overseas-travel-1-january-to-31-march-2020>; 'DHSC: Ministerial Gifts, Hospitality, Travel and Meetings, April to June 2020', GOV.UK, accessed 10 November 2020, <https://www.gov.uk/government/publications/dhsc-ministerial-gifts-hospitality-travel-and-meetings-april-to-june-2020>; 'DCMS: Senior Officials' Business Expenses and Hospitality, 1 January to 31 March 2020', GOV.UK, accessed 10 November 2020, <https://www.gov.uk/government/publications/dcms-senior-officials-business-expenses-and-hospitality-1-january-to-31-march-2020>; 'DCMS: Senior Officials' Business Expenses and Hospitality, 1 April to 30 June 2020', GOV.UK, accessed 9 November 2020, <https://www.gov.uk/government/publications/dcms-senior-officials-business-expenses-and-hospitality-1-april-to-30-june-2020>.

⁶ 'Who Wins and Who Pays? Rentier Power and the Covid Crisis', IPPR, 13 May 2020, <https://www.ippr.org/research/publications/who-wins-and-who-pays>.

⁷ Research from the High Pay Centre in April 2020 found that the 18 FTSE 100 companies making use of the furlough scheme at that time had combined profits over the previous five years of £42bn) High Pay Centre, 'How Are UK-Listed Companies Responding to the Economic Shutdown?', 26 April 2020, <https://highpaycentre.org/high-pay-centre-briefing-corporate-response-to-the-economic-shutdown/>.

⁸ McDonald's defines “comparable sales” as follows, “Comparable sales are compared to the same period in the prior year and represent sales at all restaurants, whether operated by the Company or by franchisees, in operation at least thirteen months including those temporarily closed.” See for example here: <https://corporate.mcdonalds.com/corpmcd/en-us/our-stories/article/FinancialNews.Q4-and-2020-Results.html>

Public Subsidy Estimates

“The Chancellor’s program in the UK also provided strong financial relief to our franchisees.”

Chris Kempczinski, President and CEO, McDonald’s⁹

“We supported over a million businesses to protect jobs, through tax cuts, tax deferrals, direct cash grants, and over a million government-backed loans... our interventions significantly protected people’s incomes, with the least well off in society supported the most... our economic response was about protection...”

Rishi Sunak, UK Chancellor of the Exchequer, 20 July 2020¹⁰

The table below provides estimates of the pandemic-related public subsidies and tax breaks McDonald’s benefited from during 2020 in the UK¹¹. These estimates were made using publicly available data and conservative assumptions (see appendices for full methodology):

Subsidy / tax relief	Amount
Coronavirus Job Retention Scheme	£297 million
Eat Out to Help Out Scheme	£143 million
Subsidy Sub-total	= £440 million
Business rates relief	£60 million
Vat reduction	£372 million
Tax relief sub-total	= £432 million
Grand Total	= £872 million

The Coronavirus Job Retention Scheme (CJRS) - “Furlough”

Estimated benefit to McDonald’s = £297 million

The Coronavirus Job Retention Scheme (CJRS), or ‘furlough scheme’, was introduced on 20 March 2020, alongside the first UK national lockdown.¹² Under the scheme’s initial design, the UK government reimbursed employers 80% of the wages of employees not working due to the lockdown – up to a maximum of £2,500 a month – if employers kept them on the payroll, rather than laying them off.¹³ The Coronavirus Job Retention Scheme was widely praised by trade unions for helping to prevent a “tsunami of unemployment”¹⁴. However, for large numbers of McDonald’s workers – who earn low hourly wages on zero-hours contracts – the furlough pay of 80% of pre-pandemic earnings equated to less than the minimum wage.¹⁵

⁹ Chris Kempczinski, ‘McDonald’s Corporation’s (MCD) CEO Chris Kempczinski on Q2 2020 Results - Earnings Call Transcript’, Seeking Alpha, 28 July 2020, <https://seekingalpha.com/article/4361392-mcdonalds-corporations-mcd-ceo-chris-kempczinski-on-q2-2020-results-earnings-call-transcript>.

¹⁰ Rishi Sunak MP, A Plan for Jobs speech, 8 July 2020, Accessed 29 September 2021 <https://www.gov.uk/government/speeches/a-plan-for-jobs-speech>

¹¹ These estimates are rounded to the nearest million

¹² ‘Coronavirus: Boris Johnson’s Address to the Nation in Full’, BBC News, 23 March 2020, sec. UK, <https://www.bbc.com/news/uk-52011928>; Ministry of Housing, Communities & Local Government and Cabinet Office, ‘Guidance: Closing Certain Businesses and Venues in England’, GOV.UK, 23 March 2020, <https://www.gov.uk/government/publications/further-businesses-and-premises-to-close>.

¹³ Richard Partington, ‘UK Government to Pay 80% of Wages for Those Not Working in Coronavirus Crisis’, The Guardian, 20 March 2020, sec. World news, <https://www.theguardian.com/uk-news/2020/mar/20/government-pay-wages-jobs-coronavirus-rishi-sunak>.

¹⁴ Richard Partington, ‘Prevent ‘tsunami’ of job losses when furlough ends, TUC urges Sunak’ 4 Sept, 2020, <https://www.theguardian.com/uk-news/2020/sep/04/prevent-tsunami-of-job-losses-when-furlough-ends-tuc-urges-sunak>

¹⁵ McStrike, “McDonald’s Workers Shouldn’t Be Facing Poverty as Well as the Corona Virus.”, McStrike Press Release, 23 March 2020, <https://mcstrike.uk/mcdonalds-workers-shouldnt-be-facing-poverty-as-well-as-the-corona-virus/>.

McDonald's franchises¹⁶ are estimated to have received £297 million from the CJRS in 2020, based on franchises receiving an average of £2632 per employee for 112,837 franchise crew. The average subsidy per crew was estimated using figures given by a sample of McDonald's franchises. (See Appendix A for full methodology).

Business rates relief

Estimated benefit to McDonald's = £60million

Business rates are paid by occupants of commercial properties in the UK and help to fund locally provided public services. A business rates holiday for smaller business premises in the retail, hospitality and leisure sectors was introduced in the 2020 Budget and quickly extended to cover all businesses in these sectors, irrespective of the rateable value of their premises as part of the government's Covid-19 response.¹⁷ The 'expanded retail discount 2020 to 2021' means businesses in the retail, hospitality and leisure sectors paid nothing in business rates for the 2020-21 tax year.¹⁸

McDonald's franchises are estimated to have received £60 million from the scheme in the tax year 2020-21. This figure represents the 100% discount of the gross business rates of McDonald's 1214 franchises' premises, which are estimated using the actual rateable values of a sample of 620 McDonald's premises, identified in the rating list published by the Valuation Office Agency (see Appendix B for estimate methodology).

Business Return Undue Business Rates Relief:

In the face of public outcry over businesses that were doing well during the pandemic receiving a business rates holiday, a number of UK retail businesses¹⁹ announced they were returning their business rates relief to the UK government. Most of the companies that did so were supermarkets or DIY stores, which were permitted to remain open during lockdowns. Burberry was exceptional in being a non-essential retailer who returned £5.85 million²⁰.

John Allan, the chair of Tesco, which returned £585 million, said:

*"The board has agreed unanimously that we should repay the rates relief we have received. We are financially strong enough to be able to return this to the public, and we are conscious of our responsibilities to society. We firmly believe now that this is the right thing to do, and we hope this will enable additional support to those businesses and communities who need it."*²¹

Whilst McDonald's made no public announcement at the time. McDonald's Restaurants Ltd 2020 accounts state that "the company" chose not to take advantage of the business rates holiday²². This appears to cover only the 9% of McDonald's stores that are corporate run. Accounts examined of franchises and McDonald's joint ventures [where McDonald's Restaurants' Ltd owns a majority

¹⁶ McDonald's Restaurants LTD 2020 accounts show it decided to return its furlough grant to HMRC for corporate operated stores. 91 % of McDonald's stores are run by franchises. All the accounts of McDonald's franchises and joint ventures seen by the authors of this paper indicate they did not return the furlough grants they received.

¹⁷ Rishi Sunak, 'Budget Speech 2020', GOV.UK, accessed 9 November 2020, [https://www.gov.uk/government/speeches/budget-speech-2020](https://www.gov.uk/government/speeches/budget-speech-2020;); 'Chancellor of the Exchequer, Rishi Sunak on COVID19 Response', GOV.UK, accessed 9 December 2020, <https://www.gov.uk/government/speeches/chancellor-of-the-exchequer-rishi-sunak-on-covid19-response>.

¹⁸ 'Business Rates: Expanded Retail Discount - Guidance', GOV.UK, accessed 9 December 2020, <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>; 'Business Rates Holiday and Cash Grants for Retail, Hospitality and Leisure Businesses', Institute of Chartered Accountants in England and Wales, accessed 9 December 2020, <https://www.icaew.com/coronavirus/uk-practical-business-advice-covid-19/business-rates-holiday-and-cash-grants-for-retail-hospitality-and-leisure-businesses>.

¹⁹ Howdens £8million, Tesco £585million, Sainsbury's £440 million, Asda £340 million, Morrisons £274 million, Kingfisher £130 million, Aldi £109 million, Lidl £108 million, B&M £80 million, Travis Perkins £50million, Pets at home £29 million, Wholefoods £2million, AO World £30,000, Burberry £5.85 million.

²⁰ Retail Gazette, "All the retailers that have paid back the business rates holiday" 19 February 2021, Accessed 16 September 2021 <https://www.retailgazette.co.uk/blog/2021/02/retailers-business-rates-relief-coronavirus-burberry-tesco/>

²¹ The Grocer, "Coronavirus business rates relief: which supermarkets are handing it back?" 7 December 2020, Accessed 16 September 2021 <https://www.thegrocer.co.uk/supermarkets/coronavirus-business-rates-relief-which-supermarkets-are-handing-it-back/651120.article>

²² p19 "McDonald's Restaurants Ltd Financial Statement and Accounts 2020" 2020

shareholding in the franchise] show them receiving business rates relief. McDonald's Restaurants shut voluntarily during the first lockdown despite being permitted to stay open for takeaway. They remained open for takeaway and delivery throughout further lockdowns.

Eat Out to Help Out Scheme

Estimated benefit to McDonald's = £143 million

The Eat Out to Help Out Scheme (EOHO) allowed businesses to offer a 50% discount on food or non-alcoholic drinks to dine-in customers on Mondays, Tuesdays, and Wednesdays, during August 2020. Businesses were then reimbursed for the value of these discounts by the UK government's tax authority, HM Revenue & Customs (HMRC).²³ A total of £849 million was claimed under the scheme, almost double the programme's initial estimated cost of £500 million.²⁴

McDonald's is estimated to have received £143 million from the EOHO programme (31% of the restaurant total), based on the assumption that UK restaurant enterprises which participated made claims in proportion to their previous annual sales (see Appendix C for full estimate methodology).

Temporary VAT Reduction

Estimated Benefit to McDonald's = £372 million

Alongside the Eat Out to Help Out Scheme, the UK government introduced a temporary reduction of the standard rate of Value Added Tax (VAT) in hospitality and leisure industries from 20% to 5%, which applied from 15 July 2020 to 31 March 2021. The measures were brought in as "an urgent response... to support businesses severely affected by forced closures and social distancing measures."²⁵

Businesses could choose whether to keep more of the sale price or reduce prices with a view to boosting sales. McDonald's announced it would pass on the VAT reduction to consumers, in the form of reduced menu prices.²⁶

The value of the reduced rate of VAT to McDonald's can be estimated at £372 million, based on an effective VAT charge of 5% on McDonald's sales during the period the reduced rate was in effect, versus a VAT charge at 20% (see Appendix D for full estimate methodology).

²³ HM Revenue & Customs, 'Guidance: Get More Information about the Eat Out to Help Out Scheme', GOV.UK, 9 July 2020, <https://www.gov.uk/government/publications/get-more-information-about-the-eat-out-to-help-out-scheme>.; HM Treasury, 'Treasury Direction Made under Sections 71 and 76 of the Coronavirus Act 2020: Eat Out to Help Out Scheme - GOV.UK', accessed 15 December 2020, <https://www.gov.uk/government/publications/treasury-direction-made-under-sections-71-and-76-of-the-coronavirus-act-2020-eat-out-to-help-out-scheme>.

²⁴ HM Treasury, 'A Plan for Jobs', 8 July 2020, 7, <https://www.gov.uk/government/publications/a-plan-for-jobs-documents>.

²⁵ 'Guidance on the Temporary Reduced Rate of VAT for Hospitality, Holiday Accommodation and Attractions', GOV.UK, accessed 28 July 2021, <https://www.gov.uk/government/publications/revenue-and-customs-brief-10-2020-temporary-reduced-rate-of-vat-for-hospitality-holiday-accommodation-and-attractions/guidance-on-the-temporary-reduced-rate-of-vat-for-hospitality-holiday-accommodation-and-attractions>.

²⁶ McDonald's UK, 'Thanks to the VAT Reduction from the Chancellor, We're Reducing the Price of Many of Your McDonald's Favourites from Today. <https://t.co/FYY6QBfIVN>', Tweet, @McDonaldsUK (blog), 15 July 2020, <https://twitter.com/McDonaldsUK/status/1283328503593697280>.

McDonald's Access to Government

Between the 19 March and 30 June 2020, McDonald's met with UK government ministers 15 times.²⁷

McDonald's was among lobbyists that met with the Department for Business, Energy and Industrial Strategy (BEIS) on the 19 March 2020 to discuss the "business impact" of Covid-19, the day before the announcement of the furlough scheme.²⁸ On 20 March, the day of the scheme's announcement, McDonald's attended another meeting with BEIS and a "Business Leaders Call" with the Prime Minister and the Chancellor Rishi Sunak to discuss "the government's response to Coronavirus".²⁹ McDonald's met with BEIS a total of 13 times in the first half of 2020.

Responding to a freedom of information request for the minutes of meetings between BEIS and McDonald's, BEIS confirmed that the meetings were "pertinent to our ongoing policies concerning the response to the pandemic" and suggested McDonald's views were among the "best advice available" to ministers and officials and "crucial to this policy making". BEIS has so far declined to release the meeting minutes, arguing it would not be in the public interest, in case it deterred "stakeholders" such as McDonald's from providing such "advice".³⁰ McDonald's failure to recognise a trade union in the UK did not appear to be considered in whether it was a suitable advisor to government.

On 5 May 2020, McDonald's attended a meeting with George Eustice at the Department for Environment, Food & Rural Affairs (DEFRA).³¹ Three days later, Eustice declared, "A McDonald's drive thru is made for the social distancing situation" during a Downing Street press briefing.³² Mile-long queues at McDonald's drive thrus were later reported.³³

Business Position in 2020

"2020 will be remembered as one of McDonald's most challenging, yet inspiring, moments in our long history. The resilience of the McDonald's System was on display"

Chris Kempczinski, McDonald's President and Chief Executive Officer

At the onset of the Covid-19 pandemic in 2020, the McDonald's Corporation told investors it entered 2020 in "an exceptionally strong financial position."³⁴ Whilst the pandemic forced the closure of a quarter of its stores globally³⁵, the company's Chief Financial Officer (CFO), Kevin Ozan, told investors in April 2020 that the company's priorities remained "investing in the business for growth and prioritizing

²⁷ based on analysis of the following transparency data releases of ministers' meetings, hospitality, gifts and overseas travel: 'BEIS Ministerial Meetings, January to March 2020 - GOV.UK', accessed 9 November 2020, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904249/january-march-2020-disclosure-ministerial-meetings.csv/preview; 'BEIS: Ministerial Gifts, Hospitality, Travel and Meetings, April to June 2020', GOV.UK, accessed 9 November 2020, <https://www.gov.uk/government/publications/beis-ministerial-gifts-hospitality-travel-and-meetings-april-to-june-2020>; 'Defra: Ministerial Gifts, Hospitality, Travel and Meetings, January to March 2020 - GOV.UK', accessed 10 November 2020, <https://www.gov.uk/government/publications/defra-ministerial-gifts-hospitality-travel-and-meetings-january-to-march-2020>; 'Defra: Ministerial Gifts, Hospitality, Travel and Meetings, April to June 2020', GOV.UK, accessed 9 November 2020, <https://www.gov.uk/government/publications/defra-ministerial-gifts-hospitality-travel-and-meetings-april-to-june-2020>; 'HMT Ministers' Meetings, Hospitality, Gifts and Overseas Travel: 1 January to 31 March 2020', GOV.UK, accessed 10 November 2020, <https://www.gov.uk/government/publications/hmt-ministers-meetings-hospitality-gifts-and-overseas-travel-1-january-to-31-march-2020>; 'DHSC: Ministerial Gifts, Hospitality, Travel and Meetings, April to June 2020', GOV.UK, accessed 10 November 2020, <https://www.gov.uk/government/publications/dhsc-ministerial-gifts-hospitality-travel-and-meetings-april-to-june-2020>; 'DCMS: Senior Officials' Business Expenses and Hospitality, 1 January to 31 March 2020', GOV.UK, accessed 10 November 2020, <https://www.gov.uk/government/publications/dcms-senior-officials-business-expenses-and-hospitality-1-january-to-31-march-2020>; 'DCMS: Senior Officials' Business Expenses and Hospitality, 1 April to 30 June 2020', GOV.UK, accessed 9 November 2020, <https://www.gov.uk/government/publications/dcms-senior-officials-business-expenses-and-hospitality-1-april-to-30-june-2020>.

²⁸ 'BEIS Meetings, January to March 2020'.

²⁹ 'BEIS Meetings, January to March 2020'; 'HMT Ministers' Meetings, January to March 2020'

³⁰ Letter to War on Want Dated 21 July 2021

³¹ 'Defra: Ministerial Gifts, Hospitality, Travel and Meetings, January to March 2020 - GOV.UK'

³² Kate Proctor, "Made for Social Distancing": Drive-through Takeaways Urged to Reopen, *The Guardian*, 8 May 2020, sec. Business, <https://www.theguardian.com/business/2020/may/08/drive-through-takeaways-could-reopen-safely-says-eustice>.

³³ Emma Munbodh, 'Busiest McDonald's Drive-Thru Queues - 24 Restaurants to Avoid This Weekend', *Mirror*, 5 June 2020, sec. Money, <https://www.mirror.co.uk/money/busiest-mcdonalds-drive-thru-queues-22143246>.

³⁴ McDonald's proxy filing, April 9, 2020, p. 2, https://www.sec.gov/Archives/edgar/data/63908/000120677420001117/mcd_courtesy-pdf.pdf

³⁵ McDonald's Corporation, 'Current Report: Form-8K', 30 April 2020, <https://www.sec.gov/Archives/edgar/data/63908/000006390820000039/form8k.pdf>.

dividends to our shareholders.”³⁶ Investment analysts concurred that McDonald’s “deep pockets” and robust balance sheet meant it would be able to absorb temporary store closures and still pay out dividends.³⁷

Global impact on sales:

The effect of the pandemic on McDonald’s sales was temporary. Global comparable sales were at their lowest during Q2 2020, dipping by 9% in the US compared to the same period in the previous year, and dropping by 41% in International Operated Markets (IOMs) – which includes the UK.³⁸

However, the company made a swift recovery in Q3 and Q4 2020. Global comparable sales for Q3 (July to September 2020) were just 2.2% lower than Q3 2019, driven by a 4.6% increase in comparable sales in the US and improving comparable sales in IOM markets. Global profits (net income) for Q3 2020 were 10% higher than in the previous year.³⁹

By the fourth quarter, the company had recuperated 99% of global sales, compared to the same period in 2019.⁴⁰

UK Sales:

In the UK, despite McDonald’s stores being closed to customers for much of Q4 comparable sales were “positive throughout the quarter”.⁴¹ On 9 November 2020, the company said that McDonald’s stores in its IOM markets were “operating from a position of strength” with “high average unit volumes” and “cash flow at or near all-time highs.”⁴² The company CFO, Kevin Ozan, told investors: “The UK has achieved comp[arable] sales growth every month since August despite increased restrictions reintroduced in early November”.⁴³

McDonald’s Profits and Dividends to Shareholders:

Despite the pandemic – and thanks in no small part to the taxpayer-funded support it received in the UK and elsewhere – McDonald’s accounts stated a profit before tax of \$6.1 billion on its global business in 2020.⁴⁴ The company maintained the value of dividend payments throughout all four quarters, paying out a total of \$3.75 billion (£2.9 billion) to shareholders⁴⁵ – more than in any previous year.⁴⁶ In contrast, more than half of UK and European companies reduced or cancelled dividends between April and June of 2020.⁴⁷

³⁶ ‘McDonald’s Corporation (MCD) CEO Chris Kempczinski on Q1 2020 Results - Earnings Call Transcript | Seeking Alpha’, accessed 26 July 2021, <https://seekingalpha.com/article/4341539-mcdonalds-corporation-mcd-ceo-chris-kempczinski-on-q1-2020-results-earnings-call-transcript>.

³⁷ Teresa Rivas, ‘McDonald’s Will Update Its Business Soon. Here’s What to Expect.’, 15 June 2020, <https://www.barrons.com/articles/mcdonalds-outlook-update-coronavirus-recovery-51592246535>.

³⁸ McDonald’s Corporation, ‘10-Q Quarterly Report (Q2 2020)’, 30 June 2020, 17, <https://www.sec.gov/Archives/edgar/data/63908/000006390820000063/mcd-630202010q.pdf>.

³⁹ McDonald’s Corporation, ‘10-Q Quarterly Report (Q3 2020)’, 30 September 2020, 17–19, <https://www.sec.gov/Archives/edgar/data/63908/000006390820000076/mcd930202010q.pdf>.

⁴⁰ McDonald’s Corporation, ‘Q4 2020 Current Report, SEC from 8-K’, 28 January 2021, 1, <https://www.sec.gov/Archives/edgar/data/63908/000006390821000002/form8k.pdf>.

⁴¹ McDonald’s Corporation, ‘Q4 2020 Current Report, SEC from 8-K’, 28 January 2021, 2, <https://www.sec.gov/Archives/edgar/data/63908/000006390821000002/form8k.pdf>.

⁴² McDonald’s Investor Update Transcript, Nov. 9, 2020, https://corporate.mcdonalds.com/content/dam/gwscorp/assets/investors/Investor%20Update_Transcript_vF.pdf

⁴³ ‘McDonald’s Corporation’s (MCD) CEO Chris Kempczinski on Q4 2020 Results - Earnings Call Transcript | Seeking Alpha’, accessed 26 July 2021, <https://seekingalpha.com/article/4401676-mcdonalds-corporations-mcd-ceo-chris-kempczinski-on-q4-2020-results-earnings-call-transcript>.

⁴⁴ McDonald’s Corporation, ‘2020 Annual Report’, Securities and Exchange Commission filing type 10-K, accessed 26 July 2021, <https://www.sec.gov/Archives/edgar/data/63908/000006390821000013/mcd1231202010k.pdf>.

⁴⁵ (see box).

⁴⁶ McDonald’s Corporation, ‘Stock Information - Dividend History 2020’, 2020, <https://corporate.mcdonalds.com/corpmcd/investors/stock-information.html>.

⁴⁷ Janus Henderson, ‘Janus Henderson Global Dividend Index Edition 27’, August 2020, https://cdn.janus Henderson.com/webdocs/JHGDI+Ed+27+Report+_Global.pdf.

BOX: McDonald's Maintains Dividends through 2020⁴⁸

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
Dividends paid to shareholders (\$ millions)	930.7	929.7	930.9	961.6	\$3,753
Dividends paid to shareholders (£ millions)	728	749	721	728	£2,925
Exchange rate US \$ per £ sterling	1.2792	1.2418	1.2914	1.3204	

Increasing Market Share:

With robust sales, McDonald's focused on growing its market share in 2021. Chris Kempczinski, McDonald's President and CEO, told investors in January 2021; "we're confident we can keep capturing market share as we look to the future. We're confident because we were growing share in most markets before Covid. We're confident because we've continued growing market share during Covid."⁴⁹

Commenting on the business's plans to take advantage of other restaurants closing, McDonald's CFO Kevin Ozan singled out the UK:

*"There's a question of when and even if the high street in the UK completely returns...which certainly is an opportunity for us to continue gaining market share. That's our expectation. That's what we're going after."*⁵⁰

McDonald's reported positive comparable sales in Q4 2020, which alongside the restaurant and mobile food service sub-sector's negative comparable turnover,⁵¹ makes it extremely likely that McDonald's gained market share in 2020. The company planned to open 1,350 new stores globally in 2021, 50 of which were to be located in the UK.⁵²

In January 2022, McDonald's CFO Kevin Ozan reported that Q4 2021 ended with "strong 2-year double-digit growth" in the UK and that "most of the major markets have gained share throughout the pandemic"⁵³.

Conclusion

The scale of subsidies and tax breaks received by McDonald's in 2020, in a context where the fast-food giant's profits were healthy and market share growing, suggests too few requirements were placed on corporate recipients of taxpayer-funded pandemic support.

Many of the subsidies and tax breaks introduced by the UK government were available to companies regardless of their size or the state of their finances. Publicly traded companies were not required to constrain executive pay, or suspend dividend payments, as a condition of receiving unprecedented support; nor were they required to pledge to abstain from using tax havens or other tax minimisation strategies.

⁴⁸ McDonald's Corporation, "Payments of Ordinary Dividends, Common Stock" from Quarterly reports (Form 10-Q) and annual report (10-K) filed with the Securities and Exchange Commission, <https://www.sec.gov/edgar/browse/?CIK=63908&owner=exclude>. Accessed on 26/07/2021; Pound values based on: Bank of England Quarterly average Spot exchange rate (XUQAUS),

⁴⁹ 'McDonald's Corporation's (MCD) CEO Chris Kempczinski on Q4 2020 Results - Earnings Call Transcript | Seeking Alpha'.

⁵⁰ 'McDonald's Corporation's (MCD) CEO Chris Kempczinski on Q4 2020 Results - Earnings Call Transcript | Seeking Alpha'.

⁵¹ See Figure 5 "Monthly turnover change, UK, January 2020 to May 2021 compared to the same month in 2019" in "Coronavirus and its impact on UK hospitality: January 2020 to June 2021" 19 July 2021

<https://www.ons.gov.uk/businessindustryandtrade/business/activitiesizeandlocation/articles/coronavirusanditsimpactonukhospitality/january2020tojune2021>

⁵² McDonald's Corporation, '2021 Planned Net Unit Openings by Segment', 28 February 2021, <https://corporate.mcdonalds.com/content/dam/gwscorp/assets/investors/financial-information/2021%20Planned%20Net%20Unit%20Openings%20by%20Segment.pdf>.

⁵³ McDonald's, "Q4 2021 Earnings Call Transcript" 27 January 2022

As a result, McDonald's UK business was able to pocket an estimated £872 million in tax breaks and subsidies during 2020, despite its poor record of employment practices and long history of aggressive tax dodging.⁵⁴

The benefit to McDonald's shareholders was not matched by the experience of McDonald's workers in 2020. Whilst furloughed workers struggled on 80% of what were already poverty wages and workers reported unsafe conditions. During winter 2020, a worker from Sheffield told Sky News about the business focus on sales over safety: "We are still consistently being pushed to work fast over safe, our store has been regularly breaking pre-COVID hourly sales records". "We are just too busy to deal with it and management is too focused on sales and performance instead of cleanliness. The implications of this are frightening and frustrating as someone who lives with someone particularly vulnerable to this disease."

A worker from Liverpool said: "We currently have an Uber Eats competition too, to see which is the quickest store to do them orders too – it's pressure, pressure, pressure – if the social distancing screens are in the way they get moved out."⁵⁵ McDonald's claimed these were isolated incidents that they would investigate.

The scale of these subsidies also sits uncomfortably alongside the amount of tax McDonald's pays in the UK. In 2019, McDonald's Restaurants Limited accounts stated a gross profit of £510 million, and just £77.6 million in corporation tax owing. The accounts also stated that the business transferred £161 million in franchise rights fees to its parent company.⁵⁶

The amount of subsidies received by McDonald's in the UK raises questions about the closeness of its relationship to the UK government, and its value for the public. The scale of financial support received should be matched by the benefit the business brings to its UK workers and the public.

Recommendations

McDonald's should:

- Disclose the full value of UK subsidies and tax breaks received alongside the corporation tax paid on its UK business.
- Publish full public country-by-country accounts.
- Fulfil workers' demands for a real living wage of £15 an hour, an end to youth rates of pay, the option of guaranteed hours, and notice of shifts in advance.
- Recognise the Bakers, Food and Allied Workers Union (BFAWU) and engage with them on issues of pay, insecure contracts, health and safety, and harassment in McDonald's workplaces.

The UK government should:

- **Introduce subsidy and tax break conditionality:** Make any future subsidy or tax break subject to businesses meeting a set of minimum conditions such as:
 - **Job security** – Ensure that business support measures are conditional on support for decent jobs
 - **Tax** – Business end artificial tax avoidance arrangements and tax haven structures, publicly disclose where profits are made and who benefits, and publish a tax policy
 - **Dividends** – Implement a moratorium on dividend payouts and share buybacks
 - **Pay** – Make a commitment to paying all staff a real living wage, and restrict the gap between the least and the most paid

⁵⁴ War on Want et al., 'Unhappy Meal - €1 Billion in Tax Avoidance on the Menu at McDonald's' (Brussels, 2015),

<https://waronwant.org/resources/unhappy-meal-eu-1-billion-tax-avoidance-menu-mcdonalds>; EPSU, EFFAT, and SEIU, 'Unhappier Meal: Tax Avoidance Still on the Menu at McDonald's' (Brussels, May 2018),

https://www.globaltaxjustice.org/sites/default/files/Unhappier_Meal_FINAL.pdf.

⁵⁵ Tom Parmenter, "Handwashing isn't kept on top of: McDonald's facing new claims of COVID rules being broken" Sky News 19 March 2021 <https://news.sky.com/story/handwashing-isnt-kept-on-top-of-mcdonalds-facing-new-claims-of-covid-rules-being-broken-12250230>

⁵⁶ (McDonald's Restaurants Limited will report its 2020 earnings and tax paid in September 2021.) Tax on 2019 earnings refers to "Current tax", Note 8: McDonald's Restaurants Ltd, 'Annual Report and Financial Statements for the Year Ended 31 December 2019'.

- **Race** – Ensure any pay auditing processes include ethnicity pay gap reporting
 - **Environment** – Adopt near-term climate targets in line with the Paris Agreement, and clear, transparent plans to meet them without reliance on offsetting.
- **Review all tax breaks:** ensuring that the full costs and benefits of all tax rules for companies are properly reported; and any tax breaks or subsidies which cannot be justified by their benefits to the economy, society and the environment are scrapped. The review should include consideration of whether alternative policies would have a more positive cost-benefit to society.
 - **Provide greater transparency:**
 - **Routinely publish detailed information** on who receives what subsidy and analysis on the distributional effects of tax breaks and their scale
 - **Routinely publish minutes of all lobby meetings with businesses.** This information should be released on a monthly basis, without delay, in a machine-readable format, and include: who is meeting whom, time and date of the meeting, and a full accurate description of what they're meeting about
 - **Improve freedom of information through:**
 - Recognising the national interest in an independent and fully-funded regulator of information rights (Information Commissions Office – ICO)
 - Raising the standard of compliance with freedom of information (FOI) requests across government
 - Remove obstacles to the effective transparency of government and public services e.g. by extending FOI to all new government contracts and having well-trained, professional, dedicated information rights staff.

Actions you can take

1. Find all the latest news on the campaign and how you can take action here: www.waronwant.org/McTax
2. Support McDonald's workers by following the McStrike here:
 - a. Twitter: @fastfoodrights
 - b. Facebook www.facebook.com/fastfoodrights
3. Become a member of War on Want
4. Affiliate your union branch to War on Want

Appendices

Methodology of estimates of the value of subsidies and tax breaks received by McDonald's in the UK in 2020

Appendix A

Estimating McDonald's Public Subsidy from the Coronavirus Job Retention Scheme (CJRS) "Furlough"

On 20 March 2020, as the first national UK 'lockdown' was announced⁵⁷, Chancellor of the Exchequer Rishi Sunak announced the UK government would reimburse employers 80% of the wages of employees not working due to the lockdown – up to a maximum of £2,500 a month – if employers kept them on the payroll rather than laying them off.⁵⁸ Later in the year, the programme was updated and extended through to the end of 2020, enabling employers to bring back workers on a partial basis but also, at points, requiring greater financial contributions from employers.⁵⁹ During the period analysed, the CJRS paid 80% of monthly earnings up to a maximum of £2,500.

To estimate the value of the Coronavirus Job Retention Scheme (CJRS or "furlough" scheme) to McDonald's in 2020, we calculate an average furlough payment per crew member from a sample of McDonald's franchises 2020 accounts. Then the number of crew members across all McDonald's UK franchises is calculated using a combination of staff figures from McDonald's Restaurants Ltd and a sample of McDonald's franchises.

The formula for the estimate is:

Value of CJRS to McDonald's in 2020 = [furlough grant per crew member] x [number of crew members across McDonald's UK franchises]

It is assumed that only McDonald's store employees – or "crew" – those up to "business managers" were furloughed. "Business managers" are a type of McDonald's manager used across franchise and corporate stores. They are usually responsible for one store, but occasionally have responsibility for more. The assumption that "business managers" were not furloughed is based on worker interviews conducted by BFAWU with workers in a range of types of stores.

The estimates for the average furlough payment per crew member and the number of crew members across McDonald's UK business are detailed below:

A.1. Estimating the average furlough payment per crew member

An estimate for what the average franchise paid a crew member is made by calculating the average value of furlough payments per crew member from a sample of seven McDonald's franchises which reported the value of payments received under the CJRS in their annual accounts, as shown in the following table⁶⁰.

⁵⁷ "Prime Minister's statement on coronavirus (COVID-19): 20 March 2020", Accessed 30 September 2021,

<https://www.gov.uk/government/speeches/pm-statement-on-coronavirus-20-march-2020>

⁵⁸ "The Chancellor Rishi Sunak provides an updated statement on coronavirus." Accessed 30 September 2021,

<https://www.gov.uk/government/speeches/the-chancellor-rishi-sunak-provides-an-updated-statement-on-coronavirus>

⁵⁹ "Chancellor's statement on coronavirus (COVID-19): 29 May 2020" Accessed 30 September 2021,

<https://www.gov.uk/government/speeches/chancellors-statement-on-coronavirus-covid-19-29-may-2020>

⁶⁰ M C D Manchester Ltd., 'Financial Statements for the Year Ended 31 December 2020', 2020; Kingston Restaurants Limited, 'Financial Statements for the Year Ended 31 December 2020', 2020; Capital Arches Group Ltd, 'Financial Statements for the Year Ended 31 December 2020', 2020; Premium Restaurants Ltd., 'Financial Statements for the Year Ended 31 December 2020', 2020. Mayor Restaurants Ltd., 'Financial Statements for the Year Ended 31 December 2020', 2020. Orchestra Ltd., 'Financial Statements for the Year Ended 31 December 2020', 2020.

Greensue Ltd., 'Financial Statements for the Year Ended 31 December 2020', 2020.

Franchise	Crew	CJRS Grant	Payment per crew [2020]
M C D Manchester Ltd	795	£2,281,007.00	£2,869.19
Kingston Restaurants Ltd	1230	£2,838,869.00	£2,308.02
Capital Arches Group Ltd	3202	£13,054,849.00	£4,077.09
Premium Restaurants Ltd	1840	£5,625,226.00	£3,057.19
Mayor Restaurants Ltd	377	£733,330.00	£1,945.17
Orchestra ltd	348	£777,837.00	£2,235.16
Greensue ltd	824	£1,593,018.00	£1,933.27
Total	8616	£26,904,136	£2,632.16

A.2. Estimating the number of crew members across McDonald's UK franchises

The number of crew across all McDonald's franchises is estimated as follows. In 2020, McDonald's employed 135,000 people in total.⁶¹ Subtracting McDonald's Restaurants Ltd's 17,195 total employees⁶² implies 117,805 were employed by franchised stores.

The percentage of these staff that are crew as opposed to management staff is extrapolated from staffing breakdowns provided in the 2020 accounts of a sample of seven franchisees.

Table A.2.2: Calculation of staffing breakdown in franchised stores using accounts of seven franchisees, 2020

Franchise	Total Employees	Management	Crew	Percentage crew
M C D Manchester Ltd	832	37	795	95.55%
Kingston Restaurants Ltd	1283	53	1230	95.87%
Capital Arches Group Ltd	3320	118	3202	96.45%
Premium Restaurants Ltd	1915	75	1840	96.08%
Mayor Restaurants Ltd	397	20	377	94.96%
Orchestra ltd	370	22	348	94.05%
Grensue ltd	855	31	824	96.37%
Total / Average	8972	356	8616	95.78%

Taking the staffing breakdown for these seven franchises to be representative of all franchises, implies that of the total 117,805 staff at McDonald's franchised stores, 95.78% of employees, or 112,837 are crew and not managers.

Table A.2.3: Estimate of crew in McDonald's Franchise stores

Total McDonald's staff 2020	135,000
Total MRUK staff 2020 (incl. office and management)	17,195
Total staff franchised stores (Total McDonald's staff - MRUK staff)	117,805
Est. Average % crew	95.78%
Franchise Crew (applying 95.78%)	112,837

⁶¹ McDonald's UK, 'Newsroom', 2020, <https://www.mcdonalds.com/gb/en-gb/newsroom.html>.

⁶² McDonald's Restaurants Ltd Financial Statements for the Year Ended 31 December 2020, 2020

A.3. Computing the value of the furlough scheme to McDonald's

The value of the furlough scheme to McDonald's across all franchises stores is based on an estimate of the average payment per crew established above multiplied by estimate for the number of crew across all McDonald's franchises also established above.

Table: Estimate of value of furlough scheme to McDonald's

Number of crew [est.]	112,837
Average payment per crew	£2,632.16
Total Payment [Est]	£297,005,038

The estimated value of the furlough scheme to McDonald's in 2020 is **£297 million** based on 112,837 franchise store crew employees with average payment per crew of £2632.16. The estimate is extrapolated from incomplete data.

Appendix B

Estimating value of business rates relief (Expanded Retail Discount 2020-21)

Business rates are paid by occupants of commercial properties in the UK and help to fund locally provided public services. A business rates holiday for smaller business premises in the retail, hospitality and leisure sectors was introduced in the 2020 Budget and quickly extended to cover all businesses in these sectors, irrespective of the rateable value of their premises as part of the government's Covid-19 response.⁶³ This was justified by reference to the pandemic's broad economic impacts and business need for support with fixed costs.⁶⁴

In summary, the scheme meant businesses in the retail, hospitality and leisure sectors pay no business rates for the 2020-2021 tax year and the tax break is applied automatically by local authorities. It is called the 'Expanded retail discount 2020 to 2021' or business rates holiday.⁶⁵ It was extended in the Budget of March 2021, for a further three months from April to June 2021.⁶⁶

During pre-pandemic times, McDonald's Restaurants Limited would usually be directly liable to pay UK business rates on each of its approximately 120 corporate-operated stores; and its franchisees would pay business rates on the company's approximate 1,214 franchised outlets.⁶⁷

McDonald's Restaurants Ltd 2020 accounts state that the company chose not to take advantage of the business rates holiday available between 1 April 2020 and 30 March 2021. This would account for 9% of McDonald's stores.

The cost of business rates is sometimes included in a commercial rental lease, in which case the property owner pays the business rates on behalf of the occupying business. It's not known how business rates are

⁶³ Rishi Sunak, 'Budget Speech 2020', GOV.UK, accessed 9 November 2020, <https://www.gov.uk/government/speeches/budget-speech-2020>; 'Chancellor of the Exchequer, Rishi Sunak on COVID19 Response', GOV.UK, accessed 9 December 2020, <https://www.gov.uk/government/speeches/chancellor-of-the-exchequer-rishi-sunak-on-covid19-response>.

⁶⁴ 'Business Rates: Expanded Retail Discount - Guidance', GOV.UK, accessed 9 December 2020, <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>; 'Business Rates Holiday and Cash Grants for Retail, Hospitality and Leisure Businesses', Institute of Chartered Accountants in England and Wales, accessed 9 December 2020, <https://www.icaew.com/coronavirus/uk-practical-business-advice-covid-19/business-rates-holiday-and-cash-grants-for-retail-hospitality-and-leisure-businesses>.

⁶⁵ 'Business Rates: Expanded Retail Discount - Guidance', GOV.UK, accessed 9 December 2020, <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>; 'Business Rates Holiday and Cash Grants for Retail, Hospitality and Leisure Businesses', Institute of Chartered Accountants in England and Wales, accessed 9 December 2020, <https://www.icaew.com/coronavirus/uk-practical-business-advice-covid-19/business-rates-holiday-and-cash-grants-for-retail-hospitality-and-leisure-businesses>.

⁶⁶ From 1 July 2021 to 31 March 2022 business rates relief will be reduced to 66% with some businesses subject to caps on the total discount: HM Treasury, 'Budget 2021', 2021, p.49, <https://www.gov.uk/government/publications/budget-2021-documents>.

⁶⁷ McDonald's had 1,334 restaurants in the UK in 2020, 91% of which are franchised, implying 120 corporate-operated stores and 1,214 franchised restaurants: McDonald's Corporation, 'Store Counts by Country 2020'; McDonald's Corporation, 'Investor Update Factsheet'.

treated in McDonald's contracts to lease premises to franchisees. The value of business rates relief to McDonald's is assessed as the value of 100% deduction of the gross business rates of -franchised stores.

The 'expanded retail discount' as introduced from March 2020, meant businesses in retail, hospitality and leisure sectors in England would pay no business rates for the 2020-21 tax year. There are some differences to how business rates work in the devolved nations of Scotland, Northern Ireland, and Wales.⁶⁸ However, all introduced 100% business rates relief for retail, hospitality and leisure businesses in 2020-21. In Wales, 100% relief only applied to businesses occupying premises with rateable values up to £500,000.⁶⁹

In England, gross business rates are calculated based on the Rateable Value (RV) of a property multiplied by a business rates multiplier. The RV reflects the annual rent that a property could have been let for on the open market on a specified date (two years before the revaluation applies) and is periodically updated by the Valuation Office Agency.⁷⁰ The business rates multipliers set by central government for the tax year 2020-21 are expressed in pence per pound and include the 'small business multiplier' (49.1p) for properties with RVs below £51,000, and the 'standard multiplier' (50.4p) which applies to properties with RVs of £51,000 or more.⁷¹ Gross business rates may subsequently be reduced where the ratepayer is eligible for central government relief or discretionary relief offered by local authorities.⁷²

In assessing the benefit of business rates relief to McDonald's, the value of gross business rates across the 1,201 franchise premises in 2020-21 is estimated; it does not account for other forms of relief that McDonald's premises may have enjoyed in previous years (when available rates relief was much more partial in nature).

Different business rate multipliers are set in Scotland, Northern Ireland, Wales, and the City of London.⁷³ Due to difficulties of compiling data on the location and rateable value of McDonald's premises in each territory, the multipliers set by central government for England are applied in the below estimate.

The value of the expanded retail discount to McDonald's across franchised stores is estimated by identifying a sample 620 McDonald's store premises in the valuation list published by the Value Office Agency on non-domestic properties in England and Wales; then grouping the premises by the two value bands used to calculate business rates in England, and extrapolating from the average valuation and proportion of premises within each band to calculate the value of gross business rates for McDonald's 1201 franchise premises.

The calculation for the estimate is:

Value of business rates relief to McDonalds =
100% of gross business rates of McDonald's premises =
(avg. rateable value of MCD premises under £51k × England small business multiplier × estimated number of premises under £51k)
+
(avg. rateable value of MCD premises £51k or more × England standard multiplier × estimated number of premises £51k or more)

⁶⁸ Sandford, 'Research Briefing: Business Rates', p.21

⁶⁹ (No McDonald's premise is thought have a rateable value above this threshold, the highest rateable value in the sample analysed was below £500,000) <https://www.nibusinessinfo.co.uk/content/rates-holiday>; <https://businesswales.gov.wales/business-rates-relief-wales>; <https://findbusinesssupport.gov.scot/service/funding/business-rates-relief>

⁷⁰ Sandford, 'Research Briefing: Business Rates', p.21

⁷¹ 'Estimate Your Business Rates', GOV.UK, accessed 16 December 2020, <https://www.gov.uk/calculate-your-business-rates>.

⁷² Sandford, 'Research Briefing: Business Rates', 8.

⁷³ 'Estimate Your Business Rates', GOV.UK, accessed 16 December 2020, <https://www.gov.uk/calculate-your-business-rates>.

B.1. Extracting a sample of rateable values of McDonald's premises

Average rateable values of McDonald's premises are obtained by extracting a sample of McDonald's store premises from the "2017 compiled rating list epoch database" published by the Valuation Office Agency.⁷⁴ The data provides current rateable values for 2 million commercial properties in England and Wales.

A subset of the rating list containing only premises of the type "restaurants and premises" was created, comprising around 34,000 rows. This subset "restaurants rating list" was filtered for entries where the character string "McDonalds" or "McDonald's" was present in the "firm name" and/or "number or name" address fields, which returned 657 unique premises.

Deducting entries without a current rateable value⁷⁵ entry leaves a sample of 620 entries, representing 46% of McDonald's 1,334 stores. The sample is split into a group of premises with rateable values equal to or greater than £51,000 and less than £51,000 with the following characteristics:

Table B.1.1: Characteristics of the sample of 620 McDonald's premises and rateable values

Value band of premises	Number of premises	Percentage of total	Total rateable value	Average rateable value
Less than £51k	23	3.7%	£ 868,750	£ 37,771.74
£51k or more	597	96.3%	£ 59,676,000	£ 99,959.80
Total	620	100%	£ 60,544,750	£ 97,652.82

B.2. Estimating the number of Franchise stores.

An estimate of the number of franchise stores is made by multiplying the total number of stores 1,334 by the proportion that are run by franchises 91%⁷⁶. This gives a figure of 1,214 franchise stores.

B.3. Calculating gross business rates (value of 100% business rates relief)

Based on the average rateable value of premises within each valuation band, the applicable business rates multipliers are applied to establish average business rates per premise. The proportion of premises within each valuation band in the sample is multiplied by the estimate of the number of McDonald's Franchise stores in 2020, to estimate the number of premises within each value band. The value of gross business rates for premises within each value band, and total gross business rates, are then calculated as shown in table B.3.1:

Table B.3.1 Calculating total value of gross business rates by premises in each value band and total

Value band of premises	Average rateable value	Applicable multiplier*	Average business rates per premise	Est. number of premises**	Total gross business rates***
Less than £51k	£37,771.74	0.491	£18,545.92	45	£ 835,224
£51k or more	£99,959.80	0.504	£50,379.74	1169	£ 58,892,128
Total					£ 59,727,352

*small business multiplier of 0.491 for properties with RVs below £51,000 and standard multiplier of 0.504 to properties with RVs of £51,000 (tax year 2020-21)⁷⁷

⁷⁴ The data provides rating list information and rateable values for 2 million current commercial properties in England and Wales and is updated periodically. The specific data table analysed is the baseline list entry file named "uk-englandwales-ndr-2017-listentries-compiled-epoch-0023-baseline-csv" which was published on 3 February 2021 and contains valuations which came into effect between 2017-2020: Valuation Office Agency, 'VOA Rating List Downloads', February 2021, <https://voaringlists.blob.core.windows.net/html/rldata.htm>.

⁷⁵ Entries without a rateable value are proxy entries that are no longer current premises according to the VOA's data specification.

⁷⁶ "McDonald's Restaurants Ltd 2020 financial Statement and Accounts", p23, 2020

⁷⁷ 'Estimate Your Business Rates', GOV.UK, accessed 16 December 2020, <https://www.gov.uk/calculate-your-business-rates>.

**1,214 total McDonald's franchise premises in 2020 multiplied by the percentage of premises in each value band in the sample (3.7%, 96.3%)

***average business rates per premise × estimated number of premises

The value of the expanded retail discount to McDonald's franchise stores in 2020-21 is estimated at) **£60 million**⁷⁸, representing a 100% discount of the estimated gross business rates of McDonald's -franchised premises. The estimate does not account for the possible eligibility of McDonald's premises for other forms of partial business rates relief during the year, or the value of these reliefs in previous years.⁷⁹ This estimate uses the multiplier(s) used in England, which are lower than those applicable in Wales and Scotland. The way in which the cost of all types of business rates relief enjoyed by McDonald's in 2020 was shared between local authorities and central government is therefore not analysed.

Appendix C

“Eat Out to Help Out”

The Eat Out to Help Out Scheme (EOHO), announced in the Summer Statement on 8 July 2020, enabled consumers to claim a 50% discount on food or non-alcoholic drinks to eat or drink on the premises, up to a maximum of £10 per diner on Mondays, Tuesdays, and Wednesdays between 3-31 August 2020.⁸⁰ Businesses could then reclaim the discounts given from HMRC.⁸¹

Data from a restaurant booking website showed the restaurants listed on that website received an increase in visits of between 10-200% on the days the scheme was active, compared with the same period in 2019.⁸² A total of £849 million was claimed from HMRC, almost double the scheme's initial estimated cost of £500 million.⁸³ Analysis from the University of Warwick suggested that the scheme likely contributed to the second wave of the pandemic in the UK.⁸⁴

In order to estimate the amount received by McDonald's stores in the UK from the Eat Out to Help Out Scheme (EOHO), it is assumed that participating restaurant businesses received claims in proportion to their share of annual restaurant turnover in the UK. The formula for the estimate is:

McDonald's EOHO claim = value of EOHO claims by restaurant enterprises × (McDonald's annual sales ÷ annual turnover of participating restaurants)

C.1. Value of EOHO claims by restaurant enterprises

A total of 49,353 businesses participated in the EOHO programme, with claims totalling £849 million.⁸⁵ Final statistics on the EOHO scheme provide the value of claims made by different types of businesses, defined by Standard Industrial Classification (SIC) codes. The value of claims received by restaurant enterprises (SIC 561) are considered.

⁷⁸ Figure rounded up from £59.7 million.

⁷⁹ In billing ratepayers eligible for the Expanded Retail Discount, Local Authorities were instructed to first apply other existing forms of relief as applicable before applying the expanded retail discount on the remaining sum: gov.uk, 'Business Rates: Expanded Retail Discount - Guidance', GOV.UK, accessed 9 December 2020, <https://www.gov.uk/government/publications/business-rates-retail-discount-guidance>.

⁸⁰ HM Revenue & Customs, 'Guidance: Get More Information about the Eat Out to Help Out Scheme', GOV.UK, 9 July 2020, <https://www.gov.uk/government/publications/get-more-information-about-the-eat-out-to-help-out-scheme>.

⁸¹ HM Treasury, 'Treasury Direction Made under Sections 71 and 76 of the Coronavirus Act 2020: Eat Out to Help Out Scheme - GOV.UK', accessed 15 December 2020, <https://www.gov.uk/government/publications/treasury-direction-made-under-sections-71-and-76-of-the-coronavirus-act-2020-eat-out-to-help-out-scheme>.

⁸² OpenTable, 'State of the Restaurant Industry: Interactive Data Set on Year-over-Year Seated Diners at a Sample of Restaurants for the UK', OpenTable, accessed 15 December 2020, <https://www.opentable.com/state-of-industry>, cited in: Thiemo Fetzer, 'Subsidizing the Spread of COVID19: Evidence from the UK's Eat-Out-to-Help-Out Scheme', CAGE Working Paper (Centre for Competitive Advantage in the Global Economy (CAGE), University of Warwick, October 2020).

⁸³ HM Treasury, 'A Plan for Jobs', 8 July 2020, 7, <https://www.gov.uk/government/publications/a-plan-for-jobs-documents>.

⁸⁴ Thiemo Fetzer, 'Subsidizing the Spread of COVID19: Evidence from the UK's Eat-Out-to-Help-Out Scheme', CAGE Working Paper (Centre for Competitive Advantage in the Global Economy (CAGE), University of Warwick, October 2020).

⁸⁵ (Standard Industrial Classification code 561: Restaurants and mobile food service enterprises) HM Revenue & Customs, 'Eat Out to Help Out Statistics'; Office for National Statistics, Office for National Statistics, 'ABS Sections A-S 2018'.

Restaurant businesses (SIC 561: Restaurants and mobile food service enterprises) received 54.8% of the claims that were matched to industry classification codes, suggesting restaurant businesses received £465 million.

Table C.1.1 Value of EOHO claims by restaurant enterprises (HMRC)⁸⁶

Total EOHO claims	£849m
Percentage claims by restaurant businesses (“percentage of discount claimed by matched businesses, Restaurants SIC 561”, EOHO statistics)	54.8%
Value of EOHO claims by restaurant enterprises (£849m × 0.548)	£465m

C.2. McDonald’s annual sales

McDonald’s does not report the overall annual sales of its UK corporate-run and franchised stores. McDonald’s annual sales are estimated using the companies self-reported direct Gross Value Added (GVA) of its stores (reported in 2019 based on 2017 figures) and the sector-wide ratio of turnover to GVA for the restaurant sector:

Table C.2.1 Estimating McDonald’s annual sales (McDonald’s UK, Office for National Statistics Annual Business Survey)

Direct Gross Value Added of McDonald’s stores in the UK (2017) ⁸⁷	£1,883m
Gross Value Added of UK restaurant enterprises ⁸⁸ (2018)	£20,264m
Turnover of UK restaurant enterprises (2018) ⁸⁹	£40,016m
Ratio of turnover to GVA of UK restaurant enterprises (£40,016m ÷ £20,264m)	1.97
McDonald’s annual sales (£1,883m × 1.97)	£3.7bn

GVA is the value of sales minus the cost of intermediate inputs. Within businesses of the same nature, the average volume of sales implied by a unit of GVA is considered a reasonable method for estimating the value of McDonald’s sales in the UK, in the absence of published figures.

C.3. Annual turnover of participating restaurants

Of the participating businesses identified in the EOHO statistics, 54.3% were restaurant enterprises, suggesting 26,799 restaurant businesses took part in the programme. These 26,799 businesses represent 30% of the 89,000 restaurant businesses in the UK Annual Business Survey in 2018. It is assumed they also account for 30% of UK restaurant turnover and therefore have an annual turnover of £12 billion.

Table C.3.1 Estimating annual turnover of participating restaurants (HMRC, ONS Annual Business Survey⁹⁰)

Number of businesses claiming in EOHO (HMRC)	49,353
Percentage of restaurant businesses claiming in EOHO (HMRC ⁹¹)	54.3%
Number of participating restaurant businesses (49,353 × 0.543)	26,799
Total UK restaurant businesses (ONS, 2018) ⁹²	88,848

⁸⁶ (HMRC were only able to match 68% of the registered businesses with a Standard Industrial Classification code. The percentage of the discount claimed by “matched restaurant businesses” is therefore applied to the total discount claimed.) HM Revenue & Customs, ‘Eat Out to Help Out Statistics’

⁸⁷ McDonald’s define their use of GVA as: “the total value of sales and subtracting the cost of production, including expenditure on food ingredients, costs of operating restaurant sites and spending on advertising and professional services.” McDonald’s UK and Development Economics, ‘Serving the UK: McDonald’s at 45’, 2019 economic impact report, 2019, <https://www.mcdonalds.com/gb/en-gb/newsroom.html>.

⁸⁸ “SIC 561: Restaurants and mobile food service activities”, Office for National Statistics, ‘ABS Sections A-S 2018’

⁸⁹ Office for National Statistics, ‘ABS Sections A-S 2018’.

⁹⁰ Office for National Statistics, ‘ABS Sections A-S 2018’; HM Revenue & Customs, ‘Eat Out to Help Out Statistics’

⁹¹ (As not all participating enterprises were matched with a SIC code the percentage of restaurant businesses in “matched businesses” participating is applied to the value of total registered businesses.) “% of matched businesses claiming, Restaurants SIC 561”, HM Revenue & Customs, ‘Eat Out to Help Out Statistics’

⁹² (SIC 561), Office for National Statistics, ‘ABS Sections A-S 2018’

Percentage of UK restaurant businesses claiming (26,799 ÷ 88,848)	30.16%
Total UK restaurant business turnover (ONS, 2018)	£40bn
Estimated turnover of participating restaurants (£40bn × 0.3016)	£12bn

C.4. Computing the value of McDonald's EOHO claim

McDonald's estimated annual turnover of £3.7 billion represents 31% of the estimated annual turnover of participating restaurants (£12 billion). If participating restaurant businesses received the discount in proportion to their previous annual sales, McDonald's would have received 31% of the EOHO claims received by restaurant businesses, a total of £143 million.

Table C.4.1 The value of McDonald's EOHO claim

EOHO claims received by restaurant enterprises	£465m
McDonald's annual turnover as a percentage of annual turnover of participating restaurant businesses (£3.7bn ÷ £12bn)	31%
McDonald's estimated EOHO claim (£465m × 0.31)	£143.3m

The estimate represents the likely volume of McDonald's claims from EOHO, if it followed the company's previous share of annual restaurant sales in the UK. It is sensitive to the assumption that the 30% of UK restaurant enterprises which took part also represent 30% of the sector's turnover, and not more. However, in the absence of published data on the value of EOHO claims received by individual companies, this is a reasonable assumption.

Appendix D

Estimate of the value of the temporary reduced rate of VAT for hospitality to McDonald's

A temporary reduction (from 20% to 5%) in the rate of VAT for certain goods and services in hospitality and leisure industries was introduced in the UK from the 15 July 2020 and remained in place until 31 March 2021.⁹³ The reduced rate applied to all food and non-alcoholic beverages sold for on-premises consumption, and hot takeaway food and non-alcoholic beverages. It is assumed that all of McDonald's sales were eligible for the reduced rate of VAT.

To calculate the value of the reduced rate of VAT to McDonald's, the value of quarterly sales of all McDonald's stores in the UK is estimated, and the effective rate of VAT for each quarter is established. The value of the VAT reduction is calculated as the difference between the estimated VAT bill based on the effective VAT rate for each quarter, versus the 20% rate of VAT which would have otherwise been applicable.

The formula for the estimate is:

Value of the temporary reduced rate of VAT to McDonald's = (McDonald's estimated quarterly sales × 20% VAT rate) - (McDonald's estimated quarterly sales × effective quarterly VAT rate)

D.1. Estimating McDonald's quarterly sales

McDonald's doesn't publish the value of corporate-owned and franchised store sales by country. In Appendix C, McDonald's annual sales in the UK are estimated at £3.7 billion based on McDonald's own estimate of the Gross Value Added of its UK stores published in 2019.⁹⁴ This figure is split equally across four quarters to form the baseline estimate of quarterly sales for 2019. These baseline quarterly sales estimates are adjusted to reflect changes during 2020, by applying the percentage change in comparable sales for each quarter in the International Operated Markets (IOM) geographic segment (to which the UK

⁹³ 'Guidance on the Temporary Reduced Rate of VAT for Hospitality, Holiday Accommodation and Attractions'.

⁹⁴ Appendix C, Section C.2

belongs) as published by McDonald's Corporation's filings with the US Securities and Exchange Commission.⁹⁵ Quarterly comparable sales are expressed as a percentage change and are "compared to the same period in the prior year".⁹⁶ The percentage change in quarterly comparable sales in the IOM segment is therefore applied to the baseline quarterly estimate for the previous year to calculate estimated quarterly sales in the UK between Q1 2020 and Q1 2021:

Table D.1.1: McDonald's estimated quarterly sales in the UK

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Baseline estimate of quarterly sales in previous year (£m)*	930	930	930	930	865
Quarterly comparable sales change (IOM segment, %)	-6.9%	-41.4%	-4.4%	-7.4%	0.6%
Estimated quarterly sales (£m)	865	545	889	861	871

* McDonald's estimated annual sales in 2019 as previously established in Appendix C, distributed evenly across the four quarters of 2020. The baseline estimate of quarterly sales for the previous year for Q1-2021 is equal to estimated quarterly sales for Q1-2020 as calculated in the same table.

McDonald's IOM geographic segment includes: Australia, Canada, France, Germany, Italy, the Netherlands, Russia, Spain and the UK. Changes in quarterly comparable sales in the IOM segment are an imperfect proxy for estimating quarterly sales in the UK, but help to account for the reductions and quarterly variation in sales which occurred during the period. Figures for quarterly comparable sales in the company's U.S. Securities and Exchange Commission (SEC) filings are accompanied by statements about which country's sales are driving change within the segment. Negative comparable sales in the IOM segment in Q2 and Q3 of 2020 were accompanied by statements that comparable sales were negative in the UK.⁹⁷ In Q4, whilst IOM comparable sales were down 7%, investor update confirms they were "strong" and "positive" in Australia and the UK.⁹⁸ For Q1 2021, the 0.6% increase in comparable sales in the IOM segment reflected "strong positive comparable sales in the UK, Australia and Canada" partly offset by "significantly negative comparable sales in France and Germany".⁹⁹ The estimate is likely therefore to understate quarterly sales in the UK. The resulting estimate of quarterly sales in 2020 represents a 15% decrease on the baseline estimate of McDonald's 2019 sales in the UK.

D.2. Calculating VAT charge and value of temporary VAT reduction

The temporary reduced rate of VAT for tourism and hospitality was effective from 15 July 2020 to 31 March 2021, and therefore applied from Q3 2020, until the end of Q1 2021. The effective VAT rate for each quarter between Q1-2020 and Q1-2021 can be established (Table D.2.1). The effective VAT rate for Q3-2020 (July-September) is the day-weighted average of the 20% rate that was applicable for the first 14 days of July (15.4% of days in the quarter) and the 5% rate which was effective from the 15 July 2020, for the remainder of the quarter. Based on estimated quarterly sales, the quarterly VAT charge can be calculated, and the value of the VAT reduction compared to a VAT rate of 20%, that would otherwise have been applicable:

⁹⁵ McDonald's Corporation, '10-Q Quarterly Report (Q1 2020)', 31 March 2020, <https://www.sec.gov/Archives/edgar/data/63908/000006390820000042/mcd-331202010q.pdf>; McDonald's Corporation, '10-Q Quarterly Report (Q2 2020)', 30 June 2020, <https://www.sec.gov/Archives/edgar/data/63908/000006390820000063/mcd-630202010q.pdf>; McDonald's Corporation, '10-Q Quarterly Report (Q3 2020)', 30 September 2020, <https://www.sec.gov/Archives/edgar/data/63908/000006390820000076/mcd930202010q.pdf>; McDonald's Corporation, 'Q4 2020 Current Report, SEC from 8-K', 28 January 2021, <https://www.sec.gov/Archives/edgar/data/63908/000006390821000002/form8k.pdf>; McDonald's Corporation, '10-Q Quarterly Report (Q1 2021)', 31 March 2021, <https://www.sec.gov/Archives/edgar/data/63908/000006390821000018/mcd0331202110q.pdf>.

⁹⁶ McDonald's Corporation, '10-Q Quarterly Report (Q1 2020)', 16.

⁹⁷ McDonald's Corporation, 'Q2 Quarterly Report for the Period Ended June 30 2019, 10-Q Filing', 6 August 2020, 17, <https://www.sec.gov/Archives/edgar/data/63908/000006390819000062/mcd630201910q.pdf>; McDonald's Corporation, '10-Q Quarterly Report (Q3 2020)', 17.

⁹⁸ 'McDonald's Corporation's (MCD) CEO Chris Kempczinski on Q4 2020 Results - Earnings Call Transcript | Seeking Alpha', 4.

⁹⁹ McDonald's Corporation, '10-Q Quarterly Report (Q1 2021)', 15.

Table D.2.1: Effective VAT rates, estimated VAT charge and value of temporary VAT reduction per quarter

	Q1-2020	Q2-2020	Q3-2020	Q4-2020	Q1-2021	Total
Estimated quarterly sales (£m)	865	545	889	861	871	-
Effective VAT rate	20%	20%	7.4%	5%	5%	-
VAT charge (based on effective VAT rate, £m)	173	109	66	43	44	-
Estimated VAT charge at 20% (£m)	173	109	178	172	174	-
Value of temporary VAT reduction (£m)	0	0	112	129	131	£372m

The total value of the temporary reduction in VAT to McDonald's is estimated at **£372 million**. Unlike in Appendix C, which is geared towards determining the relative value of McDonald's usual sales in relation to total store turnover in the UK, the current estimate accounts for the decline in the absolute value of sales during the pandemic, and the distribution of sales across quarters. Whilst comparable sales in the IOM segment are an imperfect proxy for UK comparable sales, over two thirds of the value of the temporary VAT reduction accrue in Q4 2020 and Q1 2021, during which time UK comparable sales outperformed the IOM segment as a whole. The estimate is therefore likely to be conservative.

Authors:

Owen Espley (War on Want), and Ben Irvine (Researcher and Writer)
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