

'Business rates are the most unfair tax EVER', says former Dragons' Den star Theo Paphitis

Author: Vicki Owen - Financial Mail On Sunday

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Theo Paphitis, chairman of Ryman and Robert Dyas, has a reputation for plain speaking and doesn't disappoint. He brands George Osborne's planned review of business rates an 'appalling PR stunt'.

The former star of the BBC's Dragons' Den show is one of the most successful retailers in the country. Worth an estimated £200million, his business empire spans retail, property, finance and consumer goods and he also owns a lingerie firm, Boux Avenue, which he started from scratch in 2011. 'We launched in the middle of the recession,' he said. 'Everyone said: "Are you f***ing mad?"'

Business groups have long been calling for a fundamental reform of the business rates system, which many blame for devastating the high street. This month the Government finally launched its review.



Knows the drill: Theo Paphitis still feels an affinity with his staff on the shop floor

But Paphitis is having none of it. 'This Government came in five years ago,' he fumed. 'They had all the time in the world to deal with business rates and, of course, they announce it just as they're leaving. Just in time for the next Election.'

He adds: 'Don't forget this is the same Government that froze business rates at the last review, when if they hadn't they would have gone down. Their excuse was to assist people in their budgeting. No, you need a review to put them down.'

'Business rates is the most unfair taxation ever. The fact is that this Government is not stupid. They know exactly what the problem is with the high streets and retail. Pin back your lug holes because you're not going to believe this. The business rates system is practically identical to what it was in 1572.'

He continues: 'I've got stores where I've paid more in rates than rent because in some places we'd say to the landlord: "Our lease is coming up for review and unless you reduce the rent we'll shut the shop". The landlord very sensibly says: "I'll reduce the rent". Unfortunately the rates don't go down, so you pay more rates than rent.'

'It's unfair because it's fixed. Everything else is flexible, but business rates – irrespective of the economy – are fixed. It is nonsense.'

'And then some halfwit in the Treasury starts saying: "Oh, I wonder why the high street has got loads of empty premises and it's full of charity shops?" I mean it's embarrassing and insulting to people's intelligence.'

'This review will be just another publicity stunt – another sound bite. It's not going to be this Government that will have to deal with it, it will be whoever is elected. It might be them, but we'll have to wait and see.'

Paphitis, who has responsibility for about 350 shops, would like to see online retailers taxed. 'It's not fair otherwise,' he says. 'It's absolutely ludicrous that because you're online you don't pay business rates.'

'And if there's a proper review they will have to include the likes of Amazon and everybody else. They have to pay their fair share. In 1572 I'm not sure anyone worked out we would have Click & Collect or delivery to your door.'

'The whole model that exists today for business is totally different even to 1990 when the uniform business rate reorganisation happened.'

'We do now have to look at it and there has to be a tax on online retailers. There has to be. Otherwise we'll see the rest of the high street disappear.'

Paphitis – who left school at 16 and set up his first business, a property company, aged 23 – is also concerned about the burdens smaller firms face and he would like to see life made easier for entrepreneurs. 'I can never understand why a small business – which is one person or two people – has to comply with the same employment law that I do with thousands of people. Small businesses are frightened to employ people.'

He goes on: 'Government should make it easier for them. Get rid of some of the taxation issues.'

‘You’ve got to be a brave government to say: “I’m going to negate X level of taxable receipts in the hope of benefiting from better growth and better employment”. But that’s what you have to do sometimes.’

Paphitis will be taking all politicians’ pre-General Election claims with a pinch of salt. He says that uncertainty surrounding the final result of the ballot is his biggest concern at the moment.

‘You hear the electioneering,’ he says. ‘You don’t know what to believe because politicians will say whatever they need to in order to get that vote and some of it is utter rubbish.’

‘I’ve been watching things unravel over the past month or so and at one stage I did get myself a bit depressed.’

‘I had to give myself a slap around the face and said: “Behave yourself. Don’t watch any of it because they’re just saying what they’re saying”.’

He continues: ‘I think we’re probably just going to have to treat politics the way it needs to be treated – lightly.’

Paphitis has run Ryman for near enough two decades, he sold La Senza in 2006 and in 2012 he acquired Robert Dyas at his third attempt. There is a massive restructuring going on at Robert Dyas at the moment. ‘We are basically moving Robert Dyas into a brand new warehouse,’ he says. ‘We’ve grown it in the last two years and we’ve reached capacity within our own distribution centres, so we’re opening new shops and we’ve just taken on an 150,000 sq ft distribution centre so we can double our turnover and grow the business even more.’



Looking ahead: Paphitis will be taking all politicians’ pre-General Election claims with a pinch of salt. He says that uncertainty surrounding the final result of the ballot is his biggest concern at the moment

Despite his success as a high-profile boss, Paphitis, 55, still feels an affinity with ‘the people on the coalface’. He says he is always siding with the employees at the sharp end of his businesses – the shop assistants who are the ones who deal with the customers.

‘Head office get upset with me about it,’ he says. ‘But that’s where I started. That’s what my affinity is.’

Paphitis uses Twitter to champion those who are trying to get small businesses off the ground. Every Sunday evening he retweets small business pitches he likes in order to help promote them.

‘It came about one sunny Sunday afternoon,’ he says. ‘I had just learned to tweet and I thought, gosh, when I first started in business I would have killed to have been able to reach 40,000 people to market my small business.’

‘If I had a small business today this is exactly the sort of thing I would do.’

Asked about how the retweets are selected, Paphitis admits ‘positive discrimination’ plays a part when it comes to businesses in the North.

He says: ‘We have to positively discriminate towards the North sometimes just to get things going.’

Link: <http://www.thisismoney.co.uk/money/news/article-3016308/Business-rates-unfair-tax-says-former-Dragons-Den-star-Theo-Paphitas.html>