

BRITISH BEAUTY COUNCIL AND SALON OWNERS UNITE TO CREATE 'CHOP THE VAT' CAMPAIGN

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The British Beauty Council has joined forces with some of the UK's leading hairdressers to campaign for a cut in VAT to boost the country's struggling salon industry. Adam Reed, Luke Hersheson, John Vial, George Northwood, Nicola Clarke, Joshua Miller, Charlotte Mensah and Josh Wood are among those salon owners urging the UK Government to #ChopTheVAT payable by hairdressing businesses from 20% to 5% – a financial stimulus already granted to the hospitality sector earlier this year.

Coronavirus has had a massive and disproportionate impact on the £6.3 billion-a-year hairdressing industry, which relies on face-to-face interaction with clients. Salons were among the last businesses to re-open after lockdown – after pubs, bars and cafes – despite being staffed by professionals who routinely adopt strict hygiene standards and who have introduced a wide range of additional measures to ensure they are Covid-secure. These measures, including social distancing and high levels of PPE, have had a dramatic impact on business: most salons are currently trading at less than 50% of their pre-Covid turnover, and city centres have been hit the hardest, with London seeing a drop of 61% in year-on-year revenues.

“For the four to six months that salons were closed, it cost salons an enormous amounts of money. We were closed for the longest amount of time but had the least amount of government help as we didn't receive a VAT reduction like the hospitality industry,” says Luke Hersheson from Hershesons hair salons.

Reducing the rate of VAT on hairdressing and barbering would provide welcome long term relief for salon owners and employers, where wages are the highest cost of doing business and there is little scope for claiming VAT back on products. Hairdressing businesses in some European countries already pay lower rates of VAT, including Ireland (13.5%), the Netherlands (9%) and Poland (8%), while others, such as Cyprus, have temporarily cut VAT to support salon businesses during the Coronavirus outbreak.

“If the Government can support hospitality through Eat Out to Help Out, and give them a VAT reduction, what can they do for hairdressing?” says Millie Kendall MBE, CEO of the British Beauty Council. “This is an industry that contributes billions to GDP. Hairdressers are determined entrepreneurs, investing in their own businesses to establish their own financial security and that of their families. In short, they are exactly the sort of people we need to re-build the economy, which is why we need to protect their businesses now and into the future.”

There has long been industry concern over the unequal tax treatment between salons who employ their staff and those using self-employed individuals. The earnings of self-employed hairdressers rarely reach the VAT threshold of £85,000 as they trade as individual businesses. However, a salon employing their staff is treated as one business and pays VAT on their combined turnover, therefore having to charge their clients 20% extra. With salon employers already struggling to afford high street rents and some of the highest National Minimum Wage payments in Europe, there is a fear that unless the Government relaxes or reforms its VAT rules for hairdressing, the industry will increasingly become prey to the ‘black economy’, where people fail to declare earnings, and fail to pay tax or VAT altogether.

Reforms could include smoothing the 'cliff edge' so VAT doesn't become payable in full as soon as a trader crosses the threshold, which immediately lands them with a bill of £17,000. Ways this could be done include:

- tiered rates of VAT after crossing the threshold,
- making better use of the flat rate VAT scheme which allows businesses with turnover of less than £150,000 to pay VAT at 13% (or 16.5% for 'limited cost' traders)
- allow labour-service industries to pay VAT at 20% once they reach £85,000 in turnover but only on the portion above £85,000, not the full amount.

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