
A Cost-Neutral Reform to Stabilise the UK Hair & Beauty Sector

VAT Exemption & Universal Practitioner Licensing

Policy Proposal, Evidence Base & Implementation Design

February 2026

Prepared by Salon Logic

All figures derived from HMRC Freedom of Information responses

For consideration by: HM Treasury | HMRC | Department for Business & Trade | Department of Health & Social Care | Department for Education

Contents

Part 1: The Proposal

- 1.1 The Case for Reform
- 1.2 The Ask
- 1.3 Why Action Is Needed
- 1.4 Social and Health Benefits

Part 2: Supporting Evidence (Annex A)

- 2.1 PAYE Employment Trends
- 2.2 Employer NICs
- 2.3 Self-Employment Trends
- 2.4 VAT-Registered Salons
- 2.5 VAT Liabilities
- 2.6 Regional Variations
- 2.7 Key Insights for Policymakers

Part 3: Policy Design Note

- 3.1 Policy Objectives
- 3.2 VAT Exemption Mechanism
- 3.3 Universal Practitioner Licence
- 3.4 Governance & Regulatory Structure
- 3.5 Apprenticeship Funding Model
- 3.6 Fiscal Modelling
- 3.7 Implementation Timeline
- 3.8 Risks & Mitigations

Appendix: Regional Summary Data Table

The Proposal

1.1 The Case for Reform

The UK hair and beauty sector employs approximately 188,000 PAYE workers and supports approximately 202,000 self-employed practitioners, according to HMRC FOI data. It is one of the UK's largest personal-service industries, yet it is structurally disadvantaged by the VAT system and lacks a modern regulatory framework aligned with comparable close-contact professions.

We propose a cost-neutral reform that:

- Exempts hair and beauty services from VAT, removing the cliff-edge that distorts growth.
- Introduces a universal practitioner licence (£18.50–£20 per week per practitioner), collected via PAYE and self-assessment.
- Ring-fences a portion of licence revenue to fund apprenticeships, improving completion rates and supporting the skills pipeline.
- Aligns the sector with dentistry, chiropody and non-elective cosmetic procedures, creating a modern, health-adjacent regulatory structure.
- Provides government with a single, accurate register of all practitioners, replacing fragmented and unreliable industry data.

This reform is fiscally neutral, administratively simple, and sector-wide. It avoids the pitfalls of legacy registration models and ensures fairness across employed, self-employed, micro-salon and employer-salon structures.

1.2 The Ask

We request that HM Treasury:

- Commission HMRC to model VAT exemption for SIC 96020, offset by a universal practitioner licence.
- Convene a cross-departmental working group (HMT, HMRC, DBT, DHSC, DfE) to design the licensing framework.
- Exclude legacy bodies from regulatory authority, ensuring the new register is modern, evidence-based and aligned with health-adjacent professions.

1.3 Why Action Is Needed

HMRC FOI data shows:

- PAYE employment fell 12.9% during the pandemic, recovered, then fell again in 2022–23.

- VAT-registered salons declined 6.29% since 2018–19.
- Turnover for VAT-registered salons fell by £96.3m since 2018–19.
- Employer NICs rose 22.63% since 2019–20, increasing cost pressures.
- Regional disparities are widening (e.g., VAT liabilities down 33.24% in the North East).

The current VAT threshold creates a growth ceiling, incentivising under-trading and discouraging employment. The system penalises salons that expand, while rewarding those who stay small or informal. A modernised, sector-wide licensing model removes this distortion entirely.

VAT Exemption Removes the Structural Distortion

- Eliminates the cliff-edge at £90,000 turnover.
- Stops salons deliberately suppressing growth to avoid VAT.
- Levels the playing field between VAT-registered and non-VAT salons.
- Mirrors the treatment of comparable close-contact services (dentistry, chiropody, non-elective cosmetic procedures).

The current system penalises ambition and disproportionately harms employer-salons in regions with lower disposable income.

A Universal Practitioner Licence Is Fair, Simple and Cost-Neutral

A weekly licence fee of £18.50–£20 per practitioner:

- Replaces VAT revenue on a cost-neutral basis.
- Applies equally to employed and self-employed practitioners.
- Is collected through existing HMRC mechanisms (PAYE and self-assessment).
- Creates a single, authoritative register of all practitioners.
- Funds apprenticeships sustainably, reducing employer burden.
- Supports levelling-up by ensuring consistent standards across regions.

This model is simpler, cheaper and more equitable than mandatory registration under the 1964 Hairdressers Registration Act.

Why Legacy Bodies Cannot Form the Basis of Future Regulation

The sector's credibility has been damaged by:

- Surveys representing less than 1% of the workforce being presented as national forecasts.
- Employment figures that contradict HMRC and ONS by over 100,000 workers.
- Commissioned reports based on self-selected samples.
- Public claims of crisis unsupported by official data.
- Calls for mandatory registration that would entrench outdated structures.

A modern register must be independent, data-driven, and aligned with health-adjacent professions — not built on legacy organisations with narrow membership and inconsistent data.

1.4 Social and Health Benefits

Hair and beauty services:

- Support mental health, confidence and social participation.
- Provide essential care for the 4.5 million people experiencing hair loss.
- Assist individuals recovering from illness, trauma or medical treatment.
- Reduce isolation and improve wellbeing, particularly among vulnerable groups.

VAT exemption recognises the essential nature of these services.

Supporting Evidence (Annex A)

All figures derived from HMRC FOI responses for SIC 96020: Hairdressing and Other Beauty Treatment. Data spans 2018–19 to 2022–23.

2.1 PAYE Employment Trends (UK)

Headline findings:

- PAYE employment fell sharply during the pandemic (–12.9% in 2020–21).
- It partially recovered in 2021–22 (+11.4%).
- It declined again in 2022–23 (–3.59%).
- Net change since 2019–20: –6.67% (approx. 13,000 employees).

Interpretation: The data shows a sector that has stabilised but not fully recovered. Claims of catastrophic collapse are not supported by HMRC records. Employment remains substantial at ~188,000 workers.

2.2 Employer NICs (UK)

Headline findings:

- Employer NICs increased 22.63% since 2019–20.
- NICs rose even when employment fell, indicating upward wage pressure, recruitment challenges, and increased competition for skilled staff.

Interpretation: Rising NICs contribute to margin compression and reinforce the case for structural tax reform.

2.3 Self-Employment Trends (UK)

Headline findings:

- Self-employment increased from 189,000 to 202,000 between 2018–19 and 2020–21.
- Growth slowed during the pandemic but remained positive.

Interpretation: The rise reflects the shift toward independent working, the growth of micro-salons and freelancers, and the sector's adaptability. This group of 202,000 practitioners is largely invisible in legacy organisations' data and is not represented in employer-centric lobbying. The proposed licensing model is the only framework that captures and represents this majority.

2.4 VAT-Registered Salons (UK)

Headline findings:

- VAT-registered salons declined from 14,300 to 13,400 (−6.29%) between 2018–19 and 2021–22.
- A small recovery occurred in 2021–22 (+1.52%).
- Net loss: 900 VAT-registered salons.

Interpretation: The VAT threshold distorts growth. Salons avoid expansion to stay below the threshold. VAT-registered salons face disproportionate cost pressures. The decline is structural, not cyclical.

2.5 VAT Liabilities (UK)

Headline findings:

- VAT liabilities fell sharply during the pandemic (−60% in 2020–21).
- They recovered to near pre-pandemic levels by 2022–23.
- Average VAT liability per salon: £24,260 (2018–19) rising to £24,938 (2022–23).

Turnover impact:

Using an effective VAT rate of ~13% (net of inputs and Flat Rate Scheme), turnover fell by £96.3 million since 2018–19, equivalent to £7,188 per VAT-registered salon.

Interpretation: The sector has stabilised but remains below pre-pandemic turnover. VAT continues to suppress growth and profitability.

2.6 Regional Variations

Metric	Rising	Falling
VAT liabilities	London (+2.49%) Scotland (+9.17%)	North East (-33.24%) West Midlands (-22.27%)
VAT-registered salons	London (+3.70%)	Wales (-20.00%)
PAYE employment	North East (+14.29%) Yorkshire (+8.33%) East Midlands (+9.09%)	North West (-9.52%) East of England (-15.79%) South West (-13.33%)

Interpretation: The sector is diverging regionally. VAT pressure is most acute in lower-income regions, where price sensitivity is highest and margins are thinnest. This reinforces the need for a national solution that supports weaker regions.

2.7 Key Insights for Policymakers

- 1. The sector is large, economically significant, and stable — not collapsing.** Official data contradicts claims of mass closures or imminent collapse.
- 2. VAT is the primary structural distortion.** It suppresses growth, discourages employment, and penalises ambition.
- 3. The self-employed majority is invisible in legacy lobbying.** 202,000 practitioners are not represented by employer-centric bodies.
- 4. Regional disparities are widening.** VAT pressure hits hardest in lower-income regions.
- 5. A sector-wide licensing model would provide accurate, real-time data.** This annex demonstrates the value of HMRC-verified data over anecdotal surveys.

Policy Design Note

This policy design note outlines a cost-neutral, sector-wide reform to replace VAT on hair and beauty services with a universal practitioner licensing model. The reform removes the VAT cliff-edge that distorts growth, creates a fair regulatory framework aligned with health-adjacent professions, provides a stable funding stream for apprenticeships, ensures government has accurate workforce data, and supports regional levelling-up.

This proposal is grounded entirely in HMRC FOI data (Annex A) and avoids reliance on survey-based or legacy-organisation data.

3.1 Policy Objectives

Fiscal neutrality

The reform must maintain HMRC revenue by replacing VAT receipts with a predictable, broad-based licensing fee.

Fairness across employment types

The model must apply equally to:

- PAYE employees
- Self-employed practitioners
- Freelancers
- Rent-a-chair workers
- Micro-salons
- Employer-salons

Removal of structural distortions

VAT currently:

- Penalises growth
- Encourages under-trading
- Creates unfair competition between VAT and non-VAT salons
- Disproportionately harms lower-income regions

Modernised regulation

The sector requires a regulatory model aligned with dentistry, chiropody, and non-elective cosmetic procedures. This excludes legacy bodies whose structures and datasets do not reflect the modern workforce.

Stable apprenticeship funding

A ring-fenced portion of licence revenue will support:

- Apprenticeship wages
- Completion incentives
- Training quality improvements

3.2 VAT Exemption Mechanism

Scope

VAT exemption applies to all services under SIC 96020:

- Hairdressing
- Barbering
- Beauty therapy
- Aesthetic treatments not requiring CQC regulation
- Hair replacement services

Administrative simplicity

HMRC already administers VAT exemptions for medical services, dental services, chiropody, and non-elective cosmetic procedures. Adding SIC 96020 is operationally straightforward.

3.3 Universal Practitioner Licence

Who must hold a licence

Every individual earning income from SIC 96020 must hold a licence:

- Employees
- Self-employed practitioners
- Rent-a-chair workers
- Mobile practitioners
- Home-based practitioners
- Salon owners who also perform services

This ensures fairness and eliminates loopholes.

Fee level

Indicative fee: £18.50–£20 per week per practitioner (equivalent to £962–£1,040 per year).

Collection mechanism

- **Employees:** Fee deducted via PAYE (similar to student loan or pension contributions). Employer remits to HMRC.

- **Self-employed:** Fee collected via self-assessment. Monthly or annual payment options.
- **Rent-a-chair:** Treated as self-employed.

Enforcement

- HMRC maintains the register automatically via PAYE and self-assessment.
- No new enforcement body required.
- No role for legacy organisations.

Exemptions

- Apprentices (fee waived).
- Practitioners on maternity leave.
- Practitioners earning below a minimal threshold (e.g., less than £3,000/year).

3.4 Governance & Regulatory Structure

Oversight

Oversight sits with:

- HMRC (licensing, data, compliance)
- DHSC (alignment with health-adjacent professions)
- DBT (industry standards)

Why legacy bodies are excluded

Regulatory authority must be based on comprehensive, accurate workforce data and modern professional standards. Bodies whose membership represents only a small subset of the sector, or whose datasets rely on self-selected surveys, cannot form the basis of statutory regulation.

Professional standards

Standards will be aligned with:

- Infection control
- Hygiene
- Safe use of chemicals
- Safe use of tools
- Client safeguarding

These mirror standards in dentistry and chiropody.

Training, CPD and Educator Standards

The current training landscape in hair and beauty is largely unregulated. Practitioners frequently discover that qualifications obtained through commercial providers are uninsurable, unrecognised

by employers, or fail to meet the standards required for professional indemnity cover. This undermines consumer protection, practitioner safety, and the sector's professional credibility.

The licensing framework should establish baseline requirements in three areas:

Independent CPD validation. Any continuing professional development requirements linked to the practitioner licence must be delivered or validated by genuinely independent bodies. Organisations with a direct financial interest in selling training cannot simultaneously assess competence and award credentials linked to the licence. Independence criteria for CPD providers should be defined by the oversight bodies (DHSC/DBT) and published transparently.

Regulated professional designations. Post-nominal letters or professional designations used in connection with the practitioner licence must be regulated to prevent misleading consumers. Where letters imply professional accreditation, the awarding body must meet defined independence criteria and demonstrate separation between commercial training activity and credentialing. This protects both consumers and practitioners from designations that carry implied authority but no independent verification.

Educator standards. Individuals delivering training to the next generation of practitioners should meet a baseline competency standard that is not self-assessed by the training provider. Where a single entity simultaneously sells training, conducts assessment, awards credentials, and offers statutory registration, the resulting conflict of interest undermines the integrity of the entire training pipeline. Educator standards should be independently verified and aligned with the professional standards framework established under the licence.

The licensing framework provides a natural mechanism for raising training standards across the sector. By linking CPD to licence renewal and requiring independence between training delivery and competence assessment, the reform closes existing loopholes that allow uninsurable qualifications to proliferate. This protects consumers, supports practitioners, and improves the quality of the workforce pipeline.

3.5 Apprenticeship Funding Model

Ring-fenced allocation

A portion of licence revenue (e.g., £3–£5 per week per practitioner) funds:

- Wage support for apprentices
- Employer incentives
- Completion bonuses
- Training quality improvements

3.6 Fiscal Modelling (Indicative)

Component	Figure
VAT revenue baseline (2018–19)	£346.7m
VAT revenue baseline (2022–23)	£343.1m
PAYE practitioners	188,000
Self-employed practitioners	202,000
Total practitioner base	~390,000
Licence revenue at £20/week	£405.6m
Surplus over VAT revenue	~£62.5m

At £20 per week, licence revenue of £405.6m exceeds current VAT revenue of £343.1m, providing a surplus of approximately £62.5m for apprenticeship funding, regional support, and administrative costs. HMRC can adjust the licence fee annually to maintain fiscal neutrality.

3.7 Implementation Timeline

Phase	Timeframe	Key Actions
Phase 1: Modelling	3–6 months	HMRC models revenue neutrality DHSC/DBT define regulatory alignment Stakeholder consultation
Phase 2: Legislation	6–12 months	Amend VAT Act Establish licensing framework Define standards and exemptions
Phase 3: Rollout	12–18 months	Public awareness campaign HMRC system updates Practitioner onboarding

3.8 Risks & Mitigations

Risk	Mitigation
Resistance from legacy bodies	<p>Emphasise data-driven regulation</p> <p>Highlight sector-wide fairness</p> <p>Avoid direct confrontation</p>
Practitioner affordability concerns	<p>Fee exemptions for apprentices and low earners</p> <p>Clear communication of VAT savings</p>
Administrative burden	<p>Use existing PAYE and self-assessment systems</p> <p>No new regulator required</p>
Transitional arrangements	<p>Phase VAT removal and licence introduction simultaneously</p> <p>Provide 6-month transition period for currently VAT-registered salons</p>

Appendix

Regional Summary Data Table

Source: HMRC FOI responses, SIC 96020. All percentage changes calculated from 2018–19 to 2022–23 unless otherwise noted.

Region	PAYE Change	Employer NICs Change	VAT Salons Change	VAT Liabilities Change
London	±0%	+22.07%	+3.70%	+2.49%
South East	–6.90%	+25.02%	–4.00%	–0.70%
South West	–6.67%	+21.13%	–8.33%	–7.85%
East of England	–10.53%	+26.97%	–12.50%	–1.35%
West Midlands	–6.25%	+25.67%	±0%	–22.27%
East Midlands	–7.69%	+34.86%	±0%	–2.10%
Yorkshire & Humber	±0%	+31.08%	–11.11%	–11.22%
North West	–9.09%	+32.54%	–7.69%	+1.59%
North East	±0%	+24.55%	–20.00%	+1.04%
Wales	–12.50%	+28.53%	–20.00%	–5.01%
Scotland	–5.88%	+19.04%	–10.00%	+9.17%
Northern Ireland	–16.67%	+23.50%	±0%	–10.81%

National Summary

Metric	Value
Total PAYE employees	~188,000
Total self-employed practitioners	~202,000
Total workforce	~390,000
VAT-registered salons	~13,400
PAYE employment change (net)	-6.67%
Employer NICs change	+22.63%
VAT-registered salon decline	-6.29%
Turnover decline	£96.3m
Average VAT liability per salon (2022–23)	£24,938

Conclusion

This document presents a complete, evidence-based policy proposal for reforming VAT and regulation in the UK hair and beauty sector. It delivers:

- A fair, modern regulatory model applicable to all practitioners.
- A cost-neutral replacement for VAT with built-in fiscal headroom.
- A stable, ring-fenced funding stream for apprenticeships.
- Accurate, real-time workforce data via HMRC systems.
- A level playing field across employed, self-employed, and all salon structures.
- Alignment with health-adjacent professions.
- A clean break from outdated legacy structures and unreliable data.

We would welcome the opportunity to present this proposal to officials across HM Treasury, HMRC, the Department for Business and Trade, the Department of Health and Social Care, and the Department for Education.

© Salon Logic 2026. All rights reserved.

All data sourced from HMRC Freedom of Information responses.

Redistribution permitted with attribution.