



Supporting the hair, beauty
and barbering industries



BRITISH ASSOCIATION OF
BEAUTY THERAPY & COSMETOLOGY



UNITED KINGDOM
SPA ASSOCIATION



Rt. Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
CEU.Enquiries@hmtreasury.gov.uk

24 February 2021

Dear Chancellor

Re: Spring Budget

As representatives of the hair and beauty industries, we are writing to ask that you address the Personal Care sector's pleas for targeted support in next week's Budget.

Our proposals call for:

- A Personal Care Fund for businesses forced to close to help them through the immediate cash-flow crisis
- Support for the hardest-hit businesses to recover through a targeted reduction of VAT to 5 per cent

A Personal Care Fund to relieve the cash-flow crisis

Prior to the pandemic, the hair, beauty and holistic service industry generated more than £9 billion annually to Britain's economy. In 2018, consumer spending within the sector totalled £27.2 billion, twice the value of the British car manufacturing industry and 1.3 per cent of the UK's total GDP.

Having been closed for more than 140 days in 2020, the sector has been amongst the worst affected by the pandemic. The Local Data Company estimates more than 4,700 business (10 per cent of the sector) folded in 2020.

For many, the grants and loans offered by the government have fallen well short of the fixed costs of maintaining their businesses ready to return. As a result:

- two-thirds of businesses within the sector are now in debt
- 61 per cent have no cash reserves left
- 55 per cent are using the owner's personal savings to stay afloat
- In January, they expected to survive 2-3 months of lockdown without additional support

Our analysis points to 1 in 4 businesses within the sector now being acutely vulnerable to failure. The personal care sector urgently needs a dedicated support fund to sustain what are otherwise profitable businesses through this immediate crisis, otherwise they may not survive to re-open.

Support for the hardest-hit businesses to recover by reducing VAT to five per cent

Our evidence shows that the larger businesses in the sector, those above the VAT threshold, have taken the hardest hit, losing between 14-19 per cent of their 2019 turnover. 16 per cent of these are already acutely vulnerable to failure, and we forecast that this will rise to 26 per cent as this year progresses.

Although the 12,300 VAT-registered businesses make up around 30 per cent of the hair and beauty sector, they employ half the workforce. By keeping much-needed cash in the business, a targeted cut in the VAT rate for hair and beauty would help them to recover, reducing the proportion that are acutely vulnerable to 6 per cent. We estimate that if 18 per cent of the businesses that would have otherwise failed survive as a result of the cut, the future tax revenues generated and unemployment costs avoided would mean that the policy paid for itself.

The hair and beauty sector is the beating heart of our high streets. It has proved it is essential to the wellbeing of our communities, providing opportunities for female entrepreneurs and, as one of the leading industries for apprenticeships, jobs for young people. We are confident that if you are prepared to invest in the sector, you will see it returned through successful, thriving businesses in the years to come.

Yours sincerely



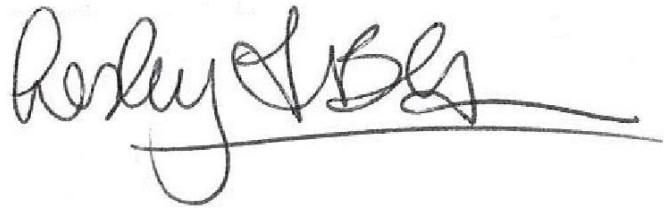
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Millie Kendall MBE
On behalf of
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Helena Grzesk
On behalf of
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UK Spa Association



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