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By e-mail

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15<sup>th</sup> May 2024

Ref: FOI2024/07188

Dear Andrew Clelland,

## Freedom of Information Act 2000

Thank you for your enquiry of 15 April 2024, which we have considered under the terms of the Freedom of Information Act 2000 (the FOI Act).

You asked for the following information:

*"Good Afternoon,*

*further to your reply of March 26th please find below.*

*I am happy to restrict the repeated request to the organisations below and to alter the period to 1st January 2022 to the current date.*

*1.Details of all meetings held between HM Treasury officials and representatives from organisations representing the Hair and Beauty Industry/Personal Care sector.*

*This includes but is not limited to: Dates of meetings Names and positions of all meeting attendees Meeting agendas Meeting minutes or notes Details of discussions and decisions made during the meetings Any follow-up actions or decisions resulting from the meetings.*

*2.Copies of any written correspondence, emails, letters, or other communications exchanged between HM Treasury officials and representatives from organisations representing the Hair and Beauty Industry/Personal Care sector.*

*3.Any reports, analyses, or documentation prepared as a result of the meetings or related to discussions with representatives from the Hair and Beauty Industry/Personal Care sector.*

*4.Information regarding any upcoming meetings or planned engagements in the next 3months between HM Treasury and organisations below.*

*The Hair and Barber Council, Salon Employers Association, Salon Owners United”*

Following a search of our records, we can confirm that HM Treasury does hold information within the scope of your request.

To enable HM Treasury to provide information in scope of your request we have conducted our search in two ways:

- The search was limited to the dates specified (1 January 2022 to present); and
- We have worked upon the reasonable assumption that information requested was limited to the three organisations mentioned in the request (The Hair and Barber Council, Salon Employers Association, and Salon Owners United).

Therefore, we have located two documents within scope of this request. The first is a readout of a meeting between HMT and the Hair and Barbers Council on 21 March 2024. This readout was previously disclosed to you in response to your FOI request FOI2024/06014 on 22 April. Therefore, we have not included this readout in this request, as you have recently been provided with this information.

The second document is a briefing for the same meeting between the Financial Secretary to the Treasury, HM Treasury Officials and representatives of the Hair and Barbers Council, which was not deemed in scope of your request FOI2024/06014. The briefing document is provided in the annex to this letter.

However, we consider that some of the information which falls within scope of your request engages exemptions under the FOI Act.

#### Section 31(1)(d)

We consider that some of the information in scope of your request engages section 31(1)(d), which provides an exemption where disclosure of information would, or would be likely to, prejudice the assessment or collection of any tax or duty or of any imposition of a similar nature. This is a qualified exemption, and we are required to balance the public interest between disclosure and non-disclosure.

In favour of disclosure, we recognise that there is an inherent public interest in transparency and accountability of public authorities. We also recognise the broad public interest in furthering public understanding of the issues which public authorities deal with. There is a clear public interest in the work of government departments being transparent and open to scrutiny to increase diligence.

However, in favour of withholding the information, we consider that release of the information could undermine the collection of tax, or help individuals evade tax, and promote tax avoidance. There is a clear public interest in preventing tax evasion, as it undermines the integrity of the taxation system which is used to collect Exchequer revenue, and this revenue is used to fund vital public services. There is a substantial public interest in protecting the government's ability to provide essential services, and therefore in preventing prejudice to the assessment or collection of taxes and other duties.

On balance, we therefore consider that the public interest lies in favour of upholding the exemption.

#### Section 40(2)

We also consider that some of the information within scope of your request constitutes personal data, as it relates to the names and contact details of junior government officials. Section 40(2), by virtue of section 40(3A) provides an absolute exemption for third party personal data, where disclosure would contravene any of the data protection principles set out in Article 5 of the UK General Data Protection Regulation (UK GDPR). The first data protection principle requires the disclosure of third-party personal data to be lawful, fair and transparent. We believe that releasing the information would breach the first data protection principle. Therefore, this information has been withheld on reliance of section 40(2)."

I can confirm that HM Treasury officials do not have any planned engagement or meetings with The Hair and Barber Council, Salon Employers Association, or Salon Owners United or any of their representatives.

As noted in our previous responses to your recent FOI requests, it should also be noted that HM Treasury is an economic and finance Ministry. As a non-delivery department, HM Treasury does not lead on relationships with stakeholders from the Personal Care sector or undertake any routine engagement. This relationship is the responsibility of the Department for Business and Trade (DBT). If you have further requests for information on this subject, we recommend you contact DBT. Their FOI email address is: [FOI@businessandtrade.gov.uk](mailto:FOI@businessandtrade.gov.uk).

If you have any queries about this letter, please contact us. Please quote the reference number above in any future communications.

Yours sincerely,

Information Rights Unit

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If you are not happy with this reply, you can request a review by writing to HM Treasury, Information Rights Unit, 1 Horse Guards Road, London SW1A 2HQ or by emailing us at the address below. Any review request must be made within 40 working days of the date of this letter.

Email: [foirequests@hmtreasury.gov.uk](mailto:foirequests@hmtreasury.gov.uk)

It would assist our review if you set out which aspects of the reply concern you and why you are dissatisfied.

If you are not content with the outcome of the review, you may apply directly to the Information Commissioner for a decision. Generally, the Commissioner will not make a decision unless you have exhausted the complaints procedure provided by HM Treasury which is outlined above.

The Information Commissioner can be contacted at: The Information Commissioner's Office, Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF (or via their website at: <https://ico.org.uk>).

**Annex:**

## **Meeting with the Hair and Barber Council**

**Attendees:** Gareth Penn and Collette Osborne

*Following AS23 the Hair and Barber Council, a statutory and trade body representing the hairdressing and barbering sector, wrote to the CST about their concerns about changes to the tax system announced at AS23 and the broader pressures that the tax system exerts on the hair industry. This was transferred to you as Minister responsible for the tax system. You are meeting with Gareth Penn and Collette Osborne from the Council, to discuss their concerns.*

### **SESSION OBJECTIVES**

- To listen to the views of the Hair and Barber Council on the challenges facing hairdressers and barbers, particularly pressures from increases to the National Minimum Wage, the rate of VAT being too high, and the advantage businesses operating beneath the VAT registration threshold can gain, and to demonstrate that the government is taking their concerns seriously.

### **INTRODUCTORY LINES**

- Thank you for reaching out to suggest this meeting and making me aware of your concerns. It's crucial the government hears directly from those effected by tax policies.
- As you will know, the government continues to go further in supporting small businesses such as hairdressers and barbers, through measures such as the Growth Guarantee Scheme announced at SB24 which extends the support previously provided under the Recovery Loan Scheme to the end of March 2026 and a business rates support package worth £4.3 billion announced at AS23.
- This builds on the governments existing support for small businesses across all tax heads, including the Employment Allowance relieving small employers from paying Employer NICs, the small profit rate reducing Corporation Tax for small companies, and 100% Small Business Rates Relief relieving a third of properties from paying BR.

**If raised: businesses are shifting to self-employed “rent-a-chair” business models to reduce their tax burden.**

- There is nothing wrong with the self-employed rent-a-chair hiring model from a tax perspective if it is operated in line with the relevant rules.

- HMRC provides specific guidance and support to help customers in the hairdressing and beauty industry understand employment status and comply with the correct tax rules. Where HMRC identifies disguised employment, it will take steps to ensure the right taxes and National Insurance contributions (NICs) are paid. It will also challenge situations where businesses either artificially separate to avoid exceeding the VAT-registration threshold or design schemes to reduce the amount of VAT owed.
- HMRC and Department of Business and Trade officials are working with sector representatives to deliver an education and support package over the year to help the industry comply with its responsibilities.

[redacted – section 31(1)(d)]

**If raised: the VAT threshold is bad for legitimate salons.**

- The government recognises that both VAT and the registration threshold can have varying impacts on different sectors, and that some sectors have more concerns than others about competition between businesses above and below the threshold. However, the Government needs to balance this with the interests of small businesses that find accounting for VAT a burden, and the threshold has been frozen since 2018. This is why we have raised the threshold to £90,000 resulting in approximately 28,000 fewer small businesses being registered for VAT in 2024–25.

*For context: A higher thresholds means it is easier to remain under the threshold operating the “rent-a-chair” model, so the Hair Council may be opposed to this change, although a salon with more than one member of staff will typically still be above the threshold.*

**If raised: Please reduce the VAT rate for hairdressing.**

- VAT is a broad-based tax on consumption and the 20 per cent standard rate applies to most goods and services. Exceptions to the standard rate have always been limited by both legal and fiscal considerations.
- VAT is also the UK’s third largest tax forecast to raise £171 billion in 2023/24, helping to fund key spending priorities, such as the NHS, education and defence. Any request for relief from VAT should be viewed in the context of over £50 billion of requests the government has received since the EU referendum.
- The government must continue to balance the need to ensure public finances remain on a stable footing with identifying suitable tax cuts.

**If raised: Pressures from increases to the National Minimum Wage (NMW) (including the Apprenticeship minimum wage).**

- Each year, the independent Low Pay Commission (LPC) produces recommendations to the government on the NMW rates. The government accepted their most recent recommendations in full at AS2023. To help shape their recommendations, the LPC through a public consultation, seek evidence on the effects on employers and workers of the recent increases in the National Living and Minimum Wage.
- It's right that workers are fairly rewarded for their input into the economy. This will help us eradicate low hourly pay, and build a high skilled, high wage economy.
- **For Apprenticeship NMW:** The LPC's remit from government is to recommend a rate for the ANMW that is as high as possible without adversely affecting apprenticeship opportunities in the labour market, by acknowledging the costs for employers in the provision of apprenticeships, as well as the benefits for people who take one up.
- The LPC are aware that employers of apprentices face additional labour costs including the provision of training and the potential for reduced productivity during training, so the lower level of the ANMW compared to the age-related National Minimum Wage rates takes these costs to the employer into account.

#### **If raised: Business interruption insurance**

- Insurance policies differ significantly, so businesses are encouraged to check the terms and conditions of their specific policy and contact their providers. The individual policy wording generally sets out the basis on which the sum due to the policyholder following an insured event will be calculated. Insurers should therefore calculate claims payments due to the policyholder in accordance with the terms and conditions of the relevant policy.
- The FCA took action during the pandemic to settle some of the legal issues that arose from Covid-19 and business interruption policies. The FCA, as the independent regulator, has responsibility for supervising the insurance sector and considering whether further actions should be taken where firms do not appear to be meeting their expectations and treating their customers fairly.
- **[If asked to comment on recent court judgments]** The Government does not comment on litigation between commercial parties.

#### **Background**

- During the Covid-19 pandemic there was significant controversy and legal debate about whether business interruption insurance policies were triggered by the pandemic and civil authority lockdowns.

- This was a complicated legal position, which rested on the wording of individual policies. The Financial Conduct Authority (FCA), as the independent regulator of insurers, led a test case which culminated in a Supreme Court judgment. This did not address all legal issues, but aimed to tackle some of the key legal points at the time.
- Since then, legal action has continued over certain policies. Recently more than 300 businesses, including hair and beauty salons and barbers, won an arbitration case against Canopus (an insurer), meaning their claims were valid. These ongoing legal actions are a matter for the parties involved.

## BIOGRAPHIES

- **Gareth Penn** is the Registrar of the Hair and Barber Council, and is the Managing Director of Good Salon Guide Limited, which assesses professional standards and services within the hairdressing and beauty industries.
- **Collette Osborne** is the Vice-Chair of the Hair Council, and is the founder of Salons Owners United, a group that helps salon owners across the UK to coordinate and share resources.

Name: [redacted – section 40(2)]| Ext no: [redacted – section 40(2)]|

Team: SDX| SCS: Marion Ando