

EMPLOYMENT STATUS FOR HAIR & BEAUTY SALONS HMRC'S GUIDANCE

HMRC has recently published guidance on whether people working in the hair and beauty industry should be treated as employed or self-employed. This is an important distinction for owners of such businesses who are renting out chairs.

There is a growing trend of salon owners renting out chairs to other salon businesses. This business model, itself, can blur the lines between employment and self-employment for those working in salons, making it essential to understand the distinctions used by HMRC.

Incorrect classification can have serious tax consequences, especially if the mistake comes to light following an HMRC compliance check.

SELF-EMPLOYMENT

The classification for some salons will be straightforward, such as where the owner doesn't work themselves, but rents a number of chairs to people who each work on an independent basis. However, other salons may consist of a mix of working owners, employees and chair renters. The classification here will often be less clear-cut, especially as the salon may want to present a common brand identity.

Some aspects of establishing self-employed status should be simple to implement, if the salon has not already done so. For example, chair renters should:

- Have their own business bank accounts and business insurance
- Buy their own products and equipment
- Have their own client list; an
- Keep business records.

A common till or card machine is not an issue as long as income is separated for each chair renter.

PROBLEM AREAS

Ideally, chair renters should be able to decide the hours they work, and when to take time off. However, if a salon has walk-in customers, the owner will want to have a minimum number of personnel available. The decision may, therefore, be something of a compromise, but make sure the input from chair renters is documented.



Similarly, chair renters should be setting their own prices, but this will be problematic if everyone is offering the same services. Clearly, chair renters should set their own prices for any exclusive services they offer. Even if there is a common pricing, each chair renter should display their own price list.

The recently published guidance (along with a link to the check employment status for tax (CEST) tool) can be found [here](#).

WE CAN HELP

If you require further information, please contact us on **01753 888 211** or email **info@nhllp.com**. We are here to help.