Dear

The Covid-19 pandemic has had a devastating impact on the hair and beauty industry. A recent report by economist Jim Power, ([link to report](https://habic.ie/wp-content/uploads/2020/09/JIM_POWER_HABIC_ECONOMIC_IMPACT_REPORT_HAIR__BEAUTY_IND_2020.pdf)), showed that the black market in hair and beauty accounts for at least 30% of the legitimate sector. This would imply a loss in turnover of at least €400m, as well as lost tax revenues of at least €60m.

Apart from these serious financial implications, the huge growth in black market activity during the pandemic has also caused a staffing crisis for all salons, with many highly experienced professionals choosing to continue working illegally in the shadow economy, instead of returning to the workplace.

At present, the 9% VAT rate applies to hairdressing services, while the 13.5% VAT rate applies to beauty services. **To assist in the recovery of the sector, one of the key recommendations in Mr Power’s report is to temporarily reduce the VAT rate for these services to 5%, followed by the 9% VAT rate on a permanent basis.**

Unfortunately, the Minister for Finance has advised us that the current EU VAT rules do not permit Ireland to apply lower rates than those already in place.

However, there is currently a proposal from the EU Commission under consideration by the Council of Economics & Finance Ministers (ECOFIN) that would allow member states to set significantly lower VAT rates for hairdressing and beauty services.

Therefore, it is essential for the future viability of our industry that the EU Commission’s proposal is adopted by ECOFIN.

Our industry organisation, the Hair and Beauty Industry Confederation (HABIC), has sent the [attached letter](https://habic.ie/wp-content/uploads/2021/07/HABIC-Letter-to-Minister-for-Finance-19th-of-July-2021.pdf) to the Minister for Finance, Paschal Donohoe, seeking his support for the Commission’s proposal and I/we would appreciate if you could make representations to him to ensure that this support is forthcoming.

As the VAT rate is a vital issue for the hair and beauty sector, I/we look forward to hearing from you as soon as possible.

Regards,