

...The Hair and Beauty Industry



There are many points to consider when setting up and managing a salon. This factsheet explores some of the key issues facing the hair and beauty industry. However, there is no substitute for one-to-one advice, so please contact Tuchbands to discover how we can assist you.

Why record keeping is important

The importance of maintaining accurate records is widely acknowledged. Not only will it help you to avoid paying too much tax and any unnecessary interest and penalties, but it can also help you to budget for tax payments.

As a starting point, make sure that you record all income that the business receives, as well as all the money that is spent, irrespective of the amount. With sound record keeping it should be possible to trace every penny received by the business, right through until it is either spent or banked.

Some salons may offer staff commission based on the customers they have seen and any products they may have sold. In such cases, it is important to put in place a system which allows you to record the actions

of each member of staff in order to prevent any potential disputes.

We can advise on the best approach as well as any computerised systems which may be beneficial.

Cash is king

Cash is the lifeblood of a business. A properly developed cash flow projection can help you foresee and prepare for potential shortages, whilst allowing you to budget for VAT, corporation tax and income tax.

To prepare your cash flow, you will need to estimate your likely income from cash sales for the following 12 months, including VAT if appropriate. This may involve calculating how many hair and colour treatments you are likely to undertake, and at what price, as well as predicted sales of any associated products.

It is important to take into account fluctuations in demand, as you may be busier at certain times of the year than at others.

Tuchbands can help with the preparation of cash flow projections, budgeting and business projections, as and when required. We can also help you to interpret the results and make recommendations to improve your business.

The National Minimum Wage

Employers must pay their workers a minimum amount per hour as defined by law. This amount is called the National Minimum Wage (NMW). The current NMW rates can be found on the HMRC website (www.hmrc.gov.uk/pay/payroll/day-to-day/nmw.htm).

Almost all workers who work in the UK are entitled to the NMW. Those not entitled to the NMW include the self-employed and children who are still of compulsory school age.

The Regulations set out a rather complex procedure detailing the calculation of the NMW. Benefits in kind, expenses, certain allowances and most deductions are not included.

Restrictive covenants

If you own a salon, you may want to protect details of your customer base, suppliers and technology by using a restrictive covenant.

A restrictive covenant is usually a clause in a contract which is intended to prohibit an employee from competing with an ex-employer after the employee has left the business. It should prevent the ex-employee from soliciting or dealing with customers of the business by using knowledge of those customers gained during their prior employment.

Franchises

By buying a franchise you can take on a brand which has a successful reputation and working format, thus reducing the risk of failure. However, the degree to which you can run the business in your own way will be limited.

Accordingly, you should make sure that you are happy not to have complete free reign.

When considering taking on a franchise, you must consider the structure of the business and examine its accounts carefully, with professional help, in order to ensure that the business is both viable and financially stable. You must also consider the costs involved in the venture. For example, you will need to budget for stock, premises, and management service fees.

Hairdressers' chair rental: forthcoming changes

The VAT system contains a number of anomalies along the borderlines of the VAT exemptions and the VAT zero-rates. The Government sought to address some of these anomalies in the 2012 Budget and, as a result, it has confirmed that VAT now applies to the rental of hairdressers' chairs.

The measure is intended to cover all chair rental by salons to self-employed stylists. It is not intended to automatically tax the rent of a whole floor, separate room or clearly defined area by a salon to a stylist unless services are provided by the salon owner such as laundry, booking and reception services.

The measure will have effect on supplies made on or after 1 October 2012. To discuss how the changes affect you, please get in touch.

Tuchbands have a wealth of experience in advising hairdressers, barbers and beauticians. **We can help you with the various stages of your business life cycle from start up right through to sale.**

Contact the Tuchbands team to discover how we can help you grow your salon and boost your profits.

Our promise to you includes: Fixed Fee Accounting Balancing the books with no 'hidden extras'

We offer transparent fixed fee packages that are simple and straightforward but still tailored to suit the specific needs of your business. We don't want our clients to receive any nasty surprises so we will work with you to put together the perfect package for your business. Business basic starts from as little as £150 a month.