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GUIDE

Opening a Salon or Spa in India

Ordered by what blocks what, not by topic. The premises decisions you cannot undo after signing, the GST change of September 2025 that cut your rate and took your input credit with it, and the licences that are genuinely state subjects rather than one national list.

Updated August 2026 · 11 Pages · 2026-27

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01 Before You Sign the Lease

The only decision on this list you cannot reverse cheaply.

Almost everything else in this guide can be fixed after the fact. A licence filed late is a delay. A registration missed is a penalty. A lease signed on premises that cannot legally hold a salon is a year of rent for a shutter that never opens. Work through this stage before money changes hands.

Why this stage is first

Trade licences, health clearances, fire clearances and signage permissions are granted against a specific address, and they carry physical conditions: usable floor area, exit width, water supply and drainage, sometimes a separate washing area. Those are architectural facts about the building. If the premises cannot meet them, no amount of paperwork fixes it, and the landlord has your deposit.

Settle these before you sign

- ✓ **Confirm the premises is permitted for commercial use**
  Residential and mixed-use buildings are not automatically available for a commercial salon. This is set by the local development authority or municipal body, and it varies by city and by zone. Ask to see the building's sanctioned use, not the landlord's assurance.
- ✓ **Get the rules for your own municipality in writing**
  Trade licence and health licence conditions come from the municipal corporation, so Ahmedabad and Pune do not ask the same questions. Get the current checklist from your corporation, not from a national blog.
- ✓ **Check water supply, drainage and waste before fit-out**
  A salon runs wash basins all day and a spa runs considerably more. Drainage capacity and a lawful route for waste water are practical constraints and are often what a health inspection turns on.
- ✓ **Ask what the fire requirement is at your floor and area**
  Fire clearance rules commonly turn on the size of the premises and which floor it sits on. A basement or an upper floor can carry requirements a ground-floor unit does not.
- ✓ **Put the licence condition into the lease itself**
  A clause making the lease conditional on obtaining the trade licence, or allowing exit if it is refused, costs nothing to negotiate before signing and is impossible to add afterwards.

Salon, spa, or both

This guide is written for salons, and the great majority of it applies identically to a spa: the same GST treatment, the same Shop and Establishment registration, the same trade licence route. Where a spa differs is in therapeutic and massage services, which attract additional requirements that vary by state and, in several cities, by the specific treatments offered. Those are named in this guide but not detailed, because there is no national rule to state. Confirm them locally before you build a treatment room.

02 Registering the Business

Cheap, quick, and everything downstream depends on it.

This stage is paperwork rather than judgement. It matters because the GST registration, the bank account, the payment gateway and the Shop and Establishment filing all hang off the entity you choose, and changing the entity later means redoing them.

Choosing the entity

Structure	Where it fits	What it costs you
Proprietorship	A single owner, one chair or one small floor	Simplest to start. No separation between you and the business, so business debts are personal debts.
Partnership / LLP	Two or more owners splitting investment	An LLP limits liability and is a registered entity. More filing than a proprietorship, less than a company.
Private limited company	Outside investment, or a plan to open more branches	Most compliance and cost. Usually the right answer only if you are raising money or franchising.

There is no salon-specific entity. Choose on ownership and liability, the same as any other small business.

The order to do these in

1. **Register the entity, then get PAN and TAN**
   TAN matters as soon as you deduct tax at source, which for most salons means rent above the threshold or professional fees, not just salaries.
2. **Open the current account in the business name**
   Mixing salon takings with a personal account makes the GST turnover position hard to establish later and makes the first audit painful.
3. **File the Shop and Establishment registration**
   This is a State Act, so the name, the fee, the renewal cycle and the window to file all differ by state. In most states it is due within a set number of days of commencing business, which means it belongs here and not after opening.
4. **Register on Udyam if you qualify as an MSME**
   Free, online, and self-declared. It is the reference most government schemes and several lenders ask for.

> **Do this before the fit-out invoices arrive**
>
> Register for GST before you start buying chairs, mirrors, dryers and stock, if you intend to register at all. Whether you can do anything with the credit on those purchases is the subject of the next stage, and the answer changed in September 2025.

03 The GST Decision

Your rate fell to 5%. Your input tax credit went with it.

This is the stage most salon owners have been given wrong, because the change has been reported almost everywhere as a straightforward tax cut. It is a rate cut and a credit withdrawal in the same move, and which of those two matters more depends entirely on your rent.

5%

On Beauty And Well-Being Services

Ministry of Finance FAQ on the 56th GST Council, Q72, posted 03-Sep-2025

Without ITC

The Half Nobody Reports

Same FAQ, Q72: the rate is given as 5% without ITC

22-Sep-2025

In Force From

Ministry of Finance FAQ, Q1, same document

What the government actually said

The Ministry of Finance FAQ on the decisions of the 56th GST Council, published 3 September 2025, answers this directly at question 72: "Beauty and physical well-being services including services of health clubs, salons, barbers, fitness centers, yoga, etc. will attract GST rate of 5% without ITC. These services attracted 18% GST earlier."

Question 1 of the same document fixes the date: the new rates on goods and services took effect from 22 September 2025.

Two words in that answer carry this whole stage. "Without ITC" means the input tax credit you used to set off against your output liability is gone on the service side. The FAQ gives one rate for these services and that rate carries no credit with it. If anyone tells you there is still an 18%-with-credit route for a salon, ask them to point to the entry in the rate notification before you rely on it.

> **The part almost every summary gets wrong**
>
> A lower GST rate is not automatically money in your pocket. GST is charged on top of your price, so when the rate falls it is the customer's total that falls, not your revenue. The saving belongs to the customer unless you deliberately reprice to capture it. The lost input credit, by contrast, is yours in every scenario. So the honest way to put it is this: the rate cut is an opportunity you have to act on, and the credit withdrawal is a cost that arrives whether you act or not.

The two choices in front of you

Take a service you priced at ₹1,000 before tax. Under the old treatment the customer paid ₹1,180 and you claimed credit on your inputs. Under the new treatment you have two options, and they are genuinely different businesses.

Hold your pre-tax price at ₹1,000 and the customer now pays ₹1,050. They save ₹130. Your revenue is unchanged and your input credit is gone, so you are worse off by exactly the credit you used to claim.

Or hold the customer's total at ₹1,180, which means raising your pre-tax price to about ₹1,124. The customer notices nothing. You keep roughly ₹124 more per service, and against that you set the credit you have lost.

Most salons have quietly done the first without deciding to, because the billing software changed the rate and nobody changed the price.

Worked illustration: one salon, ₹4,00,000 of monthly service revenue

	Pass the cut to customers	Hold the customer's total
Your pre-tax service revenue	₹4,00,000, unchanged	₹4,49,524
What the customer pays	₹4,20,000, down from ₹4,72,000	₹4,72,000, unchanged
Extra revenue to you	Nil	₹49,524
Input credit you can no longer claim	Around ₹30,000	Around ₹30,000

	Pass the cut to customers	Hold the customer's total
Net effect on you, per month	Worse off by about ₹30,000	Better off by about ₹19,500

Illustration only, with assumed figures: rent ₹1,00,000 plus GST at 18%, other input services ₹50,000 plus GST at 18%, products bought at ₹60,000 plus GST at 5%. Your credit figure depends on your own rent and purchases. Electricity billed directly by the distribution utility carries no GST, so it is left out; where a landlord recovers it as part of the rent, treat it as rent. This is a simplified view that ignores the apportionment covered in the note below.

Work out your own number in four lines

1. **Add up the GST you paid last month on rent, input services and product purchases**
   Only the GST component, not the invoice totals. Leave out anything that carried no GST in the first place. That figure is what the change costs you every month from here.

2. **Decide, explicitly, whether you are repricing**
   Not repricing is a decision too, and it is the one that hands the whole benefit to the customer while you absorb the credit loss. Make it on purpose or not at all.

3. **If you reprice, work back from the customer's old total**
   Divide the old inclusive price by 1.05 to get the new pre-tax price that leaves the customer paying what they paid before.

4. **Redo it whenever the rent moves**
   This is not a one-time calculation. It shifts with rent, with your service mix and with how much you buy in.

If you also sell products over the counter

Retail sales are a separate supply from your services and are taxed on their own footing. Several everyday items were themselves cut to 5% in the same reform. The Ministry of Finance FAQ confirms at question 44 that the rate on toilet soap bar is 5%, and at question 45 discusses the reduction on face powder and shampoos. Question 46 is explicit that the reduction was applied "only on certain goods that are daily use items for most segments of population", so do not assume every product on your retail shelf moved. Check the classification of professional colour, treatment and styling lines specifically rather than applying one rate across the shelf.

Mixed supplies need a word with your accountant

Where a business makes supplies that carry credit alongside supplies that do not, the credit has to be apportioned rather than claimed in full. A salon that sells retail products as well as services is in exactly that position. The mechanics of the apportionment are set out in the CGST Act and the rules made under it, and they are not something to work out from a summary. Take this one to your accountant with your actual revenue split, before your first return rather than after it.

When registration becomes compulsory

Section 22(1) of the CGST Act, 2017 requires registration where aggregate turnover in a financial year exceeds twenty lakh rupees, and ten lakh rupees for suppliers in special category States.

The ₹40 lakh figure that appears in most search results is real but is not yours. It sits in a proviso to the same section that allows the threshold to be raised to a maximum of forty lakh rupees for a supplier engaged exclusively in the supply of goods. A salon supplies services. Selling shampoo at the counter does not make you an exclusive supplier of goods, it makes you a supplier of both.

So the number to plan against is ₹20 lakh of aggregate turnover, or ₹10 lakh if you are in a special category State. At a realistic ticket size that is a threshold a single busy chair can approach, which is why this belongs in your opening plan rather than in year two.

04 Licences Before You Open

There is no single national salon licence, and anyone who tells you the price of one has not checked.

The permissions below come from three different levels of government. The Shop and Establishment registration is a State subject. The trade and health licences are municipal. Music licensing is central law and is currently unsettled in court. That is why this stage names each one and describes what it is for, and prices none of them.

Why there are no fees in this stage

Shop and Establishment fees are fixed by each State and commonly scale with the number of employees. Trade and health licence fees are fixed by each municipal corporation and commonly scale with floor area. A figure quoted without a State, a corporation and a financial year attached to it is not a figure. Get yours from your own corporation's current schedule. An honest blank is worth more to your budget than a confident wrong number.

What each permission is actually for

Permission	Who issues it	What it governs
Shop and Establishment registration	State labour department	Your existence as a workplace: hours, weekly off, leave, employment records. Due within a set period of starting business in most States.
Trade licence	Municipal corporation	Permission to carry on this trade at this address. Renewed on the corporation's cycle.
Health or sanitary clearance	Municipal corporation	Hygiene, water, waste and sanitation at the premises. Salons and spas are commonly treated as a category needing this.
Fire clearance	State fire service	Escape routes, equipment and access. Requirements commonly turn on floor area and which floor you occupy.
Signage permission	Municipal corporation	Your board. Frequently overlooked and frequently the first thing an inspector notices.
Music licence	See the note below	Playing recorded music to customers. Currently before the courts.

This list is the common core. Your corporation may add to it, and a spa offering therapeutic or massage services should expect additional State-level requirements.

Music: the law is genuinely unsettled, so do not take advice from whoever knocks

Playing recorded music to customers is a communication to the public and needs a licence. Who is entitled to issue that licence is the contested part. In Azure Hospitality Private Limited v. Phonographic Performance Limited, FAO(OS)(COMM) 41/2025, pronounced 15 April 2025, a Division Bench of the Delhi High Court took the view that PPL, not being a registered copyright society or a member of one, could not grant licences in respect of the sound recordings assigned to it. The Supreme Court stayed part of that judgment within the week, on 21 April 2025, and the matter is pending. What that means practically: budget for a music licence, because the requirement to be licensed is not what is in doubt. But do not sign a multi-year agreement or hand over cash to someone at your counter on the strength of either headline. Ask which entity is demanding it and on what authority, get it in writing, and take advice.

What each application generally asks you to produce

Document	Why it is asked for
Proof of identity and address of the owner or partners	Establishes who is applying. PAN and Aadhaar in most cases.

Document	Why it is asked for
Proof of the entity	Partnership deed, LLP incorporation or certificate of incorporation, as applicable.
Proof of the premises	Registered lease or rent agreement, or ownership documents. This is why the lease comes first.
Landlord's no-objection	Commonly required where the premises is rented.
Site plan or layout	Floor area and arrangement. Fire and health applications turn on this.
Photographs of the premises	Frequently asked for at trade licence stage.
List of employees	Shop and Establishment filings, and the fee often scales with headcount.
GST registration certificate	Asked for by several departments once you hold one.

This is the common core across corporations, not a definitive list for yours. Every corporation publishes its own current checklist and that is the one to work from.

Sequence these so one does not block another

- ✓ **Shop and Establishment first**
  Several other applications ask for it, and most States set a deadline running from the day you commence business.
- ✓ **Trade licence and health clearance together**
  Both come from the same corporation and often share documents. Applying together saves a round trip.
- ✓ **Fire clearance as early as the fit-out allows**
  This one can require physical changes. Finding out late is the expensive version.
- ✓ **Signage before you order the board**
  Dimensions and placement can be regulated. A fabricated board that does not comply is a board you pay for twice.
- ✓ **Diarise every renewal date on the day you receive it**
  These renew on different cycles from different offices. Nothing in the system reminds you.

05 Before You Hire

The headcount thresholds decide your compliance, and one of them is not a national number.

Staff costs are the largest line in a salon, and the compliance attached to them switches on at headcounts most owners cross without noticing. Plan for the threshold before you cross it, because registration is retrospective in effect and arrears carry interest.

What switches on, and when

Obligation	Commonly applies from	Worth knowing
Employees' State Insurance (ESI)	10 in most of India	The Act covers factories at 10. For shops and establishments the Central notification is 20, but 33 States and Union Territories have reduced it to 10, so 10 is the working number across most of the country. Confirm your own State. It also only applies to employees drawing up to ₹21,000 a month, or ₹25,000 for a person with disability.
Employees' Provident Fund (EPF)	20 employees	Section 1(3)(b) of the EPF and Miscellaneous Provisions Act, 1952 covers any other establishment employing twenty or more persons. Counts all employees, not only the ones on the shop floor.
Professional Tax	Varies by State	A State levy. Some States do not levy it at all, and the slabs differ where they do.
Shop and Establishment obligations	From your first employee	Hours, weekly off, leave and records apply from the start, not at a threshold.

ESI figures are from the ESIC Standard Note on the Employees' State Insurance Scheme as on 01.01.2025, published on esic.gov.in. Treat the rest as a starting point to confirm locally. State variation is real and is frequently reported online as a single national number.

The labour law framework has changed

India's four Labour Codes were brought into force on 21 November 2025, consolidating a large number of earlier central labour statutes. Transitional arrangements and State-level rules are still being worked through, and the practical position differs by State. When you take advice or read guidance, check whether it is written against the Codes or against the earlier Acts they replace, because a good deal of material online still refers to the old framework.

Before the first employee starts

- ✓ **Put the terms in writing**
  Role, hours, weekly off, salary structure and notice. A one page appointment letter prevents most of the disputes a salon actually has.
- ✓ **Decide how you treat commission before you promise it**
  Commission on services and on retail sales is normal in this trade. Write down how it is calculated and when it is paid, because a verbal formula becomes a different formula in a bad month.
- ✓ **Keep attendance and wage records from day one**
  The records are what an inspection asks for. Reconstructing them later is the version that goes badly.
- ✓ **Count heads against the thresholds every month**
  Trainees, part-timers and weekend staff can count. Check how, for your State, before you assume they do not.

06 Pricing and Billing

You cannot price a service menu properly until you know what you can no longer claim back.

Pricing in a salon is usually done by looking at what the salon down the road charges. That works until your cost base differs from theirs, which after September 2025 it very well might, because the input credit position depends on your rent and your product mix rather than on your haircut.

Build the price from the chair, not from the competitor

1. **Cost the service itself**
   Stylist time at their actual cost including commission, the product consumed, and the share of the chair's running cost for that slot. Product consumed is the line most salons guess at and most often gets it wrong on colour.

2. **Add the overhead the chair has to carry**
   Rent, electricity, water, reception, laundry and software, divided across the chairs and the hours you actually sell, not the hours you are open.

3. **Now add back what you can no longer recover**
   Under the current treatment the GST on those overheads is a cost on the service side rather than a credit. If you built your old prices on the assumption that it came back, they are understated.

4. **Then look at the competition**
   Not to copy the number, but to know how far your costed price sits from the market and to decide deliberately whether to hold it, absorb the gap, or change the service.

> **The retail shelf is a different business on the same bill**
>
> Retail products sit on their own margin and their own GST footing, separate from the services next to them on the bill. Keep them separately costed and separately reported. A salon that cannot tell you its retail margin independently of its service margin cannot tell whether the shelf is earning its space, and the shelf is usually the easiest place to add profit without adding a chair.

What the bill has to get right

- ✓ **The service line and the product line, each at its own rate**
  They are separate supplies. A bill that lumps them together is a bill you cannot defend and a return you cannot reconcile.

- ✓ **Your GSTIN and the customer's, where they have one**
  Corporate and salon-on-account customers will ask, and adding it later means a credit note.

- ✓ **A stable invoice series**
  Sequential, unbroken and not restarted casually. Gaps in the series are the first thing a reconciliation exercise finds.

- ✓ **Product batch and expiry captured at the point of sale**
  Colour, developer and treatment lines carry expiry dates. Knowing which batch went out matters for stock control and for the occasional customer complaint.

- ✓ **Membership, package and prepaid balances tracked properly**
  A package sold today is a service owed later. Treat it as a liability you are carrying, not as revenue you have earned, or year one looks more profitable than it is.

07 Year One Mistakes

The ones that cost real money, in the order they usually happen.

None of these are exotic. They are the same handful of errors, made by capable owners, because each one looks like a small thing at the moment it is made.

The expensive ones

- ✓ **Signing the lease before checking what the premises can legally become**
  First on the list because it is first in time and largest in cost. Everything else on this page is recoverable.
- ✓ **Assuming the ₹40 lakh GST threshold applies to you**
  It is available to a supplier of goods exclusively. A salon supplies services. The number to watch is ₹20 lakh, ₹10 lakh in special category States, and crossing it unregistered is not a paperwork problem.
- ✓ **Reading the 2025 rate cut as pure good news**
  5% instead of 18% is genuinely lower. Without input tax credit it is not automatically cheaper for you. Run the two lines in Stage 3 against your own rent before you reprice.
- ✓ **Paying whoever turns up asking for a music licence**
  The requirement to be licensed is not in doubt. Who may issue the licence is in front of the Supreme Court. Ask for authority in writing and take advice before signing anything long.
- ✓ **Crossing a headcount threshold without noticing**
  ESI and EPF switch on at a headcount, and part-timers and trainees may count. Registration after the fact comes with arrears.
- ✓ **Treating package and membership money as revenue**
  It is a service you still owe. Counting it as earned makes a first year look good and a second year look inexplicable.
- ✓ **Pricing off the salon next door**
  Their rent, their credit position and their product mix are not yours. Cost your own chair.
- ✓ **Letting renewals lapse**
  Trade licence, health clearance, fire clearance and Shop and Establishment renew on different cycles from different offices. Nothing reminds you. Diarise each one on the day it is issued.

What this guide does not price, and why

No fee figures appear for Shop and Establishment registration, trade licences, health clearances, fire clearances or signage. Those are set by individual States and municipal corporations, they are revised on their own cycles, and there is no national schedule to quote. Every such figure you find online is either attached to one specific city and year or it is invented. Ask your own corporation for its current schedule. Where this guide does give a number, the document it came from is named next to it so you can check it yourself.

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Petpooja Invoice calculates GST automatically on every bill, so the service line and the product line each carry their own rate without anyone doing mental arithmetic at the counter. Live stock tracking, batch and expiry tracking for colour and cosmetics that do expire, barcode billing, and one dashboard if you run more than one branch.

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