THE FUTURE OF FASHION REGULATION IN THE UK: WHITE PAPER

Introduction

In recent years, there have been significant developments in sustainability legislation introduced by the European Union (EU) and United States (US) which apply directly to the fashion and textile industry. Whilst there are a range of views on the effectiveness of this legislation, the United Kingdom (UK) still lacks a coherent fashion and textile regulatory framework of its own. On that basis, there is an urgent need for effective policy recommendations to inform domestic legislation and we can learn from experiences elsewhere to make sure UK legislation is an effective lever to incentivise sustainable, regenerative and circular business practices.

This white paper builds on the excellent research that has already been done by a variety of organisations in the fashion and textile industry. In particular, though not exhaustively:

- The Extended Producer Responsibility (EPR) Sandbox Project led by WEFT and QSA Partners with the help of UK Fashion & Textiles Association (UKFT), British Fashion Council (BFC) and British Retail Consortium (BRC), and supported by Innovate UK's National Interdisciplinary Circular Economy Research programme (NICER).

- The Waste and Resource Action Programme (WRAP) which has contributed to expert research into EPR and established Textile 2030, the UK's leading voluntary initiative supporting businesses and organisations within the fashion and textiles industry.

- Fashion Roundtable, The Ellen MacArthur Foundation, Textile Exchange and Common Objective, who have each produced significant research and tested tools as part of their advocacy for sustainable fashion over the years.

We are encouraged by the recent establishment of the UK's *Circular Economy Taskforce* (**CET**) and are hopeful that this white paper will help to foster a more collaborative approach amongst stakeholders in the fashion and textile industry - and inform the CET's decision-making.

How we created this white paper

As part of the research behind our proposals, we interviewed and canvassed views from a wide range of stakeholders on a confidential basis – from large supermarket and high street brands, to those exporting to Europe and the US, as well as advocacy groups and textile experts both in the UK and globally. While neither definitive nor exhaustive, we are confident that our research has identified some realistic and viable policy actions. With cross-sector support and collaboration, these policies are capable of driving positive transformation in the fashion and textile industry, enabling it to become an engine for green growth, help the UK meet its climate change targets, create new jobs and enhance the industry's social impact.

This white paper was funded by a small charitable grant, for which we are most grateful, and produced jointly by grassroots industry organisation Fashion Declares and law firm Bates Wells.

Fashion Declares is focused on improving the planetary and social harm fashion currently inflicts across the globe. It promotes actions that would transform the fashion industry into a positive, regenerative force for ecosystems and communities around the world.

Bates Wells is a leading, full-practice law firm based in London and the first to become a B Corporation in 2015. Amongst others, it advises a wide range of businesses and organisations in the fashion and textile industry, from start-ups to heritage and international brands, and not for profits.

For clarity, this white paper seeks to foster collaboration and generate further discussion on potential policy recommendations for the UK Government. As such, it does not constitute legal advice of any sort.

Important context

At present, the UK fashion and textile industry is estimated to be worth c.£62 billion to the UK economy. It supports c.1.3 million jobs across the country and raises more than c.£23 billion in tax revenues each year (UKFT, 2023).

However, much of the industry's perceived value has been at the expense of the planet and has had the greatest negative impact on the poorest in society. Since the Industrial Revolution, the fashion industry has consistently delivered year-on-year increases in consumption through linear, and often exploitative, business models. This has resulted in it being directly responsible for two percent of the world's carbon emissions and more than a third of the microplastics in the ocean. Every year, 92 million tonnes of textile waste is produced globally and while production of clothing doubled between 2000 to 2015, the duration of garment use decreased by 36 per cent (UNEP 2025).

The UK fashion and textile industry has been slow to adopt business practices that help to reduce carbon emissions and drive circularity. A report by ethical fashion not-for-profit Collective Fashion Justice claims less than four percent of London Fashion Week designers publish emissions reduction targets compared with 44 percent of all UK companies.

The status quo has prioritised shareholder returns from linear business models over alternative, regenerative/ circular business models which are classed as too difficult, expensive and high risk to invest in. New, more sustainable fabrics and design technologies are therefore slow to be adopted, and brands have tended to hide behind the complexity of supply chains, paucity of data and the effect of economic shocks (such as Covid-19, Brexit and the cost-of-living crisis) to delay positive action.

The ongoing trade tariff chaos has highlighted the fragility of global supply chains and highlighted fast fashion's vulnerabilities which tend to be based on the exploitation of cheap labour and advantageous de minimis import regulations. From our perspective, this is a critical and rare opportunity for the UK Government to put in place a regulatory framework that helps the fashion and textile industry pivot towards a new and more sustainable economic future which plays its part in supercharging the UK's circular economy.

Current UK regulatory landscape

In the UK, there is a raft of existing sustainability legislation that encompasses the fashion and textile industry *generally*. For example, the Environment Act 2021, the UK Climate-related Financial Disclosure (CFD) Regulations 2022, the Corporate Sustainability Reporting Directive and the Modern Slavery Act 2015. However, none of this has been designed *specifically* to apply to or seek to curb the negative impacts of the industry.

In relation to EPR, the UK Government introduced the *"EPR Extended Producer Responsibility for Packaging Marketing and Labelling"* earlier this year. This is a positive move which builds on the plastic packaging tax and we seek a similar approach for textiles. For now though, the UK remains a long way behind both the EU and the US which have either introduced or are in the process of introducing fashion and textile-specific regulation.

Summary of proposed policy recommendations

We are proposing *three* key policy recommendations to help shift the fashion and textile industry onto a more sustainable and level playing field which are summarised below and set out in more detail at page 4. We suggest that all of these should be enacted together as part of a holistic and systemic approach:

1. The ***de minimis customs threshold on imported purchases should be reduced to zero.*** This is currently being used by overseas fast fashion brands as a loophole to avoid tax. It is prompting a race to the bottom in terms of pricing and is effectively pushing sustainability off the agenda for many British fashion brands. Further work should be undertaken on how to protect small and sustainable firms from being penalised by the removal of the de minimis threshold. For example, in the short term this could initially apply only to large companies based on number of employees or turnover. However, a more permanent solution lies in updating global tariff codes and aligning import duty to a 'harm' based taxonomy (see point 3). Customs or VAT relief could then be offered on those products that achieve best practice in ethical and sustainable production.

2. The UK should mandate an ***Extended Producer Responsibility (EPR) for all textiles in the UK with fees tiered according to a product's circular design, durability, fibre composition and production methods.*** The fees should be ring-fenced to fund the infrastructure needed to create a circular economy. The EPR system should be simple and flexible for brands to adopt. The monetary incentive should be significant enough to encourage brands to engage with circular design practices rather than to ignore it and/ or see it as a problem to circumvent. Fees should be used to fund a holistic range of solutions, including ***community clothing hubs*** in high streets across the country focused on educating and developing skills around the repair and reuse of clothes.

3. The UK should mandate a ***Digital Product Passport (DPP) system.*** It should leverage its position as a global data and tech leader to drive standardisation of data and enable the easy flow of fashion related data internationally. This could ensure scanning a simple QR code could be all that is required to determine any EPR fee or customs duties to be paid on a product. We argue the data should be organised according to a ***'harm' taxonomy/classification of clothing and textiles***. Longer term, this information could be translated into a simple ***traffic light system for consumer labelling*** on clothing to drive better purchasing decisions and eliminate greenwashing.

Detailed proposed policy recommendations for the UK Government

1. ***Close the customs de minimis threshold for clothing companies***

Rationale: The current UK de minimis threshold, which exempts goods from customs import duty for goods of £135 or less, allows retailers, particularly ultra-fast fashion giants, to ship low-value items directly to consumers without incurring these duties. This creates an unfair competitive advantage over UK-based businesses that are subject to standard tax obligations. It also incentivises high volumes of low-cost, often low-quality goods, contributing to excessive consumption, waste and environmental damage. By way of illustration, according to the well-respected Dan Neidle Tax Associates, it has been estimated that the Chinese e-commerce company Shein avoided £150 million in UK import tax in 2023 due to this loophole.

Proposed Action: The UK Government should urgently close the de minimis threshold for companies who wish to import clothing and textiles into the UK and put in place an alternative "harm based" taxonomy.

Potential Impacts

Positive:

- Increased customs duty revenue for the UK Government, which could fund enforcement measures and systems, or other public services.
- Keeps pace with moves from the EU and US on this issue.
- A levelling of the playing field for UK fashion and textile businesses, fostering fairer competition.
- Potential discouragement of ultra-fast fashion imports, which are often associated with higher carbon footprints (due to lower standards in country of origin) use of air freight and over consumption.
- Financial encouragement for consumers to value higher-quality, more durable goods.

Negative:

- It could increase the workload for UK customs dealing with the volume of low value, small parcels coming into the UK.
- It could increase prices for consumers.

Implementation considerations: Closing the de minimis threshold is an immediate action that would bring the UK into line with key trading partners such as the EU and US. However, it is also a blunt tool that could have unintended consequences. This action therefore needs to be accompanied by measures which protect small and sustainable clothing businesses from being penalised.

In the short term these measures could be aligned to ***company size or turnover***.

In the medium-term, customs duties and ***global tariff codes should be updated*** to better reflect the production processes and practices of clothing and textiles. Supporting and building on existing work such as that initiated by the Textile Exchange and the University of Cambridge on tariff code reform to reflect sustainable approaches would be a good place to start.

Longer term, the UK should ***develop a 'harm' based taxonomy or classification system for clothing and textiles***. Customs and VAT relief could then be made available to those products that sufficiently meet best practice criteria in terms of ethical and sustainable production. (See proposal 3).

2. ***Establish an Extended Producer Responsibility (EPR) on textiles. Fees should be tiered based on evidence of a product's circular design, durability, fibre composition and regenerative production methods.***

Rationale: The most effective, holistic way to reduce the carbon footprint and environmental harms of the fashion and textile industry is to shift to a circular and regenerative economy. This clearly requires significant incentives and capital investment to build the infrastructure required for collection, sorting and recycling of fibres. It also needs designers and buyers to consider how they will effectively integrate circularity and regenerative practices into their business models. An EPR scheme for textiles would hold producers responsible for the end-of-life management of their products through a fee scheme. It would also incentivise circular design and help to fund circular economy actions and methodologies, including repair and reuse.

Proposed Action: Mandate a textile EPR scheme for all producers selling textile products into the UK market. Fees would need to be tiered according to a product's circular design and production (sometimes called 'eco-modulation'). Fees will also need to be substantial enough to incentivise brands to begin designing products with circularity in mind and to adequately fund recycling and reuse infrastructure.

Potential Impacts

Positive:

- Significant funding for textile waste management infrastructure, leading to increased recycling and reduced waste in landfill or incineration.
- Strong incentives for producers to design more sustainable and circular products.
- Creation of new circular economy jobs in the textile recycling and reuse sector.
- Lower costs for consumers in the long term as products can be used for longer.
- Instead of a linear economic model, brands would shift to making profit across the lifetime of a product such as pre-loved selling, repurposing of products and vintage collections.
- Bringing the UK into alignment with trading partners such as the EU, Australia and the US.

Negative:

- Increased costs for producers in the short term who are already struggling with a range of economic shocks.
- Complexity in establishing fair and effective 'eco-modulation' criteria.
- Risk of widespread system fraud and poor compliance if enforcement is weak.

Implementation considerations: Feedback from our research indicates widespread support for an eco-modulated EPR scheme that is less complex than others already in existence. It also indicated the fee reliefs of other systems are often too small to incentivise companies to engage in better practices. The excellent work of WEFT in this area, in creating an intelligent, variable EPR fee system based on readily available data, should be adopted and built upon. Fees should be ring-fenced and based on the true cost of sorting, recycling and reusing different fibres. Because fashion is a global industry, alignment with other EPR schemes around the world should be looked for wherever possible.

The establishment of an ***open data protocol and DPP*** could help develop a more sophisticated and accurate fee system. The ***development of a 'harm' based taxonomy on clothing and textiles*** would also help with this (see proposal 3).

We would also encourage the fees collected to be spent on more holistic and local approaches as well, such as developing ***community clothing hubs*** on highstreets across the country. This would serve a twin

purpose of regenerating Britain's high streets and using fashion to bring communities together in activities such as swap shops, repair cafes, sewing and design classes.

3. ***Mandate the introduction of Digital Product Passports for textile products***

Rationale: The lack of transparency and traceability in the fashion and textile supply chain has always hindered efforts to assess and improve the sustainability of products. DPPs for textile products are being implemented in the EU and other countries around the world. The UK has a world leading data and technology industry which could support the UK's fashion and textile industry helping it to become a global leader in this sector. DPPs also offer a powerful tool to help the industry innovate by detailing comprehensive information about a product's lifecycle in a simple QR code.

Proposed Action: the UK Government should mandate the introduction of DPP's for all textile products placed on the UK market by a specified date, ideally aligning with the EU timeline of 2027.

Potential Impacts

Positive:

- Enhanced transparency and traceability throughout the fashion value chain.
- Opportunities for the UK data and technology sector.
- Improved data flows will reduce administrative burdens helping businesses become more efficient.
- Simplify the process of determining how much in customs duties or EPR fees need to be paid on each product.
- Support the facilitation of effective recycling and waste management of textiles and encourage better design and production methods.

Negative:

- Potential increase in costs to implement and adopt data systems which could be particularly difficult for SMEs.
- Such systems often end up as a data repository where the data is collected to tick a box, but nothing else is done with it – increasing the burden without increasing innovation.

Implementation considerations: the UK Government should work closely with the EU and other regions that are already adopting DPPs. It should also work with industry and international standard bodies to ensure alignment of data standards and technical specifications.

Research and development should be funded to ensure it creates a data flow system where the data can be used at every stage to improve efficiencies and spark innovation.

A phased approach should be adopted: initially using readily available data that brands already possess about products, but with a data protocol enabling more complex data to be added as the sector grows in sophistication.

To help this, we would encourage the government to fund the development of a ***'harm' based taxonomy for clothing and textiles***. This could also then translate into a ***simple traffic light consumer labelling system*** to help the public make more informed purchasing decisions, similar to that used in the food industry. Research by WEFT and QSA Partners has shown this would be welcomed by UK shoppers.

Sharing best practices and lessons learned from domestic policy implementation with international partners will be crucial.

Implementation considerations: building on existing industry learning and experience

The above policy proposals build on existing work and we urge the government to make use of these excellent foundations to avoid reinventing the wheel.

WEFT – a forward-thinking initiative born out of research conducted by QSA Partners in partnership with the UK Fashion and Textile Association, the British Fashion Council, the University of Exeter, and support from the British Retail Consortium. The research demonstrated the viability of an intelligent, variable EPR fee system for the fashion and textiles industry. This work continues under the umbrella of WEFT through real product data analysis and consumer research. It builds on EPR systems already in place around the world, but works to make the process less burdensome for the industry which in turn will help compliance and success.

Textile Exchange – a global non-profit organisation that provides tools to helps trace and track fibres and their impact with research and experience built over decades. Tools include a chain of custody standard for every stage of a global supply chain. It has also worked with Cambridge University's Centre for Resilience and Sustainable Development to devise a method to update global tariffs to support a more sustainable textile industry.

WRAP – an organisation that has built up global expertise in textiles and is already involved in the Circular Economy Taskforce. It works with a large number of brands, universities and governments and already has systems in place for sharing learning and expertise.

Fashion Roundtable – leading think tank and change agency for the fashion industry, uniquely placed at the epicentre of sector expertise and political insights. Expert in combining expertise from the fashion industry with that of economists, academics and politicians to create policy roadmaps and social-purpose solutions across the sector's complex value chain.

Global Organic Textile Standards (GOTS) – the worldwide leading textile processing standard for organic fibres with a sophisticated certification system of all processing and transaction stages. It also incorporates stringent ecological standards and product traceability.

Oeko-Tex - Oeko-Tex labels and certificates confirm the safety of textile products and leather articles from all stages of production. Some also attest to social and environmental conditions in production facilities.

World Fair Trade Organisation (WFTO) – an organisation that has created a fair trade standard that assesses if a whole organisation is operating by the ten principles of fair trade.

Fairtrade –an organisation with a trademarked standard that ensures the buying, farming and manufacture of a textile product adheres to certain standards around fair employment practices and wages.

Organisation for Economic Cooperation and Development (OECD) and Ethical Trading Initiative (ETI) – The OECD provide guidelines for companies around responsible business conduct and human rights due diligence in global supply chains. The ETI is a membership organisation that helps members implement those guidelines and support them through crises and challenges.

Common Objective –an online community platform and data tool where those looking for sustainable and ethical suppliers can connect with each other as well as find information and training opportunities. It is also working on unifying the industry around a common ESG framework, standards and targets to help streamline reporting and compliance systems through the use of AI and technology.

A Single Thread CIC – a community-to-community organisation that aims to make sustainable fashion accessible to all. They are the force behind Sustainable Fashion Week which encourages local community groups to host events celebrating repair, second hand clothing, or reworking old clothing into new designs.

Conclusion

Implementation of these three key policy recommendations would represent a significant step forward in transforming the UK's fashion and textile industry into one that is more sustainable, circular and ethical.

By closing the de minimis customs threshold, mandating an Extended Producer Responsibility fee system and introducing Digital Product Passports, the UK Government can create an effective policy and regulatory framework that incentivises responsible business practices, empowers consumers, and contributes to a more circular and resilient economy.

These measures are essential if the UK fashion and textile industry is to reduce its environmental and social harms, and to reach a target of net-zero carbon by 2050. But they also provide the UK with a clear opportunity to become a world leader in the global fashion and textile industry's just transition, creating opportunities for investment, jobs and new circular industries and technologies.

References and further reading

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