



CIRCULAR BUSINESS MODELS CAN SCALE. TARGETED POLICY ACTION CAN MAKE IT HAPPEN.

THE FASHION REMODEL

We are fashion and textile businesses calling for policies that help circular business models scale. Circular business models such as resale¹ and repair² don't just offer a clear path to resource efficiency and job creation; they are a multi-billion dollar³ economic opportunity. We are calling for decisive policy leadership to reduce the existing economic barriers that prevent circular business models from scaling.

We need a circular economy for fashion,⁴ but it is being held back.

Keeping materials in use at their highest value requires a combination of circular product design, circular business models, and end-of-life infrastructure (including textile-to-textile recycling). Circular business models, such as resale and repair, present an unrivalled opportunity for businesses to stay competitive, desirable, and resilient. By diverting products from waste, they can start to decouple revenue from production. However, current investment and policy disproportionately favour product design and end-of-life infrastructure, and businesses embracing circular business models are facing market barriers to scaling. While these efforts to improve design and infrastructure are vital and must continue, policy intervention is also required to unlock the full economic potential of circular business models.

Today's system favours resource-intensive business models while it penalises repair and resale. Current infrastructure and government policies often make producing new items from virgin materials more profitable than keeping existing ones in use.⁵ Many manufacturing processes have been optimised for identical, high-volume production. By contrast, circular business models have labour-intensive processes (e.g. sorting, cleaning, listing, repair), which bring lower margins, and high taxes and costs that hardly decrease at scale. Businesses reselling products are taxed at every transaction, not just at the original point of sale. It is this economic trap that disincentivises keeping products in use.

Policy can change this. Businesses are already choosing to invest in circular business models in spite of the economics; policy is what makes those choices viable at scale. **We need targeted policy interventions that fix the broken economics of resale and repair.**

WE CALL FOR:

- **Reduced VAT** (across the EU) and **eliminated sales tax** (in Canada⁶ and the US) on resold products and repair services
- **Reduced labour taxes** (across the EU) and an **incentive package that includes labour tax credits** (in Canada and the US) for jobs involved in resale and repair operations
- **Extended Producer Responsibility (EPR)** policy to help create separate collection and sorting infrastructure at scale



Governments that implement this policy mix can turn circular business models into a source of economic growth that uses fewer resources, produces fewer emissions, and creates more local jobs.⁷

By addressing both supply and demand, these policies make circular services more profitable for businesses and more available and affordable for consumers. Crucially, they can close the profitability gap with linear models. For instance, brands that retain cost savings could see gross margins reach up to 55% for resale and 41% for repair. Alternatively, if the majority of savings are passed on through lower prices, modelling suggests that the resale market share could have reached 12% in the EU and 14% across the US and Canada in 2023 had these policies been in place. This would unlock billions in revenue, enhance business resilience, and reduce dependence on new production.

With this statement, we publicly express our support for a policy mix that allows circular business models to scale and we call on all governments to enact targeted policies to make a circular economy for fashion commercially viable and competitive.

We will constructively engage with governments and other stakeholders, and provide relevant business insights to strengthen this call.

Endorsers support the overall vision and recommendations within this statement. The statement reflects areas of broad alignment, but does not necessarily represent the detailed views of every endorsing organisation on all aspects of it, and does not reflect any agreement by any endorsing organisations to take any individual or collaborative actions.

ACS Clothing Ltd.	Hello Tailr
Alternew	Humana
Amer Sports	Inditex
American Apparel & Footwear Association	Lacoste
Another Tomorrow Inc	Manteco SpA
Arc'teryx	Moda re-
Auchan Retail	NOABRANDS
Beni	Nobody's Child
Bestseller A/S	NUINO
Beyond Retro	Parsons School of Design
Bleckmann	Policy Hub - Circularity for Apparel and Footwear
BSR	Primark
Carrefour	Rentravage
Circle Economy	Save Your Wardrobe
Circular Fashion Federation	Seamless Clothing Stewardship Australia
Circular Textiles Foundation	Selfridges
Circular Way	Sign of the Times
Circulo	Stella McCartney
ClothingXChange	The Biomimicry Institute
Decathlon	The Cirkel
Depop	The Fashion Pact
Ecoalf	The Loom App Ltd
Eileen Fisher, Inc.	The RealReal
EON	The Reformation
Etsy, Inc.	ThredUp
European Branded Clothing Association	United Repair Centre
FABSCRAP	Upkept, Inc.
Fashion for Good	Valuence Holdings Inc.
Fashion Takes Action	Vestiaire Collective
Finisterre	Vinted
Future Up	Vivobarefoot
FXRY	Wilson Sporting Goods
Global Fashion Agenda	YKK Corporation
H&M Foundation	Zalando
H&M Group	

1 **Resale:** This includes third-party marketplaces, own-brand re-commerce and peer-to-peer sale of used items.
2 **Repair:** This is the operation by which a faulty or broken product or component is returned back to a usable state.
3 Ellen MacArthur Foundation, [Circular business models: redefining growth for a thriving fashion industry](#) (2021)
4 Ellen MacArthur Foundation, [Vision of a circular economy for fashion](#) (2020)
5 European Environment Agency, [An overview of Europe's repair sector](#) (2022)
6 IKEA, Petition, [End the Double Tax on Second-Hand Items](#) (2024)
7 Green Alliance and WRAP, [Employment and the circular economy](#) (2021)