

Submission to the Consultation on the proposed Short Stay Levy

Background: our small agri-tourism business

We operate a small farmstay in the Huon Valley. We built the cabin in 2024 and began hosting guests in January 2025. The cabin is 45m² and is less than 20m from our house. It is purpose built: we have planning permission to build three cabins as visitor accommodation and this is the first. We supply guests with breakfast provisions and top these up for longer stays. These provisions are sourced from our small market garden and other small businesses in the Huon Valley. Where this is not possible, we buy Tasmanian-produced provisions (e.g. dairy products). All of our guests are offered a free tour of our market garden and most of them take this opportunity. We enjoy helping to reconnect visitors with where food comes from and many guests enjoy the tour so much that they mention it in their reviews. We list our cabin on Airbnb because it reduces our risks and the administrative burden associated with the operation.

Key problems with the proposed levy

The discussion paper provides no evidence or discussion of why a short-stay levy on accommodation is desirable or even linked to housing affordability. There is no cost-benefit analysis, competition analysis or regulatory impact statement. According to Treasury's own website:

Central to the LRP [Legislation Review Program] is the principle that legislation should not restrict competition or impose a significant negative impact on business, unless it can be demonstrated that: (a) the benefits of the restriction to the community as a whole outweigh the costs; and (b) the objectives of the legislation can only be achieved by restricting competition.

The proposed levy will restrict competition by limiting the ability of small accommodation operators to compete with hotels and guesthouses operating as BnBs. It will significantly negatively impact many small businesses. As such the government should have to demonstrate that the benefits outweigh the costs *in Tasmania*. Simply stating that other jurisdictions introduced a levy does not justify introducing one here.

One commonly cited argument for taxing short-stay accommodation is that it detracts from the supply of housing. The argument is then made that a tax would increase the incentive for an owner to rent or sell the house thereby increasing housing supply and improving affordability at the margin. However, without any analysis, it is impossible to know whether this would be effective in Tasmania and what the effects would be in Hobart compared to regional communities.

Even if a levy on second homes might meaningfully increase housing supply, this proposed levy casts a much wider net that distorts competition and unfairly hurts genuine tourism operations such as ours. Taxing purpose-built visitor cabins like ours would not increase the supply of housing, just as taxing the motel 500 metres away from our cabin would not increase the supply of housing. Instead, the levy creates an additional financial and administrative burden for our small business. It creates a strong disincentive to ever build the other two cabins that we have planning permission for. It also undermines stated aims of the Tasmanian government to reduce red tape and to promote agritourism.

Further issues

Three of the four statements on the consultation page are misleading or badly thought-out:

1. "100 per cent of the levy will go directly to assisting first home buyers"
While governments can earmark funds, this is symbolic only. Money is fungible and

government expenditure is no different. Taxing tourism operators (or even second homes) is not necessary to assist first home buyers; economics 101 teaches us that government should raise funds through taxes with a smaller economic cost or deadweight loss and then use those funds.

2. “the levy will not apply to accommodation operators such as hotels, pubs, bed and breakfasts, and caravan parks”

This creates unfair competition and distorts the market. Why is a cabin (such as ours) that is less than 20m from our home and provides sufficient breakfast provisions for every morning treated differently from someone who hosts a person inside their house and serves them breakfast? How is it any different from the hotel and motel that is 500 metres away?

3. “the short stay levy will be paid by those using short stay accommodation, not the property owners”

This is untrue given the nature of tourism demand in the Huon Valley (and probably much of Tasmania). The vacancy rate on accommodation sites and feedback from Destination Southern Tasmania on 2025 indicate that demand is soft and that an increase the price would lead to a decrease in demand. Accommodation providers like us will be forced to pay the tax because we cannot raise our prices especially given the unfair competition the tax creates with neighbouring hotels and exempted bed and breakfast operations.

Recommendations

- 1) The proposed levy should be scrapped.
- 2) The government should gather data on housing supply and demand in the cities and the regions as well as the tourism market and the interaction between housing supply and tourism. Only then can it develop a more appropriate policy with fewer distortions and unintended consequences.
- 3) The government should consult with economists, industry experts and stakeholders in housing and social services to develop more appropriate and effective ways of improving housing affordability in Tasmania.
- 4) At a minimum, the government should exempt purpose-built visitor accommodation (as approved by council planning permits) from the proposed levy.
- 5) There should be a regulatory impact statement or cost-benefit analysis accompanying any revised policy and it should be made public.