



**Tasmanian Small
Business Council**

Uniting Small Business

TSBC Response to the Tasmania Short Stay Levy Bill - Discussion Paper

February 2026

Background - TSBC

The Tasmanian Small Business Council (TSBC) was established in 1973 and incorporated in 2000. As Tasmania's peak body exclusively representing the interests of small businesses, TSBC has a strong history of advocacy on a range of issues, including taxation, workplace relations, competition law, retail tenancy, and energy policy.

Our primary objectives are to:

- Promote and support the growth and development of small businesses in Tasmania.
- Advocate for policy changes and regulatory reforms that advance the interests of small businesses.
- Increase awareness and understanding of the small business sector among government officials, public servants, regulators, large businesses, the media, and the broader community (www.tsbc.au).

Small businesses often lack the time, resources, and expertise required to navigate complex legislative and regulatory changes that impact their operations. TSBC plays a crucial role in providing accurate and timely input into decision-making processes.

1. Introduction

The Tasmanian Small Business Council welcomes the opportunity to comment on the proposed Short Stay Levy (SSL) outlined in the Department of Treasury and Finance's December 2025 Discussion Paper.

Small business operators are deeply embedded in Tasmania's visitor economy. A significant proportion of short stay accommodation is not operated by large corporate entities, but by individuals and families who have invested their own savings, borrowed against their homes, and taken on commercial risk in good faith under a long-standing regulatory environment that has always permitted properties to be rented either as long-term or short-term accommodation.

These investors are not institutional housing providers; they are small business people participating in tourism.

2. Nature of the Proposed Levy

The proposal would introduce a 5 per cent levy on bookings of less than 28 consecutive nights, applied to the total booking fee of short stay accommodation.

The levy is intended to raise approximately \$11 million annually to assist first home buyers.

Importantly, the levy would not apply to hotels, motels, caravan parks, or traditional hosted bed-and-breakfasts.

While Government has stated the intent is to balance housing access with tourism growth, TSBC considers that the mechanism chosen imposes disproportionate burdens on small private operators while excluding larger commercial accommodation providers from equivalent treatment.

3. Impact on Small Business Investors

3.1 Retrospective Change to Investment Expectations and Sovereign Risk

A significant number of Tasmanians entered the short stay accommodation market having made lawful investment decisions under a stable and clearly understood policy framework that permitted properties to be used interchangeably for long-term or short-term rental. These investments were often financed through personal savings, borrowings secured against family assets, and long-term business planning based on those settings.

Introducing a targeted levy after those investments have been made represents more than a routine tax adjustment; it signals a retrospective shift in the rules governing an established market. This raises concerns of **sovereign risk** at a local level — the risk that governments may materially alter the operating environment after capital has been committed. Even modest policy changes can have an outsized effect on confidence when they appear to single out a specific class of small investors.

For small business owners, confidence in regulatory consistency is a critical driver of future investment. If participants perceive that approved and encouraged activities may later attract selective penalties or structural disadvantage, they are less likely to reinvest, expand, or diversify. Over time, this dampens entrepreneurial activity,

reduces property improvement and tourism-related spending, and weakens Tasmania's attractiveness as a destination for small-scale private investment.

In this context, the proposed levy risks sending a cautionary signal to current and prospective investors that policy settings affecting their assets may not remain predictable over the life of the investment.

3.2 Highly Discriminatory Application

The levy singles out one form of accommodation — privately supplied short stay premises — while exempting competing providers such as hotels and caravan parks.

This creates:

- A market distortion favouring large-scale accommodation providers;
- Reduced competitiveness for small operators;
- An uneven taxation outcome for functionally similar tourism services.

A taxation measure that applies selectively to one ownership model rather than to an activity risks being perceived as punitive rather than reformative.

3.3 Administrative Burden on Micro-Operators

The Discussion Paper requires booking platforms or direct-booking hosts to register, lodge returns, and comply with reporting obligations depending on booking volume.

While such processes may be routine for larger businesses, they represent a meaningful compliance cost for individuals managing one or two properties as a side enterprise.

3.4 Cumulative Impact of Local Government Rating Policies

TSBC notes that, in addition to the proposed State levy, some local government authorities have already imposed, or are actively considering, significant differential rating treatments for properties approved for short-stay visitor accommodation, including reported instances of rate charges effectively doubling through the application of a 100 per cent penalty.

These measures place an additional and highly targeted financial burden on property owners operating within the visitor economy. As rates are an unavoidable cost of

property ownership, such increases are ultimately reflected in higher accommodation prices, reducing Tasmania's competitiveness as a destination and placing further pressure on small, locally owned operators.

Unlike large-scale accommodation providers that may distribute costs across extensive portfolios, individual investors typically operate one or two properties and have limited capacity to absorb successive cost increases imposed by different tiers of government.

TSBC is concerned that the interaction of local government rating policies and the proposed Short Stay Levy represents a form of cumulative and potentially discriminatory taxation directed at a single class of lawful business activity. This layered approach risks disadvantaging an estimated 6,000 small business participants in Tasmania's short stay sector while creating regulatory uncertainty and uneven market conditions.

We submit that, before introducing any State-based levy, consideration must be given to the total regulatory and cost environment affecting these operators, including the absence of clear constraints or coordination mechanisms governing differential rating treatment at the municipal level.

4. Limited Fiscal Benefit Versus Economic Risk

The projected revenue of approximately \$11 million annually is modest in the context of the State Budget.

TSBC acknowledges the Government's desire to explore measures to support first home buyers. However, the scale of expected revenue must be weighed against potential unintended consequences, including:

- Withdrawal of properties from the short stay market;
- Reduced accommodation supply in regional tourism areas;
- Lower visitor dispersal beyond Hobart and Launceston;
- Declines in local spending that supports small retail, hospitality and tour businesses.

In regions such as the West Coast, East Coast and Far South — where large-scale accommodation options are limited — privately owned short stay properties form the backbone of visitor capacity. Any contraction in supply risks constraining tourism growth in precisely the communities most reliant on it.

5. Policy Inconsistency and Investment Confidence

For many years, Liberal Party policy has emphasised the principle that individuals should be free to utilise their legally acquired assets to generate income, gamble, recreate or save. Small business participants in the accommodation sector have acted consistently with that principle.

Introducing a targeted levy on one lawful use of private property risks undermining confidence among current and future small investors — not only in tourism accommodation, but in any sector where regulatory settings may later be altered to address unrelated policy pressures.

Stable rules are a cornerstone of small business confidence.

6. TSBC Assessment of the Proposed Model

The TSBC does not support the levy in its current form.

The measure is:

- Economically narrow in its revenue outcome;
- Structurally discriminatory;
- Likely to distort competition between small and large accommodation providers;
- Capable of generating regional tourism impacts disproportionate to its fiscal benefit.

The Council considers that better policy pathways exist to balance housing, tourism and economic participation without imposing a targeted burden on small investors.

7. Alternative Policy Options Supported by TSBC

TSBC submits that Government should consider the following alternatives.

Option 1 – No Levy; Maintain Existing Framework

Retain the current regulatory environment with no additional levy.

This preserves:

- Investor certainty;
- Tourism accommodation supply;
- Administrative simplicity;
- Market neutrality.

Option 2 – Apply a Uniform Levy Across All Short Stay Accommodation

If a levy is to proceed, it should apply equally to all short stay accommodation providers, regardless of ownership structure.

A universal approach:

- Removes competitive distortion;
- Treats small operators and large providers consistently;
- Aligns taxation with activity rather than ownership.

Option 3 – Grandfather Existing Operators

Apply any new levy only to premises newly entering the short stay market, with existing properties exempt unless ownership or use changes.

This recognises prior investment decisions made under previous policy settings and avoids retrospective impact.

Option 4 – Exempt Principal Place of Residence Hosting

Exclude individuals renting space within their primary residence.

This form of accommodation:

- Has negligible housing supply impact;

- Represents micro-enterprise activity;
- Supports visitor dispersal and community-based tourism.

8. Tourism System Considerations

Tasmania's tourism model is not dominated by large hotel infrastructure, particularly outside metropolitan areas. Instead, it relies on a distributed network of small accommodation providers enabling visitation to regional destinations.

Policy settings that unintentionally suppress this network risk reducing Tasmania's competitiveness as a destination, especially in shoulder and off-peak seasons when small operators provide flexible supply.

9. Conclusion

The Tasmanian Small Business Council acknowledges the Government's objective of improving access to home ownership and recognises the effort to identify new revenue streams.

However, the proposed Short Stay Levy represents a narrowly targeted fiscal instrument with disproportionately broad economic consequences.

The expected revenue is modest, while the potential damage to investment confidence, regional tourism capacity and small business participation is significant.

For these reasons, TSBC cannot support the levy in its proposed form and recommends that Government adopt one of the alternative pathways outlined above to achieve policy objectives without disadvantaging Tasmania's small business investors.



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