There should be NO Bed Tax in Victoria

Accommodation Australia
A DIVISION OF THE AHA

Under a banner of addressing the supply of long-term rental accommodation, a bed tax is being considered by the Victorian Government. A 'bed tax,' or 'tourism tax,' is a government-imposed levy, added to the cost of short-term stays in both traditional regulated commercial and unregulated accommodation. There are important reasons why this proposed tax should not be implemented.

A Bed Tax on commercial accommodation would be unfair

- Regulated commercial accommodation **DOES NOT contribute to the removal of housing stock** from the long-term rental market and should not be levied with a tax attempting to address rising rental costs.
- Commercial accommodation providers already operate in a highly regulated business environment, with a raft of related compliance costs – increased land tax, Council rates, payroll tax, Workcover levies and insurances, staff wages, food safety, fire safety and building compliance – for example, disability access and egress.
- By contrast, short term rental accommodation has very little regulatory costs and the number of properties taken off the long-term rental market for short-stay use keeps rising. Short-term rental listings across Melbourne jumped 37% from April 2022-April 2023. Listings in the City of Melbourne saw a 44% increase over this period from 3,498 listings to 5,051. Over 83% of short stay listings were for entire homes, with 38% available for at least six months of the year.
- Any proposed bed tax levied per booking, rather than per night, would even further disadvantage commercial accommodation as a stay in unregulated accommodation is often longer and the cost can be spread across the whole booking.

A Bed Tax would hit an industry still struggling

- The accommodation sector in Victoria was one of the hardest hit by the pandemic and is still struggling to recover. International visitor spend in Victoria is still only at 48% of 2019 levels at $4.2b (YE: March 23 v March 2019) International visitation across New South Wales in the year ending May '23 was over 60% of pre-pandemic levels and Queensland 55%, compared to only 52% for Victoria.
- Hotel occupancy rates for Victoria in the year to June 23 were 66.7% which is below the Australian average, and well below the 2019 rate of 77.3%
- The cost of doing business for commercial accommodation operators has significantly increased, some members indicating that linen costs have risen over 60%, IT support up 40%, insurances up 15%, maintenance costs up 10% and substantial extra payments due for COVID-deferred rent.

A Bed Tax would hurt Victoria's economy and hurt Victorians

- A proposed 'bed tax' would be **one levied on Victorians** – those who travel overnight to attend footy matches, shows, medical appointments, treat weekends, and, when doing so, support local businesses. There are over **twice as many**

intrastate overnight trips by Victorians than interstate travellers staying in our state.

- Imposition of a bed tax would negatively impact Melbourne hotel occupancy levels, which will inevitably lead to job losses. Our state's hotels directly employ 52,000 Victorians – many of these jobs could be at risk, if a proposed 'bed tax' is implemented.
- A bed tax will hurt small business – many of Victoria's accommodation are small family run motels in regional towns – a set $ tax will be a much higher relative tax on these rooms.

A Bed Tax would reduce the competitiveness of Victorian accommodation

- A bed tax would create a significant barrier to Victoria's attractiveness from an interstate and international business meetings and events perspective. The proposed tax would add $895,000 of direct cost to our pipeline of 179,000 room nights (Y.E Dec 2024) and could lead event organisers to consider alternative options, appreciating the already high costs of their groups travelling significant distances to get here.
- Melbourne Convention Bureau staff talk about how highly competitive business event bidding has become, with states and countries around the Pacific Rim all touting for the business. A bed-tax 'road block' could render Victoria at a disadvantage to secure this high yield visitor economy business.
- Visit Victoria note Melbourne was Australia's 'first preference' interstate leisure destination (nights and spend) as at end-March 2023. A bed tax only in Victoria would damage our reputation as a welcoming tourist destination and events capital and ensure this coveted status, and related economic benefit, is lost.

A Bed Tax would undermine hotel investor confidence

- A bed tax would punish an industry that has demonstrated its faith in this State and a willingness to invest, even in the recent tough times.
- Investment in new and reimagined hotel accommodation product during the COVID-19 pandemic resulted in 22 new hotels and 4,500 hotel rooms in the Melbourne CBD, and 51 hotels and 7,122 rooms when including the greater Melbourne metropolitan area (STR). Melbourne now has an inventory of luxury and lifestyle accommodation that is the envy of all other Australian states and territories.
- This is the largest new hotel construction pipeline of any Australian and demonstrates significant investor confidence in the Victorian market. This confidence would be at risk, as any bed tax would impact ROI and be seen as a lack of support for the accommodation sector in Victoria.

In short, a Victorian bed tax would:

X Hit an industry still struggling
X Tax Victorians
X Be unfair to commercial accommodation
X Reduce the competitiveness of Victoria's tourism industry
X Undermine hotel investor confidence