

March 28, 2018

City of Toronto's Municipal Accommodation Tax

Q: What is the Municipal Accommodation Tax?

A: The Municipal Accommodation Tax is a sales tax paid by the guest and charged as a percentage of the purchase price of transient accommodation within the City of Toronto.

Q: How much is the Municipal Accommodation Tax?

A: The City of Toronto is implementing a four-per-cent Municipal Accommodation Tax on hotels effective April 1, 2018 and on short-term rentals effective on or after June 1, 2018 (pending the enactment of the short-term rental by-law).

Q: How will the Municipal Accommodation Tax be applied?

A: The tax is applicable to Hotels, Motels, Hostels, Clubs (private or fraternal), Condo Hotels and Multi-use complexes in Toronto and on all rooms used for daily accommodation for four hours or more and continuous stays of 30 days or less. The four per cent tax applies only on the room cost portion of accommodation of all guest invoices. Revenues generated from other services, including meeting room rentals, food and beverage, room services, internet and phone charges, are excluded from the tax provided they are itemized separately on the bill. HST is also payable on the MAT portion if the business is an HST registrant.

Q: What will this collected tax be used for?

A: A portion of this tax will provide funding towards Tourism Toronto to support the City's tourism industry. The tax will also provide funds for the City to support programs and services, such as road repair, transit, police, EMS, economic development, culture, parks and recreation, that visitors have the ability to take advantage of when they visit Toronto.

Q: How did this tax come into effect?

A: The Province of Ontario enacted the Transient Accommodation Regulation 436/17, which came into effect December 1, 2017 and provides the necessary provisions for municipalities across Ontario to implement a Municipal Accommodation Tax (MAT). City Council approved a mandatory MAT on January 31, 2018.

Q: Are there any exemptions from the tax?

A: The Municipal Accommodation Tax is not applicable to the following accommodations:

- Treatment centres that receive provincial aid under the Ministry of Community and Social Services Act
- Summer camps where overnight stays are part of the programming
- Houses of refuge or lodging for the reformation of offenders
- Charitable, non-profit philanthropic corporations organized as shelters for the relief of the poor or for emergency
- Hotel or motel rooms used by the City or its agents for shelter accommodation purposes
- Tents or trailer sites supplied by a campground, tourist camp or trailer park;
- Accommodations supplied by employers to their employees in premises operated by the employer
- Any accommodation purchased by a person or entity listed in s. 268 of the *City of Toronto Act, 2006*

Q: What are the associated interest and penalties if the remittance is overdue?

A: Interest and penalties will apply on any overdue remittance at a monthly rate of 1.25 per cent from the first day after the tax remittance is due and interest will apply each month thereafter on the principal amount owing during such time as the default continues (at a rate of 15 per cent per annum). A non-sufficient funds (NSF) charge of \$40 will be applied to all remittances which are not honoured by the financial institution on which it is drawn due to insufficient funds.

Q: How do I collect this tax from guests?

A: All guest invoices must include a separate line for "Municipal Accommodation Tax" as of April 1, 2018. The four per cent tax applies only on the room cost portion of overnight accommodation of all guest invoices. Revenues generated from other hotel services, including meeting room rentals, food and beverage, room services, internet and phone charges, are excluded from the tax provided they are itemized separately on the bill. If the accommodation was booked and paid for prior to April 1, 2018, the tax will not be applicable. If it was booked before April 1, 2018 but paid for on April 1, 2018 or later, the tax is applicable.

Q: How does the remittance process work?

The Greater Toronto Hotel Association (GTHA) will collect this tax on the City's behalf. All operators of properties applicable to the MAT must register with the GTHA. The MAT fees collected must be remitted to the GTHA within 15 days after month's end. Late remittances will be charged an interest rate of 1.25 per cent per month, in accordance with City of Toronto interest rate for late charges. The HST is applicable to the funds received from the MAT if the business is an HST registrant.

Q: Is there an auditing process to verify monthly submissions?

A: There will be an audit process. Accommodation providers are required to retain all records and documents necessary to enable an accurate determination of the Municipal Accommodation Tax for a period of three years. The City and its agents will have the power to enter on land for the purpose of inspecting documents to ensure compliance with its by-law, and will have the power to audit and request information from any operator, including:

- Audit or examine the books and records that relate to the amounts payable to the City; and
- Require an operator to produce all documents required by the City for an audit, and to answer all questions relating to the audit and give all reasonable assistance with the audit.
- A Notice of assessment may be issued as a result of an audit.

Q: What is the refund process?

A: If the MAT was wrongly paid or remitted, a request for a refund of an adjustment of a credit balance can be made within 24 months after the payment date. If a request for a refund or adjustment of credit balance is refused, a Statement of disallowance will be issued specifying the reason and the amount of the disallowance. Refund requests can be sent to mat@toronto.ca

Q: What is the dispute resolution process?

A: To dispute or object to the information contained in the Notice of assessment or Statement of disallowance:

- Submit a Notice of objection to the Chief Financial Officer (CFO) within 60 days from the day of mailing or delivery by hand of the Notice of assessment or Statement of disallowance. The Notice of objection should clearly describe each issue raised and fully set out the facts and reasons for objection.
- The CFO will review the Notice of objection and reconsider the Notice of assessment or Statement of disallowance and notify the person who has made the objection of action taken in writing.
- If you disagree with the CFO's decision, the person who has served the Notice of objection has 90 days from the day on which the notice was mailed to appeal the decision to Council.
- The Government Management Committee will act as the City's appeal and dispute resolution body for the MAT and will be delegated the power to hold all hearings of such appeals, and will make recommendations to Council for final approval

Disputes can be submitted by email (mat@toronto.ca) or by mail:

- City of Toronto
- Revenue Services, Municipal Accommodation Tax
- 5100 Yonge St., Lower Level
- Toronto, ON M2N 5V7

Q: What happens if a hotel provider does not charge or remit the MAT?

A: Every individual who contravenes any provision of the MAT by-law is guilty of an offence and upon conviction is liable to a fine of not more than \$100,000. The following will be continuing offences, punishable upon conviction for each day the offence continues:

- Failure to remit the Tax
- Making false statements
- Interference with or failure to comply with an Audit
- For continuing offence, the minimum daily fine shall not exceed \$500 and the maximum daily fine shall not exceed \$10,000 for each day the offence continues. The total of all the daily fines for continuing offence is not limited to \$100,000.
- A system of special fines is established in an amount the court deems appropriate for the contravention of the by-law to eliminate or reduce any economic advantage or gain from contravention of the by-law.

Q: How will the MAT be enforced?

A: If a MAT remittance has not been received, is in the opinion of the CFO based on erroneously reported information, or if an operator has failed to report the required information, the City will assess the MAT, together with applicable interest and penalties (the “Assessment”), and notify the operator in writing. If remittance has not been received within 30 days of the date of the issuance of an Assessment, the CFO is delegated the authority to determine the appropriate collection mechanism, in consultation with the City Solicitor where necessary, to collect the unremitted tax which collection mechanism may include:

- Bringing an action in the courts to recover any unremitted MAT-Hotel;
- Referral to a bailiff or collection agency for collection of the unremitted MAT
- Garnishment of amounts owing to the operator by third parties, or registration of a lien on the property
- In the case of a failure to remit by a short-term rental operator, revocation of the operator’s registration under the Short-Term Rental by-law.