

Attachment 1

Administrative Design Features for the Municipal Accommodation Tax (MAT)

General:

The Municipal Accommodation Tax ("MAT") comprises two components: a sales tax on hotel accommodation ("Municipal Accommodation Tax - Hotel" or "MAT-Hotel"), and a sales tax on short-term rentals¹ ("Municipal Accommodation Tax – Short-Term Rental" or "MAT-STR").

This document relates to the design features of the MAT which are common to both MAT-Hotel and MAT-STR. Attachment 1A describes the additional design features for MAT-Hotel, and attachment 1B for MAT-STR.

Administrative Design Features common to both the hotel and short-term rental components of MAT:

(1) Application of Tax and Tax Rates:

- MAT is a sales tax paid by the guest and charged as a percentage of the purchase price of transient accommodations within the City of Toronto.
- MAT is payable upon payment of the purchase price for the accommodations.
- MAT will be charged at the rate of 4%.

(2) Exemptions:

- MAT will not apply where the accommodation is purchased by a person or entity listed in s. 268 of *the City of Toronto Act, 2006*.
- MAT is payable on the purchase price for daily accommodations (for four hours or longer) and/or weekly accommodations, which price will include surcharges, and fees for additional occupants, beds, and towels, but will exclude charges for ancillary services related to a hotel stay that form the total room charge for accommodation, such as food, room service, mini bar use, internet, movie rentals and phone charges, provided such additional charges are itemized separately. Where such charges are not itemized separately on the bill, MAT will apply to the full amount of the bill.

¹ The definition of a Short-Term Rental for the purpose of taxation is the same as that used in the Short-Term Rental by-law to be enacted according to Council decisions on LS23.1 on Dec 5-7, 2017. A short-term rental is all or part of a dwelling unit in the City of Toronto used to provide sleeping accommodations for any rental period that is less than 28 consecutive days in exchange for payment. This includes existing bed and breakfasts and excludes hotels and motels and accommodations where there is no payment. All other definitions of the terms used in this document, "operator", "short-term rental company", and "principal residence" are deemed to be the same as those used in the above-mentioned by-law.

- MAT will not apply to the following types of transient accommodation:
 - a. Every treatment centre that receives provincial aid under the *Ministry of Community and Social Services Act*;
 - b. Every house of refuge, or lodging for the reformation of offenders;
 - c. Every charitable, non-profit philanthropic corporation organized as shelters for the relief of the poor or for emergency;
 - d. Every hotel or motel room used by the City or its agents for shelter accommodation purposes;
 - e. Every tent or trailer sites supplied by a campground, tourist camp or trailer park;
 - f. Every accommodation supplied by employers to their employees in premises operated by the employer;
 - g. Every hospitality room in an establishment that does not contain a bed and is used for displaying merchandise, holding meetings, or entertaining; and
 - h. Every transient accommodation at a university or college of applied arts and technology or post-secondary institution whether or not affiliated with a university.

(3) Date and Transition

- MAT is to be imposed, collected and remitted for all transient accommodations for which payment is made on or after the “Effective Date” as described in Attachments 1A and 1B respectively for MAT-Hotel and MAT-STR.

(4) Refunds:

- MAT refunds will be administered by the City of Toronto's Revenue Services Division or its agent and issued in circumstances where tax has been remitted in error.

(5) Administration and Collection:

- The operators of transient accommodation will be required to collect the MAT and remit it to the City.
- The City may enter into an agreement with a third party to act as its agent for the purpose of the collecting the MAT from hotel or short-term rental operators and remitting it to the City.

- The operator must include on every invoice or receipt for the purchase of transient accommodations a separate item identified as Municipal Accommodation Tax Remittance is to be accompanied by a report, prescribed by the City, indicating but not limited to the average number of rooms available for taxable occupancy, the average daily rate, the total room charges for the month, the total tax collected and remitted, and any other information relating to the amount of tax due as may be determined by the CFO.
- Operators must remit the MAT to the City by electronic transfer to a designated City controlled account, or a joint City-agent account where a City agent is used, or any other method deemed acceptable by the City's CFO.

(6) Enforcement:

- 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.

(7) Interest and Penalties:

- 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 annum).
- A non-sufficient funds (NSF) charge of \$40 will be applied to all remittances made by a cheque not honoured by the financial institution on which it is drawn due to insufficient funds.

(8) Offences and Fines:

- Every person 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.

(9) Audit

- Operators of transient accommodation will be required to retain all records and documents necessary to enable an accurate determination of the MAT for 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:
 - a. Audit or examine the books and records that relate to the amounts payable to the City; and
 - b. 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.

(10) Dispute Resolution:

- The Government Management Committee of Council 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 decision on the appeals. In doing so, the Government Management Committee will be bound by the procedures set out in the current procedural by-law of the City.

(11) Customer Service:

- The City of Toronto or its designated agent will be responsible for all MAT related customer care inquiries including, but not exclusive to, customer phone calls and correspondence.

Attachment 1A

Additional Administrative Design Features for Municipal Accommodation Tax – Hotel ("MAT-Hotel")

(1) Additional Design Features for MAT-Hotel:

- The Effective Date for the MAT-Hotel is April 1, 2018, on or after which the MAT-Hotel is to be imposed, collected and remitted for all payments made in respect of the following types of transient accommodations in the City of Toronto:
 - Hotels (including full service, limited service, small hotels)
 - Motels
 - Hostels
 - Clubs
 - Condo hotels
 - The portion of a multi-use complex that is used to provide transient accommodation
- MAT-Hotel will apply to the purchase of accommodation in sleeping rooms and not to in rooms rented for meeting or conference hospitality purposes.
- MAT-Hotel is charged for transient accommodations for periods of 30 consecutive days or less.

(2) Administration and Collection:

- The City will enter into an agreement with the Greater Toronto Hotel Association (GTHA) to retain GTHA as its collection agent for the MAT-Hotel. The key terms of the agreement is attached as Attachment 2 of this report.
- The MAT-Hotel is to be remitted to the City or its collection agent on a monthly basis within 15 days of the end of each calendar month for the prior month, or at such other intervals up to three calendar months as determined by the City's Chief Financial Officer (CFO), along with a report as described in s(5) of Attachment 1.

Attachment 1B

Additional Administrative Design Features for Municipal Accommodation Tax - Short-Term Rentals (MAT-STR)

(1) Additional Administrative Design Features for MAT-STR:

- MAT-STR is charged for transient accommodation in a short-term rental which is all or part of a dwelling unit in the City of Toronto used to provide sleeping accommodations for any rental period that is less than 28 consecutive days in exchange for payment. This includes existing bed and breakfasts and excludes hotels and motels and accommodations where there is no payment.
- The Effective Date for MAT-STR is the date the on which the Short-Term Rental By-Law comes into force, expected to be June 1, 2018 or later, on or after which the MAT-STR will be imposed, collected and remitted for all payments made in respect of transient accommodations in the City of Toronto in short-term rentals.

(2) Administration and Collection:

- City officials may enter into agreements with licensed STR Companies² who collect accommodation fees for the STR operators using their platform, for the purpose of engaging the STR company to collect and remit the MAT-STR through their platform on behalf of the City. The recommended terms of the collection agreements with STR Companies are attached to the staff report as Attachment 3.
- For individual operators who do not make use of STR Companies with collection agreements with the City:
 - Collection will be carried out by Revenue Services Division based on the short-term rental operator registry that will be set up and maintained by Municipal Licensing and Standards.
 - Operators will be required to remit their tax payments to the City on a quarterly basis, within 30 days of the end of the quarter, or at such other intervals as determined by the City's CFO, along with a report as described in s.(5) of Attachment 1.

² A Short-Term Rental (STR) Company is any person in the business of facilitating or brokering bookings for short-term rentals via the internet and who:

- i. receives payment, compensation or any other financial benefit as a result of a person making or completing bookings of those short-term rentals
- ii. collects, accesses, or hold information on the number of nights that bookings of those short-term rentals are made or completed.