

# City of Mississauga

# Corporate Report



Date: June 10, 2020

To: Mayor and Members of Council

From: Gary Kent, CPA, CGA, ICD.D, Commissioner of  
Corporate Services and Chief Financial Officer

Originator's files:

Meeting date:  
July 8, 2020

## Subject

**Municipal Accommodation Tax Deferral Update**

## Recommendation

1. That the report of the Commissioner of Corporate Services and Chief Financial Officer dated June 10, 2020 entitled Municipal Accommodation Tax Deferral Update be received.
2. That the Municipal Accommodation Tax remittances due on June 30 and July 31 be deferred to October 31; August 31 and September 30 to November 30; and October 31 and November 30 to December 31, 2020.
3. That penalty and interest charges be set to zero per cent from July 2 to December 31, 2020 for the Municipal Accommodation Tax.

## Report Highlights

- The COVID-19 pandemic has significantly impacted the hotel industry.
- Council moved quickly in April to provide cash flow assistance by deferring the Municipal Accommodation Tax (MAT) payments due in March, April and May by 90 days.
- 55 of the 59 hotels in Mississauga have opted to defer their MAT remittance.
- The tourism industry continues to face significant challenges, as the Provincial government proceeds with a slow phase in recommendation for lifting the shutdown due to the state of emergency in Ontario.
- To provide further assistance to hoteliers, MAT payment due dates from June to November are being recommended to be deferred to October to December.
- Additional financial assistance will be provided with the suspension of late payment charges.

- Hoteliers are also receiving assistance through the property tax deferral approved by Council for residents and businesses.

## Background

Municipal Accommodation Tax (MAT) is a 4% tax on the purchase of accommodations provided for a continuous period of 30 days or less. It is remitted to the City by hoteliers through a self-reporting process. Hoteliers remit monthly the amount of MAT collected in the previous month based on occupancy. A state of emergency was declared on the Province of Ontario on March 16, 2020 due to COVID-19.

With the restrictions placed on travel and tourism, on April 8, 2020 Council approved a 90 day deferral on MAT remittances. The remittances due by March 31, April 30 and May 31 were deferred to June 30, July 31 and August 31, 2020, respectively. This deferral was in alignment with Council's decision to defer the interim property taxes.

## Present Status

There has been a significant decline in MAT remittance since the state of emergency was declared. There are 59 hotels that remit MAT monthly and AirBnb who remits quarterly. The City has received remittances from twenty-eight hotels for the month of February, ten for March and four for April. Of the amounts received, a timely remittance was received by twenty-four, seven and four respectively. AirBnb's timely first quarter remittance of \$92,015 is included in the March totals. There are four hotels/motels of the fifty-nine establishments that have continued to remit on time despite the deferral option provided.

Month	Remittance on Time	Late Remittance	Not Remitted	Total Accounts	MAT Received
January	40	12	7	59	\$ 812,642
February	24	4	31	59	\$ 521,627
March	7	3	50	60	\$ 114,436
April	4	0	55	59	\$ 1,828

A survey conducted of 10 municipalities that impose MAT indicates their current collection process during COVID-19. Three municipalities have made no changes to their process, one has a case by case deferral as requested by establishments, four have various deferrals for remittance, one with a full year suspension of the program and one with a partial suspension.

Municipality	MAT COVID-19 Changes
Barrie	No changes
Ottawa	No changes
Toronto	No changes
Oakville	Case by case deferral requests
London	The regular 30 days for remittance has been extended to 90 days for each month till August and Council will revisit this matter in September
Markham	MAT suspended until December 31, 2020
Niagara	March, April and May remittance deferral until June 30, 2020
Thunder Bay	April, May and June remittance deferred by 90 days each
Vaughan	Suspended collection and remittance from March 17 to June 1 and have further extended this till September 1, 2020
Windsor	First quarter remittance deferred from April 30 to June 30, 2020

## Comments

On May 6, 2020, Council approved a deferral of the final due dates for property taxes to the months of October, November and December. This deferral is to provide residents and business owners in the City further assistance in the timing of these payments through the recovery. The deferral of property taxes was based on the City's guiding financial principles of preserving the long-term strength of the property tax base, complying with legislation and deviating from financial plans should not be permanent. The deferral of property taxes will provide additional cash flow assistance to the hoteliers. Hoteliers are classed as commercial properties where interim taxes were due on March 5, 2020; some pay by instalment and therefore had paid their interim taxes prior to the pandemic. Twenty accounts benefited from the deferral of the pre-authorized tax payments for interim taxes with approximately \$1 million of interim taxes being deferred. The deferral of the final tax due dates to October, November and December defers payment of approximately \$6.7 million in taxes for hoteliers that typically would have been due in August.

The tourism industry continues to face significant challenges, as the Provincial government proceeds with a slow phase in recommendation for lifting the shutdown due to the state of emergency in Ontario. At this time it is difficult to predict the extent of the reduced accommodation rentals and the impact this will have on the MAT collected. The deferral of payments has allowed time for senior levels of government to fulfill their mandates in providing assistance to residents and businesses. The City is prepared to work with senior levels of government and businesses and show some flexibility in helping overcome challenges relating to COVID-19.

Staff is recommending a deferral of the MAT remittance for the additional months of June to November 2020 in order to assist hoteliers with cash flow. The remittances due by June 30 and July 31 would be due by October 31; August 31 and September 30 by November 30; and

October 31 and November 30 by December 31, 2020. The December 31 remittance date would remain unchanged. The revised remittance schedule is as follows:

<b>Month MAT Collected</b>	<b>Original Remittance Date</b>	<b>Deferred Remittance Date</b>
December	January 31	January 31
January	February 29	February 29
February	March 31	June 30
March	April 30	July 31
April	May 31	August 31
May	June 30	October 31
June	July 31	October 31
July	August 31	November 30
August	September 30	November 30
September	October 31	December 31
October	November 30	December 31
November	December 31	December 31

This would result in all 2020 payments being collected within the calendar year. Also being consistent with the assistance provided for property taxes, it is being recommended that any applicable penalty and interest would not be charged from July 2 to December 31, 2020.

Hoteliers can remit based on the original schedule or by the deferred schedule. This is consistent with the deferral provided to residents and businesses for final taxes.

Staff presented the additional deferral recommendation to the Tourism Board on June 15, 2020.

## Financial Impact

The deferral of the MAT remittances assists hoteliers with their cash flow. As MAT is collected based on occupancy which has been significantly impacted by the pandemic, the MAT collected for 2020 will be lower than planned. At this time it is difficult to predict the extent of the potential lost revenue. There is also a risk that the deferred MAT revenue will not be collected if any of the hoteliers permanently close as a result of the pandemic.

## Conclusion

As COVID-19 directly affects the travel and tourism industry, hoteliers have been significantly impacted by the restrictions imposed due to the pandemic. Council approved a 90 day deferral of the MAT remittance for March, April and May on April 8, 2020.

Staff recommends a further deferral of the MAT remittances; June 30 and July 31 to be remitted by October 31; August 31 and September 30 by November 30; and October 31 and November 30 by December 31, 2020. The December 31 remittance date would remain unchanged. This would result in all 2020 payments being collected within the calendar year. Staff also recommends that any applicable penalty and interest would not be charged from July 2 to December 31, 2020. This is consistent with the property tax deferral for final taxes.

## Attachments

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Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer

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