Department of Finance Canada Consultation on Automatic Federal Benefits

We are grateful for the opportunity to provide feedback on the proposed approach for implementing automatic federal benefits as announced in Budget 2025.

Allowing the Canada Revenue Agency (CRA) to file an income tax return on behalf of lower-income individuals ("deemed filing") is a welcome change. With the appropriate program eligibility and design considerations, this measure could help eliminate barriers to tax filing and ensure hundreds of thousands of low-income people access the income-boosting benefits to which they are entitled.

This submission was developed jointly by the following organizations:

Maytree is a human rights organization committed to advancing systemic solutions to poverty and strengthening civic communities. We believe the most enduring way to keep people out of poverty is to reimagine and rebuild our public systems to respect, protect, and fulfill the economic and social rights of every person in Canada.

Momentum works with people living on lower incomes and partners in our community to create a thriving local economy that works for all. Momentum has worked with over 57,000 people since 1991 to get a good job, start a business, and build financial resiliency. Momentum works collaboratively with community partners, academics, civil servants, and elected officials to create public policies that address the root causes of poverty and to build strong and inclusive local economies.

Prosper Canada is a national charity driving bold change that enables more people to prosper. With government, business and community partners across Canada, we are expanding life-changing financial empowerment services, innovating for greater inclusion and impact, and removing barriers to financial well-being for people with low and modest incomes. Our goal is a Canada where everyone has the opportunity and support to achieve financial well-being and live with dignity, stability, and possibility. Prosper Canada and our partners have helped over a million people access benefits, build financial confidence, and improve long-term stability.

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Tax filing is a gateway to income security

Most income security benefits in Canada are linked to the tax system, and for good reason. Because so many people file taxes, it is by far the most efficient way to verify eligibility and deliver benefits from coast to coast.

The Canada Child Benefit, GST/HST Credit, and Canada Workers Benefit are all provided through the tax system, as are many provincial and territorial benefits. Filing taxes is also an eligibility requirement for a range of other federal supports delivered outside the tax system, from the Guaranteed Income Supplement to the Canada Disability Benefit. Similarly, a Notice of Assessment is required for many provincial and municipal income-tested benefits and social programs.

Unfortunately, many people with low incomes face barriers that prevent them from filing their taxes and are shut out of much of our income security system. Systemic and personal barriers prevent approximately 1 in 5 Canadians with low incomes from tax filing and accessing income benefits and tax credits that are the main income source for 62 per cent of low-income households. Moreover, in 2022, Canada's Auditor General found that Employment and Social Development Canada (ESDC) and CRA have not done enough to help hard to reach populations access the benefits they are entitled to.

The tax system has evolved into much more than a revenue and compliance mechanism. It has become a critical piece of the infrastructure that underpins income security, poverty reduction, and access to essential services in Canada. It should be treated as such.

Deemed filing could be the solution we need

We strongly support the proposal to allow the CRA to file a return on behalf of eligible individuals. If designed well, this initiative could substantially increase benefit take-up and improve income stability for households experiencing poverty and economic insecurity, all without forcing people to use pay-for-access software or unaffordable tax preparation services just to access the benefits to which they are entitled.

The automatic federal benefits initiative, and particularly the deemed filing component, correctly recognizes the need for new and innovative solutions. Additional interventions are needed to complement existing programs, given their limitations. Existing programs include:

- **CRA's SimpleFile Program**, where uptake is low. For the 2024 tax season, 2 million people were invited to participate, and just 87,150 used this filing method.
- **CRA's *Community Volunteer Income Tax Program (CVITP)*** and Quebec's *Income Tax Assistance Volunteer Program* supported 3,520 community

organizations to help 857,000+ low-income Canadians to file their taxes and access over $2.3 billion in refunds, credits, and income benefits in the 2024 tax year. The CVITP Grant pilot program helps to offset community tax clinic costs and has been universally welcomed by CVITP clinics that struggle to finance their services. Ongoing investment in this grant program is needed to preserve this highly successful and much needed program.

- **Expansion of pre-filled tax returns in CRA's My Account and direct deposits**. We are supportive of efforts to expand pre-filled tax returns through CRA's My Account as part of broader modernization efforts. The same is true of promoting direct deposit, a trusted and secure way for many tax filers to receive benefits. However, we must not lose sight of those that are not able to access these systems.
  - Accessing My Account requires reliable internet access, a valid form of identification, and access to a current or prior year's Notice of Assessment—requirements that exclude many eligible individuals with complex life circumstances.
  - Receiving benefits through direct deposit assumes regular access to a financial institution. The Bank of Canada estimates that 2 per cent of Canadians are unbanked, meaning they lack a bank account and debit card, and 13 percent are underbanked, meaning they face other access barriers to the digital economy. These proportions are naturally much higher among low-income Canadians. **Cheque-based benefit delivery must remain available to ensure equitable access**.
- **Community delivered year-round financial help services.** While automatic federal benefits have the potential to reduce demand for in-person tax filing support over time, community organizations will continue to play a critical role— particularly in helping individuals who are not eligible for automatic federal benefits, helping people understand CRA-prepared returns, resolve inaccuracies, and address more complex or transitional life circumstances and building broader financial heath and well-being.

We support all these existing efforts to boost tax filing as a necessary suite of policy, funding, and programmatic measures to help close the gap in tax filing and access to benefits. We also recognize they are far from enough. Until now, government interventions to boost tax filing have been grounded in the principle that individuals must file their own tax returns. This has held us back for far too long. With deemed filing, we are on the precipice of a new paradigm based around equitable access to benefits for everyone.

Recommendations on deemed tax filing

The following recommendations have been developed in response to information shared by the CRA and Finance Canada regarding how the government proposes to implement the automatic federal benefits initiative.

Our recommendations are grounded in the simple principle that **everyone should receive the benefits to which they are entitled**. We emphasize the importance of deemed tax filing for the over one million social assistance recipients in Canada because the information needed to provide deemed tax filing to these individuals is already collected by governments.

Eligibility

The deemed filing eligibility requirements as proposed are far too restrictive, and there is significant opportunity to expand them to immediately and continuously reach more people with low incomes who are missing out on benefits. We propose the following changes to the eligibility criteria:

Increase the income threshold

The proposed eligibility threshold, based on the lesser of the individual's federal or provincial/territorial Basic Personal Amount, is far too low and will exclude many individuals living on low incomes—particularly the working poor—who are intended beneficiaries of programs such as the Canada Workers Benefit.

While we agree with the imperative to minimize the possibility that a deemed filer owes taxes, we do not consider this sufficient reason to set the threshold so low that it excludes groups who could greatly benefit from accessing benefits to which they are entitled. We should not put administrative consideration ahead of the importance of delivering benefits to people living in deep poverty.

We propose the income threshold be raised to a number much closer to Canada's Official Poverty Line for a single individual, which fluctuates by geography but was at least $22,000 in 2024. Alternatively, it could be tied to the income thresholds set for the Canada Workers' Benefit, which is targeted to low-income workers, an intended beneficiary group of automatic federal benefits.

Commit to expanding automatic federal benefits to all social assistance recipients

Most people receiving provincial and territorial social assistance benefits (which are not taxable income) have simple tax situations and stand to benefit significantly from

automatic access to federal benefits, yet thousands could be excluded because the CRA does not have basic information to verify their eligibility. Social assistance recipients' address, marital status, household composition, income, and other relevant information is already collected by provincial or territorial governments. Greater information sharing with the federal government can enhance the efficiency and accuracy of deemed filing while reaching populations that are positioned to greatly benefit from automatic federal benefits. We assert that no individual receiving social assistance, and who agrees to have their information shared with the federal government, should miss out on federal benefits because our governments have not established channels that would allow this information sharing.

We recommend immediate action to facilitate information sharing with provinces and territories, including appropriate consent mechanisms. The CRA should explore options such as amending the T5007 to include all information required to verify eligibility under the automatic federal benefits initiative. Alternatively, our governments could enter into information-sharing agreements that facilitate not only automatic federal benefits, but automatic access to provincial and territorial tax benefits as well.

Leveraging data already collected by provincial and territorial governments is the key to unlocking the full potential of automatic benefits for social assistance recipients. Progress on this front should be the government's top priority.

Learn more: Automatic Federal Benefits for all Social Assistance Recipients

Accelerate the phase-in of automatic federal benefits

We applaud the government for moving quickly to implement automatic federal tax benefits, with deemed filing launching in late 2026, and the related pre-filled return program launching in early 2027.

However, according to the 2025 Federal Budget, the five-year projected cost of automatic federal benefits suggests that the proposed phase-in is far too slow. The federal government anticipates no additional fiscal cost in 2026-27, $15 million in 2027-28, and $103 million by 2020-30. Projections include administrative costs only and do not include estimates of additional benefits received by people with low incomes.

While the government has not shared projected take-up of the new programs, these numbers suggest very few people will benefit in the short term. Even five years from now, the estimated cost suggests we will be nowhere near capturing the approximately 400,000 people the CRA currently believes are missing out on their benefits.

Part of the reason is likely information gaps that make it difficult to verify eligibility, and we address this issue in the previous section. Gathering information to verify eligibility –

particularly on first-time tax filers and those on social assistance – should be the government's top priority.

Another reason is that the CRA is initially restricting its new initiatives to known filers who have an annual filing history. By definition, these are among the least likely people to need deemed filing and to be missing out on benefits.

Estimates from the Parliamentary Budget Office indicate between [$1.7 billion and $1.9](#) billion in federal benefits go unclaimed each year—highlighting the urgent need to accelerate implementation so that low-income Canadians receive the support to which they are entitled.

Canadians have been waiting for the promise of automatic tax filing for years, and we remain well behind peer jurisdictions in this area. We urge the government to expedite the roll-out of this necessary and needed program.

Program design

Provide access to automatic federal benefits on a continuous basis

The requirement that individuals must have missed filing their taxes in at least one of the previous three years means that individuals cannot participate in deemed filing for more than three consecutive years. This introduces unnecessary complexity and confusion to deemed filing. **For people living on low incomes, consistency and predictability in accessing benefits are critical.**

The only rationale for the three-year cap is that the government does not want tax filers to rely on deemed filing. In essence, it is saying that everyone should have access to their benefits, but it will only help them for a while. The hope appears to be that, once people begin to receive their benefits for a few years, they will take responsibility for filing on their own. Unfortunately, this is based on a fundamental misunderstanding of the barriers that prevent people from filing their taxes. The impact will be a cyclical, arbitrary denial of benefits to low-income Canadians.

Instead, once an individual becomes eligible, deemed filing should continue automatically each year as long as eligibility criteria continue to be met. When an individual is no longer eligible, they should receive clear and timely notification that they will need to file on their own.

We urge the federal government to promote universal benefit access for people with low incomes. For far too long low-income people have been left to invest their hard-earned resources to file their taxes or, if unable to overcome the associated barriers, miss out on benefits they are entitled to.

Remove the 90-day delay and move the individual's review period earlier in the year

Requiring individuals to wait 90 days after the filing deadline before becoming eligible for deemed filing delays access to benefits until mid-summer. For households that rely on benefits for basic needs, this delay significantly weakens the effectiveness of the program and contributes to income insecurity.

This creates unnecessary barriers to deemed filing in the hope of promoting personal responsibility. As with the three-year cap, we urge the government to truly embrace deemed filing and eliminate these barriers.

Related to this, while it is important to provide individuals with the opportunity to review their CRA-prepared returns before deemed filing takes place, there is no reason this cannot be done in the time between when the CRA receives slips and the tax filing deadline. We urge the government to allow people to opt in to deemed filing before the tax deadline. The government's proposed approach of a three-month window that begins 90 days after the filing deadline constitutes an unnecessary delay.

Other jurisdictions have successfully implemented systems based on deemed acceptance, with opportunities for correction after filing. We ask that the government make **timely and continuous** access to benefits a central design objective.

Work with provinces and territories to expand automatic benefits to include more tax-based benefits

While automatic federal benefits are an important step forward, there are many tax-based benefits provided by the provinces and territories that are not necessarily included in the current approach. That's because some of these require tax filers to submit additional information to qualify, such as records of the rent they paid, applications approved through provincial programs, or provincial incarceration dates. Currently, the CRA lacks access to this information for the purposes of deemed filing or pre-filled returns.

As noted above, this information is sometimes collected by other levels of government but is not currently shared with the CRA. Tax credit programs vary between provinces and territories, so care is required in negotiating arrangements with each province to ensure eligible tax filers are receiving the benefits they are entitled to. With the example of paid rental income, social assistance recipients across the country are usually required to report evidence of their housing costs for the purpose of social assistance calculations. If, for example, the Ontario government sought permission to share this

information with the CRA, it would allow deemed tax filers receiving social assistance to also receive the Ontario Trillium Benefit. The federal government should require this information be included on T5007 slips or work with the provinces on data sharing agreements.

Automatic federal benefits alone are not enough. We urge all governments in Canada to step up and solve this problem together.

Leverage community organizations delivering front line services

To ensure successful implementation of the automatic federal benefits initiative, the CRA should be required and enabled to work closely with community organizations that provide free tax filing and financial help services to people with low incomes. Clear, regular, and ongoing engagement with these trusted frontline partners will be essential prior to implementation to help people understand policy and program changes, eligibility criteria, and what legitimate CRA communications look like—reducing confusion, managing transitional demand, and protecting against fraud and scams.

Organizations that have delivered tax filing assistance for decades bring deep expertise in the lived realities of people with low incomes; while tax situations may appear simple, life circumstances often are not. Sustained collaboration with frontline providers can surface critical design questions, identify service gaps, and inform program adaptation over time.

With continued investment in the CVITP grant, year-round financial help services, and appropriate training and support, community organizations can also play a key role in expanding access to CRA's My Account, supporting the use of pre-filled returns, and reaching underserved populations. Additionally, CRA outreach teams and call centres are vital community resources that help reach vulnerable populations; these services should continue to be available alongside automatic federal benefits programming.

To fully leverage this expertise, the federal government should mandate and resource the CRA, Service Canada, and ESDC to co-establish national and regional coordination efforts with provinces and territories, community-sector stakeholders, and commercial tax preparers to support program success and, more broadly, boost tax filing rates and close persistent gaps in benefit take-up among low-income and vulnerable Canadians.

Evaluation and adaptation

We recommend that a transparent and robust evaluation be developed on automatic federal benefits to evaluate program success and assess limitations or necessary program enhancements.

Establish clear metrics of success

The 2022 Auditor General report found that the department (ESDC) and agency (CRA) did not have a clear and complete picture of the people who were not receiving benefits for which they were potentially eligible. Estimates overstated the take-up of benefits because they did not always account for people who had not filed tax returns, which are required to access most benefits.

Having a clear understanding of who is missing out on benefits and who is not tax filing – including disaggregated analysis and an understanding of target populations – is critical to the success of this program. The government should commit to making its data and methodology publicly available so it can be analyzed and improved by academics and community organizations.

Evaluation should include robust data on access and uptake using a GBA+ lens. Specific data and reporting should include the number and proportion of social assistance recipients reached, the value of benefits received by household type, the changes in overall continuity of benefit access, timeliness and gaps in benefit receipt, accuracy of assessments, impact on other tax filing programs, change in filing methods (paid and unpaid), and survey data on users' trust, awareness, and experience with the new program.

Ensure the program can evolve

The automatic federal benefits program should be designed to evolve over time in response to evidence, implementation experience, and the needs of Canadians living on low incomes. We strongly encourage the government to ensure the program remains nimble and responsive, with the ability to address emerging challenges and pursue continuous improvement.

As demonstrated through the evolution of federal child benefits, programs that incorporate learning, adaptation, and refinement are better positioned to achieve equitable and lasting outcomes.

Remaining gaps

While we are optimistic about the potential of automatic federal benefits, and in particular deemed filing, our experience tells us that automatic federal benefits will not work for all people with low incomes. We will still require complementary policy and programmatic interventions to ensure that people who are underserved can access the benefits they are entitled to.

For example, under the current proposal, the following groups would not qualify or would continue to face barriers that should be addressed:

- people who are self-employed or perform gig work and have a more complex tax situation;
- people who are seeking a benefit for the first time that requires an application, like the *Canada Child Benefit* or the *Disability Tax Credit;*
- people who need help interpreting communications or actions required by the CRA;
- people who are not currently accessing CRA's MyAccount electronically, have been locked out of their account, or who continue to file on paper;
- people who need to obtain a social insurance number; and
- people who may be able to back-file for past returns to access additional benefits owed.

Nevertheless, we are encouraged by the potential of this initiative to help thousands of people with low incomes, including a large proportion of families receiving social assistance.

Nic, a Calgarian who receives social assistance, shared the following:

> *Having my taxes automatically filed would be a relief. It would be one less worry, keep my stress levels low, and free up energy and capacity for dealing with other things that come up. It would positively impact me because it is something you know you can count on, you know when it is coming, and it does make a difference especially because most of the programs are insufficient at providing enough to live off. Tax benefits and credits are useful to pay bills, or for extra medications, or things you can't make work with the monthly income.*

The automatic federal benefits initiative has the potential to connect many people with low incomes to the benefits to which they are entitled. We encourage the government to adopt the recommendations outlined in this submission and to continue adapting and evolving as the program matures.