

Income Security Advocacy Centre Federal Budget 2025 Recommendations

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1. Ensure barrier-free access to the Disability Tax Credit

The 2024 Federal Budget allocated [\\$243 million](#) over six years to cover the cost of Part B of the Disability Tax Credit (DTC) application process, a critical step in removing financial barriers to accessing programs like the Canada Disability Benefit (CDB). Despite this commitment, medical practitioners continue to charge patients fees as high as \$250 for completing the form because their fees have not been covered or reimbursed as promised. Some applicants do not have access to a family doctor who can adequately complete the form, or they are deterred from pursuing the application because of the cost or the high administration burden placed on the family doctor that makes the application process difficult to complete.

This gap risks compounding the harm faced by low-income individuals with disabilities who must rely on the DTC to qualify for the CDB but cannot afford upfront costs to access the DTC. The CDB's intended impact is being undermined by the ongoing crisis in health care and the lack of a clear reimbursement model for health practitioners.

The Federal Government must immediately disburse the allocated funds and establish a reimbursement model that is easy, transparent, and minimizes administrative burden for all parties. Expanding the range of regulated health professionals authorized to complete the DTC application would also help to address these challenges.

2. Raise the maximum amount of the Canada Disability Benefit

The CDB, set at \$200 monthly, dismally fails to meet its goal of reducing poverty for working-age Canadians with disabilities. In 2025-2026, the CDB will only lift 20,000 eligible recipients (2% of the target group) out of poverty, increasing to just 25,000 by year ten. The amount covers approximately 20% of the [\\$11,727](#) poverty gap between total income from social assistance in Ontario and the Official Poverty Line. The gap also does not account for additional costs of disability, which can raise expenses by up to [30%](#). When these costs are considered, the true income gap with the poverty line rises to nearly \$18,000.

The 2025 Federal Budget must significantly raise the CDB to at least \$12,000 annually, to meaningfully reduce poverty and fulfill the government's promise to bridge the income gap for people with disabilities.

3. Fix the Canada Disability Benefit's punitive income treatment and income threshold

The CDB is currently treated as social assistance under subsection [56\(1\)\(u\) of the Income Tax Act](#), including it in net income for tax purposes. This inclusion inflates

an individual's total income, triggering clawbacks of other income-tested benefits like the Canada Child Benefit, Canada Workers Benefit, GST Credit, and various provincial supports.

The [2024 Fall Economic Statement](#) (p. 66) acknowledged this issue and proposed legislation to exempt the CDB from income calculations under the *Income Tax Act*. However, with Parliament prorogued for the 2025 election, the change in legislation did not occur. The CDB still remains classified as income for tax purposes.

In addition, the CDB Regulations currently count provincial and territorial social assistance programs, such as the Ontario Disability Support Program (ODSP), towards the CDB's income thresholds of \$23,000 for single individuals and \$32,500 for couples.

Treating social assistance as income both punishes recipients and diminishes the impact of an already modest benefit. While the Federal Government has rightly [urged](#) provinces and territories to exempt the CDB from income calculations in their programs, it must apply the same principle itself.

The Federal Government should immediately

- i. Exempt the CDB from income under the *Income Tax Act*.
- ii. Exclude provincial/territorial social assistance from the CDB's income thresholds.

4. Base the Canada Disability Benefit on an individual's income

The CDB currently includes [spousal and partner income](#) when determining eligibility, setting income thresholds at \$23,000 for singles and \$32,500 for couples, with working income exemptions of \$10,000 and \$14,000, respectively. This couples-based approach is deeply flawed, discouraging cohabitation, fostering dependency, and ignoring the realities of poverty.

First, requiring spousal income reporting can deter people with disabilities from entering relationships, particularly cohabiting ones, for fear of losing eligibility. This policy choice also forces recipients to disclose their finances early in relationships, creating a barrier to intimacy and autonomy. The experience under ODSP, which also uses a family income test, shows the adverse effect of couples-based eligibility rules, with [81%](#) of recipients remaining single, which is [higher](#) than the average rate of individuals in the same age-range.

Second, requiring spousal income reporting can trap recipients in abusive relationships, as eligibility depends on a partner's tax filings. If a recipient's spouse

refuses to file taxes, access to the CDB is denied, unless one of three limited exceptions are met, giving abusers a government-backed lever of control.

Third, the \$32,500 couple's threshold assumes unrealistic savings of \$13,500 compared to two individual thresholds (\$46,000). This presumes a low-income individual could save nearly 30% of their income by cohabitating, ignoring disability-related costs and doubled expenses for couples where both have disabilities.

The Federal Government must fix this exclusionary design by basing CDB thresholds and exemptions on individual income, not relationship status, to protect autonomy, safety, and dignity.

5. Expand eligibility for the Canada Disability Benefit beyond the Disability Tax Credit

According to the CDB Regulations, only 465,000 of the 917,000 working-age Canadians with disabilities living in poverty will be eligible in 2025–26, rising to just 640,000 over ten years. This critically misses the target population.

A key reason for this limited reach is the use of the DTC as the sole eligibility gateway. As highlighted in [ISAC's comments](#) on the CDB's draft regulations, the DTC is restrictive, underutilized, and difficult to access. The DTC uses a narrower definition of disability than the definition listed in the [Canada Disability Benefit Act](#), excluding many with mental health, neurodevelopmental, and episodic disabilities. As a non-refundable tax credit, the DTC is also irrelevant for low-income individuals who do not owe taxes, an estimated [two-thirds](#) of potential beneficiaries. Moreover, the DTC has a complex medical application and inaccessible dispute resolution process, administered by the Canada Revenue Agency (CRA). The CRA lacks disability expertise and was [criticized by the Tax Court of Canada](#) for using eligibility criteria that do not reflect the realities of living with a disability.

To improve uptake, the Federal Government should expand eligibility beyond the DTC, starting with Canada Pension Plan Disability (CPP-D) recipients, who are already assessed under a similarly rigorous standard. This change would immediately broaden access and better align the CDB with its poverty-reduction goals.

Federal Budget 2025 should include funding to expand access pathways, starting with adding the CPP-D as an immediate access route.

6. Undertake robust Employment Insurance emergency measures to protect vulnerable, low-income workers

With escalating U.S. tariffs putting approximately [2.4 million](#) Canadian jobs at risk, now is the time for Canada's primary social safety net, Employment Insurance (EI), to safeguard all workers. Unfortunately, the government's temporary changes fall short of delivering the robust income security needed right now. Longstanding flaws in the EI system—its inflexibility and restrictive eligibility rules—make it ill-equipped to respond effectively to a crisis of this magnitude.

The Federal Government must draw from successful examples like the Canada Emergency Response Benefit (CERB) and the Canada Recovery Benefit (CRB) to implement robust and timely emergency EI reforms. While not without challenges, the Benefits offered a higher amount, simplified applications, reduced waits, and enhanced access, lifting [1.4 million](#) Canadians out of poverty and halving child poverty during the earlier part of the pandemic. Similarly, 2024 wildfire relief in Jasper and Bunibonabee Cree Nation included provision of a one-time credit of [300 insurable employment hours](#).

These models should be used as blueprints for emergency measures to help ease access to EI and enhance benefits during the unfolding trade war:

- i. Ensure workers receive at least 52 weeks of EI regular benefits, calculated using the best 12 weeks of earnings.
- ii. Guarantee a minimum \$600 weekly EI support, including for misclassified and migrant workers.
- iii. Establish a universal 120-hour eligibility threshold for both regular and special EI benefits, ensuring rapid and equitable access for all workers.

7. Reform Employment Insurance to ensure equitable access and adequate support for all workers

While proposed emergency measures would address immediate needs, this current crisis underscores the dire need for permanent EI reform to truly protect workers in Canada. As of April 2025, only 34% of unemployed workers ([519,540](#) out of [1.55 million](#)) receive EI regular benefits, a historic low compared to over 70% before the 1990s. Even when workers access EI, the current 55% income replacement rate (down from 66.7% in 1971) is inadequate, especially for low-wage workers facing Canada's affordability crisis. These flaws exacerbate poverty and inequality, [particularly for marginalized groups](#) such as women, racialized people, Indigenous people, immigrants, and people with disabilities, who are overrepresented in rising precarious work.

The government should institute permanent reforms to ensure that EI is accessible and provides livable support to Canada's most vulnerable workers:

i. Improve Access to EI for All Workers

- Establish a universal eligibility threshold of 360 hours or 12 weeks of work (whichever is more advantageous) for both regular and special benefits.
- Permanently eliminate the one-week EI waiting period to provide immediate financial support to all workers.
- Remove punitive “quit/fire” disqualifications that disproportionately harm caregivers, harassment survivors, and workers in unsafe conditions.
- Expand EI’s employee definition to include dependent contractors and app-based workers, ensuring protections for those misclassified as independent contractors.

ii. Ensure Adequate EI Benefit Rates

- Raise the EI benefit rate to 70% of pre-unemployment earnings, based on the 12 best weeks, to better support workers, especially women facing the gender wage gap.
- Establish a \$600 weekly minimum benefit floor, echoing COVID-era support.

8. Withdraw Bill C-2 and establish a comprehensive regularization program for migrant workers

The Federal Government must abandon its punitive approach to immigration, exemplified by [Bill C-2](#)’s dangerous expansion of sweeping executive powers to revoke immigration status without due process. This policy entrenches instability for migrant workers, who already face exploitation without permanent status. Up to [500,000](#) undocumented, often racialized, low-wage workers sustain Canada’s essential workforce, yet the refusal to implement regularization perpetuates inequality and harms the economy. Experts, including the Royal Bank of Canada, [warn](#) that reducing immigration will worsen labour shortages and demographic challenges. The government’s actions fuel rising xenophobia, unjustifiably blaming immigrants for unemployment and housing crises, while distracting from [real drivers](#) like social housing cuts and privatization of public stock.

The government must immediately introduce a comprehensive regularization program to grant permanent residency, ensure full labour rights, and end the fear of deportation. Repealing Bill C-2 is a critical first step.

9. Make meaningful financial investments for Indigenous Communities

Ten years after the Truth and Reconciliation Commission’s Calls to Action, [systemic injustices and funding disparities](#) persist for Indigenous Peoples. [Nearly half](#) of First Nations, Métis, and Inuit struggle with basic needs. Despite modest 2024 increases, overall Indigenous funding has declined, with only [9.8%](#) reaching Indigenous organizations directly, most of it absorbed by governments or external entities.

U.S. tariffs threaten to deepen economic inequities further, disproportionately impacting Indigenous communities. Bill C-5, the government's response to tariffs, exacerbates these issues by fast-tracking projects without upholding [free, prior, and informed consent](#), violating [UNDRIP and Section 35 rights](#). Indigenous leaders have criticized the bill's [vague consultation processes](#) and [sweeping federal powers](#), risking environmental and cultural harm.

We reiterate Yellowhead Institute's [criteria for Indigenous investments](#): responsiveness, accessibility, impactful depth, and support for self-determination. Budget 2025 must prioritize equitable funding, uphold FPIC, and co-develop solutions to address systemic disparities and tariff impacts.