

Department of Finance Canada Consultation on Automatic Federal Benefits for Lower-Income Individuals

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About ISAC

The [Income Security Advocacy Centre \(ISAC\)](#) is a specialty legal clinic funded by Legal Aid Ontario. ISAC's mandate is to advance the rights and interests of low-income Ontarians about income security and employment. We carry out our mandate through test case litigation, policy advocacy, community development, and public education. Founded in 2001, we are governed by a community Board of Directors representative of all regions of Ontario. ISAC works closely with local legal clinics that work every day with the challenges faced by low-income people relying on Ontario and Canada's income security programs.

Automatic Federal Benefits for Lower-Income Individuals

ISAC is grateful for the opportunity to provide feedback on the proposed approach for implementing automatic federal benefits as announced in Budget 2025. Our perspective is informed by the experience of over 70 community legal clinics throughout Ontario whose mandate is to increase access to justice by providing free legal services to low-income people in Ontario and advocating on their behalf.

ISAC is also pleased to endorse all the recommendations found in Maytree, Momentum, and Prosper Canada's joint submissions to this consultation.¹ 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 could ensure millions of low-income people can access the income-boosting benefits they are entitled to.

ISAC's recommendations seek to provide government decision makers with more context on the lived reality of low-income households. The recommendations examine the current proposed legislation and then make three recommendations for improvement. First, we identify present access barriers for the target population. Second, we outline future gaps in coverage that the legislation fails to protect against. Lastly, we explain the need to create a dispute resolution system that does not penalize low-income individuals for government administrative error.

Key Recommendations

ISAC makes the following recommendations:

1. Dismantle barriers that prevent access to automatic tax filing for hard-to-reach, low-income populations

Low-income populations would benefit immensely from additional income streams. For those that can meet the deemed filing requirements, automatic federal benefits will be a welcome change that eliminates the need for them to pay out-of-pocket or to find a tax clinic that can assist them. However, for the program to successfully reach a broader swath of the target population, the

¹ Maytree, Momentum, and Prosper Canada, [Department of Finance Canada Consultation on Automatic Benefits](#).

government must also invest in resources that eliminate barriers to access deemed filing. Abject poverty, on its own, is a barrier. Acquiring the necessities of life daily takes priority over everything else. To reduce poverty in Canada and to alleviate financial hardship for our most vulnerable, the government must fund barrier-reducing services that meet hard-to-reach populations where they are and transition them to automatic federal benefits.

The following barriers will prevent many lower-income individuals from receiving automatic federal benefits. Targeted investment is needed to remove these barriers and to provide those in need with access to the benefits they are entitled to.

Digital Literacy Barriers

Many low-income households face digital barriers, including unaffordable internet, limited devices, slow internet, and low digital literacy.² Socioeconomic status significantly influences digital equity, with the cost of Internet services being a major barrier for low-income appellants. According to Statistics Canada, in 2022, 94% of Canadians reported internet access, but at least 600,000 relied solely on mobile phone plans.³ Rural and remote areas face pronounced connectivity challenges due to Canada's vast and diverse geography.

Accordingly, this population may not know how to navigate CRA's My Account or engage with virtual communications that the CRA has with them. They require communications that, for example, may outline that they can go to a Service Canada Centre near them to talk with a government representative or they may be provided with a number they can call to talk to someone who can help them. The government representative on the other end of the phone line must be trained on a "no wrong door" approach and must ensure they are acting as a navigator that routes the individual to the correct information, and, ultimately, access to a deemed filing.

Identification Barriers: Access to a Bank Account

To get a bank account, individuals need two forms of identification, which for homeless populations tends to be a birth certificate and another piece of photo identification. You cannot get photo identification without a birth certificate. Almost all homeless individuals do not have driver's licenses, and most do not hold on to their birth certificates. It takes approximately a month to get a birth certificate, then you need that birth certificate to get photo identification, which approximately takes another two to three weeks to come. By the time this new identification comes the birth certificate may be lost. Shelters do not hold on to birth certificates for liability reasons.

This identification barrier significantly limits not only access to a bank account but also access to a whole host of life-stabilizing services that are designed directly for this vulnerable population. The government must invest in expanding the reach of identification clinics or funding navigator positions in spaces that homeless populations are more likely to frequent, for example, shelters, food banks, or local community centres. Effective outreach and program buy-in involves meeting homeless populations where they are.⁴ This person-centred policy making engages individuals within the precarious circumstances they find themselves in, without judgment, rather than forcing them to conform to and find traditional government service structures. The government must offer support in a manner that fits the individual's immediate needs and their readiness for change.

² Bridging the Gap: Unraveling the Digital Divide (DDN2-A26), [Bridging the Gap: Unraveling the Digital Divide \(DDN2-A26\) - CSPS](#).

³ Canadian Internet Use Survey, [The Daily — Canadian Internet Use Survey, 2022](#).

⁴ Homeless Hub, [Assessing the Evidence: What We Know About Outreach and Engagement](#).

Identification Barriers: Mailing Address Requirements

Homeless and transient populations lack mailing addresses and are therefore unable to meet all requirements needed for access to CRA's My Account. Access to an address must not prevent access to automatic federal benefits, especially when those federal benefits are targeted at populations most likely to lack mailing addresses. The CRA should build in the option to not report an address, to report a temporary address, or to include a bank account branch address, and still receive deemed filing.

Identification Barriers: Social Insurance Number

Unhoused individuals experiencing mental health disabilities are far less likely to have government-issued identification.⁵ To acquire a Social Insurance Number ("SIN"), an individual must provide two identification documents and proof of address.⁶ Many people who are houseless with mental health disabilities face difficulties in obtaining or possessing required information due to the cost of identification; the lack of foundational identification required to obtain other pieces of government-issued identification; and the challenges of receiving identification by mail, or loss of identification, due to precarious housing.⁷ The social and economic exclusion caused by this identification divide has far-reaching adverse impacts.

The CRA and Employment and Social Development Canada ("ESDC") identified the requirement to file a tax return and the requirement to provide a SIN as two barriers that impede hard-to-reach populations from accessing benefits.⁸ The CRA and ESDC have noted that these hard-to-reach populations include people with disabilities, housing insecure individuals, refugees and other newcomers to Canada, and Indigenous Peoples.⁹ While this automatic tax filing pilot addresses the first of the two barriers identified by the CRA, the continued need and failure to address the second barrier – the SIN requirement – continues to impede hard-to-reach populations from accessing benefits.

Language Proficiency Barriers

Low-income households also face challenges due to low literacy, or a limited ability to read or write in English or French. For some, support depends on a family member – often a child – helping with translation. Discussing private financial information with one's child can be uncomfortable and may bar access to automatic federal benefits. Individuals may not understand the CRA's forms or how a deemed filing works. The government must provide plain language resources that explain the program in an individual's preferred language so that individuals are aware of their rights and how enrollment in automatic federal benefits impacts them.

Mistrust in Government Barriers

Hard-to-reach populations may have had difficult interactions with the government in the past, for example they may have had other benefits cut-off unexpectedly, or faced overt surveillance and

⁵ See Megan Marrelli, [What it means to be a Canadian living without ID](#). Moreover, 45% of people who are homeless are disabled or have mental illness, see Isaac Coplan, [Infographic Wednesday - Myths of Homelessness](#).

⁶ Government of Canada, [Social Insurance Number – Apply](#).

⁷ Chris Sanders *et al*, ["You Need ID to Get ID": A Scoping Review of Personal Identification as a Barrier to and Facilitator of the Social Determinants of Health in North America](#) (2020) 17:12 International Journal of Environmental Research and Public Health 4227.

⁸ Auditor General of Canada, [Reports of the Auditor General of Canada to the Parliament of Canada: Report 1 Access to Benefits for Hard-to-Reach Populations](#), at 2-3.

⁹ *Ibid*, at 3.

policing due to homelessness or receipt of social assistance. Newcomers or Indigenous populations may be suspicious of government officials handling their data due to historical mistreatment. Communications to this population about automatic federal benefits should outline that this would provide them with additional income that they could spend without incurring future debts or repercussions from receiving this assistance. The government should build in safeguards that prevent automatic federal benefits from getting clawed back by provincial social assistance schemes and that provide helplines that focus on troubleshooting issues without penalties.

Precarious and Gig Work Barriers

Due to the nature of precarious employment, some low-income workers may take on a lot of “bad jobs”, that involve a mix of employment or self-employment. Accordingly, a precarious worker may have one job that provides a T4 information return, another where they are treated as an independent contractor, and a third side hustle where they are paid solely in cash or e-transfers. Since their income is not reported entirely in an information return, they may not qualify for a deemed filing under the legislation’s current form.

These working households rely on a percentage of their income coming from government benefits. They seek additional income through cash jobs or gig work to lessen their financial hardship, since receipt of government assistance in Canada means living in deep poverty.¹⁰ In doing what they can to survive, they may rely on the guarantee of tax filing by the government since they cannot afford to pay someone to do their taxes for them.

This population cannot afford to miss out on accessing the automatic federal benefits they are entitled to. If the government is unable to include them in a deemed filing since they do not have a simple tax situation, and the government is unwilling to expand who fits under the simple tax situation definition, then the government must ensure that the [Auto-fill My Return](#) digital service is scaled in a manner that captures these working households. The government should provide navigators for the [Auto-fill My Return](#) digital service that will support working households with hands-on, free, and timely support for inputting their more complicated tax situations into the digital service.

2. Amend the legislation to protect low-income individuals against future removal from deemed filing

Once individuals are granted access to deemed filing, they will grow accustomed to the process of the government filing their taxes on their behalf. As the legislation is currently drafted, all individuals granted access are only eligible for three consecutive years at a time, after which point they are no longer eligible for a deemed filing. Deemed filing must continue each year, without a fourth-year drop-off, if all other eligibility criteria are met. Additionally, due to the 90-day timeline for a deemed filing to be accepted, some benefit recipients will face delays in receiving benefits and could have their benefit suspended due to the government’s delay in completing their deemed filing. An individual’s continued eligibility in other government benefits must not be jeopardized by the 90-day timeline for deemed filing acceptance. For low-income populations, access to benefits in a consistent, simple, and predictable manner is paramount.

The legislation sets out an eligibility requirement that “the individual has not filed a return of income for at least one of the three immediately preceding taxation years” to receive a deemed filing. Accordingly, an individual may get their tax return automatically filed for three years and then in the fourth year no longer qualify for automatic tax filing due to this requirement. The

¹⁰ Jennefer Laidley and Tania Oliveira, [Welfare in Canada, 2024](#).

individual's tax filing situation may be unchanged; however, they no longer meet the criteria the Minister needs to satisfy deemed filing. This would have grave knock-on consequences for future benefit receipt and continued trust in government, with significant harms to impacted populations in accessing life-stabilizing benefits. Some other federal and provincial benefits not administered via the tax system, still require an individual to file taxes for continued receipt of that additional benefit. Individuals who in previous years may have had their taxes filed automatically by the government via this new legislation may continue to rely on the government's automatic tax filing for receipt of these non-tax administered federal or provincial benefits. This population must not lose access to these additional benefits during their fourth year of deemed filing eligibility. The legislation must clarify that individuals already captured by the automatic tax filing system will not face suspension following three years of successful income tax returns filed by the Minister.

The legislation also sets out a period of 90 days after which the Minister notifies the individual of deemed filing for the individual to correct information or file their own return. The Minister's notice of deemed filing cannot be sent on the deadline for tax filing at the end of April each year. If this is done, the individual risks losing access to benefits that verify taxes were filed in advance of July for continued receipt of that benefit. The Canada Disability Benefit, Guaranteed Income Supplement, and Canada Child Benefit all use a preceding year's tax return to calculate entitlement for those benefits from July to June. So, for example, if the Minister notifies an individual of deemed filing of their 2025 income tax return on April 30, 2026, the earliest the deemed filing would be validated is July 29, 2026, which falls after the first monthly payment of the above federal benefits. Low-income individuals rely on the continued receipt of government benefits to pay rent, buy food, and to afford other life-stabilizing supports. Program design must ensure that continuity is protected without creating unnecessary interruptions in service.

3. Create a fair resolution system that protects low-income individuals from financial penalties

The legislation does not set out any language that outlines what options an individual has when the government completes a deemed filing and has made an error on that individual's tax return. Administrative error is common in administering benefits and individuals who face harm from that error need recourse and protection from losing access to life-stabilizing benefits. The government must be able to retroactively fix mistakes that are later identified. For example, an employer may have submitted an inaccurate T4 form on the individual's behalf and the individual may be unaware of this error until some later point, years after the deemed filing took place. Even more detrimental, the inaccurate T4 form could put the individual over the qualifying income threshold – resulting in them becoming ineligible for deemed filing altogether. When low-income individuals are provided with a government service, rely on that service, and then are removed from that service for either innocent mistakes or through no fault of their own, that breeds distrust. Removing and suspending low-income populations from government services isolates and traps this vulnerable group in deep poverty.

Any resolution system must consider the lived reality of low-income populations and must provide compassionate solutions instead of focusing solely on strict recovery. Low-income populations spend all the government benefits they receive on essentials – food, clothing, shelter, internet, cell phone data, hygiene products, winter boots, over-the-counter medication, transportation, and other necessities. These populations are not flush with savings and often cannot pay the government back when it seeks to collect an overpayment. In a deemed filing system, where the government acts in the interest of these populations, and potentially without their input at all, the government must take full responsibility for the errors it makes. An understanding that strict recovery results in economic hardship and deeper inequity must lead to resolution policies that start with a default position of debt forgiveness and financial relief.

Conclusion

In developing an automatic federal benefits initiative, the government has taken a vital step in connecting lower-income individuals with benefits designed with them in mind. In that spirit, the government must deliver a deemed filing process that keeps the needs of hard-to-reach, low-income individuals top of mind. ISAC encourages the government to adopt the recommendations outlined in our submission and to continue improving the program over time. Providing benefits to all intended recipients amidst growing wealth disparity and during an affordability crisis requires bold and urgent action.