

2025 Federal Pre-Budget Submission
House of Commons Standing Committee on Finance

Summary of recommendations

Recommendation 1: That the government invest in the further development of the *Community Volunteer Income Tax Program (CVITP)* and *CVITP Grant* program to support free tax-filing assistance for Canadians with low incomes delivered by community organizations.

Recommendation 2: That the government mandate and resource the Canada Revenue Agency (CRA), Service Canada, and Employment and Social Development Canada (ESDC) to co-establish national and regional coordination efforts with other orders of government, community-sector stakeholders, and commercial tax preparers to boost tax filing rates and close the gap in benefit take-up for low-income and vulnerable Canadians.

Recommendation 3: That the government mandate and resource the Canada Revenue Agency (CRA) to accelerate the implementation of automatic tax filing.

Recommendation 4: That the government establish a pathway to eligibility for the *Canada Disability Benefit* through provincial and territorial income assistance programs for people with disabilities.

About Prosper Canada

Founded in 1986, Prosper Canada is a national charity dedicated to expanding economic opportunity for Canadians living in poverty through program and policy innovation. As Canada's leading national champion of financial empowerment, we work with partners in all sectors to develop and promote policies, programs, and resources that measurably improve the financial health of people living in, or at high risk of, poverty.

Since 2016, with partners from all sectors, we have expanded free, high-quality, financial help tools and services that have helped **over 1.2 million** Canadians with low/moderate incomes to build their financial health and boost their incomes by over **\$1.28+ billion**. Services include financial education, tax filing, benefit screening and assistance, and financial coaching and problem-solving.

The Government of Canada's 2024 Budget committed **\$60 million** over **5** years to Prosper Canada, through Employment and Social Development Canada (ESDC), to expand free, community-delivered, financial help services for struggling Canadians. This investment will enable Prosper Canada and community partners across Canada to help one million low- and moderate-income Canadians to access \$2 billion in unclaimed tax and benefit income and to build their broader financial stability, resilience, and health.

Canadians are struggling financially and many can't access the income and help they need

Steep inflation and high interest rates over the past few years mean that many families are struggling financially. While interest rates have dropped slightly as of June 2024, prices for essentials, including [rent and food](#), remain high and many families are struggling to make ends meet.

This is reflected in persistently high household debt and increased cost of debt:

- Canadians' average household debt is **176.4%** their income (the [highest in the G7](#));
- Aggregate household debt is **102% of our GDP** – [surpassed by only 2 other countries](#);
- Household [debt-service ratios have been steadily increasing since 2022](#), and households are increasingly focused on interest, rather than paying down principals.

Recent gains in the fight against poverty have eroded, leading to hardship and poor social outcomes:

- Rates of [food insecurity, unmet health needs, deep income poverty, low literacy and low numeracy](#) have all increased since 2021;
- [Fewer people are exiting poverty, and more people are falling into poverty since 2021.](#)

More and more Canadians are unable to make ends meet and one third lack savings to fall back on in the event of emergencies:

- **56%** of Canadian households are [having trouble with their financial commitments](#), versus **38%** in 2019;
- **33%** of Canadians [do not have enough savings to cover unexpected expenses or reduced income for three months](#).

Many households are unable to access the financial help they need to achieve financial stability and health. Financial markets and products are increasingly complex, but low financial literacy and/or skills combined with [a large structural gap in the availability of affordable, appropriate and trustworthy financial help](#) for low/moderate-income Canadians, mean many Canadians are left financially struggling.

[Systemic and personal barriers](#) also 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% of low-income households](#).

For those who do file taxes, benefit and tax refund clawbacks to recoup CERB/CRB debt and accumulated benefit overpayments from the past **4** years combined with the [deep erosion of social assistance from high inflation](#) means that many [people are struggling to meet their basic needs](#). [205,000 of the 883,000 Canadians who still owe CERB/CRB debt reported incomes under \\$5,000 in 2022](#).

In Budget 2024, the federal government made a landmark **\$60M** investment over **5** years in community delivered financial help services, to help close the gap in tax filing and benefit take-up and to improve the financial wellbeing of people with low incomes. This investment is welcomed and celebrated by Prosper Canada and our community partners. We expect this investment to support **25-35** community-based organizations across Canada that will provide free tax filing, benefit assistance and other 1-on-1 financial help services to **1 million** people.

Alongside this investment, the following urgent federal actions are needed to mitigate widespread and deepening financial hardship among people with low/moderate incomes and to help struggling households regain financial stability:

Recommendation 1: That the government invest in the further development of the *Community Volunteer Income Tax Program (CVITP)* and *CVITP Grant* program to support free tax-filing assistance for Canadians with low incomes delivered by community organizations.

Tax filing is a critical gateway to income support and other benefits in Canada. Many Canadians with low incomes experience [barriers to tax filing](#) that prevent them from

accessing thousands of dollars annually in income ([20% of Canadians in the lowest income decile do not tax file](#)).

As new benefits are introduced to help alleviate poverty, including the *Canada Disability Benefit*, it is critical that we ensure that people with low incomes have the supports they need to file taxes and access the benefits they are eligible for.

In 2024, CRA's *Community Volunteer Income Tax Program (CVITP)* and Quebec's *Income Tax Assistance Volunteer Program* supported [3,410 community organizations](#) to help [758,000+](#) low-income Canadians to file their taxes and access over [\\$2 billion in refunds](#), credits and income benefits. 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.

The Taxpayers' Ombudsman's report [Reaching Out: Improving the Canada Revenue Agency's Community Volunteer Income Tax Program](#) outlines many additional ways in which CVITP can be strengthened and evolved to address Canada's still large tax filing and benefit take-up gap. The report and feedback from our national network of community financial help organizations, underscore the need for enhanced training for community organizations and volunteers, expanded partnerships to reach rural, remote and underserved communities, and technology investments to make tax and benefit supports more effective.

We urge their federal government to invest in ongoing strengthening of the *CVITP* and to sustain, expand, and make permanent the *CVITP Grant*.

Recommendation 2: That the government mandate and resource the Canada Revenue Agency (CRA), Service Canada, and Employment and Social Development Canada (ESDC) to co-establish national and regional coordination efforts with other orders of government, community-sector stakeholders, and commercial tax preparers to boost tax filing rates and close the gap in benefit take-up for low-income and vulnerable Canadians.

Responsibility for federal income benefits, social programs and poverty alleviation spans a number of federal departments and agencies. These are supported, in turn, by an array of community, industry and provincial/municipal stakeholders who share the goal of improving tax filing and benefit take-up by vulnerable Canadians.

In fall 2023, Prosper Canada hosted [two national roundtables on closing the gap in tax filing and improving benefits access for underserved populations](#). These sessions enabled over 50 government, industry and community experts and leaders to explore ways to increase tax filing rates, close Canada's benefit take-up gap, and better reach underserved communities.

Participants recognized that, despite ongoing efforts and important successes, there are still populations that are not well served by current tax filing and benefit supports and many

people fall through the cracks. To reach underserved populations more effectively requires a shared understanding of service gaps, and where interventions are falling short. In turn, this will allow for an exploration of collaborative approaches and new service models to address these gaps.

To facilitate this, CRA, Service Canada and ESDC should be jointly tasked and resourced to establish national and regional coordination tables. These tables could facilitate collaboration with interested provincial/ territorial governments, municipalities, commercial tax preparers and community organizations to boost tax filing and benefit take-up rates among low/moderate-income Canadians.

While many people with low incomes are reluctant to engage with CRA directly, they are open to tax filing and benefit assistance from provincial, municipal and community services they engage with every day. Working with these trusted intermediaries and commercial tax preparers is the best solution to CRA's intractable "last mile" challenge when it comes to reaching and supporting underserved populations to tax file and claim the income they are eligible for.

Recommendation 3: That the government mandate and resource the Canada Revenue Agency (CRA) to accelerate the implementation of automatic tax filing.

As noted in Budget 2024, Canadians should be able to easily and quickly receive the benefits they are entitled to. However, Canada's Auditor General in 2022, [found that ESDC and CRA have not done enough to help hard to reach populations](#). We need new strategies and tools to achieve this goal, including automatic tax filing that should make it simple and effortless for people with simple returns to file their taxes and claim the benefits they are owed.

Automatic tax filing would not work for all people with low/moderate incomes. For example, the following groups would not qualify:

- 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 CRA;
- people who are not currently accessing CRA's *MyAccount* electronically, or who continue to file on paper; and
- people who need to complete applications for benefits outside the tax system.

Still, we are encouraged by the potential of automatic tax filing to simplify the tax filing [process for many people with low incomes including 2/3 of families on social assistance](#). We urge the federal government to accelerate implementation of automatic tax filing and to prioritize Canadians with low incomes, including those on provincial social assistance programs for implementation and consultation.

Recommendation 4: That the government establish a pathway to eligibility for the *Canada Disability Benefit* through provincial and territorial income assistance programs for people with disabilities.

In every single province and territory, [unattached singles with disabilities have total welfare incomes that are inadequate and often far below Canada's Official Poverty Line](#).

The *Canada Disability Benefit (CDB)* could be an opportunity to lift people with disabilities out of poverty. Unfortunately, the initial proposed benefit amount is not enough to reach an adequate standard of living, the proposed eligibility criteria exclude many people with disabilities, and the complicated process to apply will limit accessibility.

The proposed regulations require that applicants have a *Disability Tax Credit (DTC)* certificate to qualify. [The DTC is not currently accessed by many people on low incomes](#), as the application process is onerous, costly for many people living on a fixed income, and offers no financial benefit in its current form to people with low incomes as a non-refundable tax credit.

We urge the federal government to establish another eligibility pathway for the CDB for anyone on provincial/ territorial income support for people with disabilities. Additionally, in order to prevent clawbacks from provincial and territorial government, the federal government should withhold CDB payments to residents in provinces and territories until they [commit and make the necessary regulation changes to prevent benefit clawbacks](#).

Prosper Canada welcomes any questions or comments on our proposed recommendations.