

2026 Federal Pre-Budget Submission
to the House of Commons Standing Committee on
Finance

Summary of recommendations

Recommendation 1: That the government implement a coordinated federal-provincial-territorial approach to strengthen income adequacy and household financial resilience and make permanent and strengthen the *Groceries and Essentials Benefit*.

Recommendation 2: That the government improve access to the *Canada Disability Benefit* by modernizing the *Disability Tax Credit*, including broadening the definition of disability, enabling automatic eligibility for individuals receiving disability benefits through provincial social assistance, and reducing administrative and financial barriers.

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

Recommendation 4: That the government strengthen consumer protection by advancing a coordinated national approach to fraud prevention and mitigation, with a focus on protecting financially vulnerable populations.

Recommendation 5: That the government wind down CERB and CRB collections for people with low and modest incomes where there is no evidence of deliberate fraud and where repayment would cause financial hardship.

About Prosper Canada

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.

Since 2016, Prosper Canada and our partners have helped over a million people to access benefits and build their financial capability and well-being. Supported by a \$60 million investment from the Government of Canada's *Social Development Partnerships Program – Children and Families* (ESDC), in 2025 Prosper Canada launched *Resilient Futures*, funding 97 community organizations across Canada to deliver proven, free, high-quality, financial empowerment services, including tax filing, benefit assistance, and financial education, coaching and counselling. The program is expected to reach 1 million Canadians over four years, connecting them to an additional \$2 billion in unclaimed tax and benefit income.

Rising financial insecurity and systemic gaps

More and more Canadian households are struggling to make ends meet, and pressures are intensifying for people with low and modest incomes. Despite some moderation in headline inflation, the [cost of essentials remains high](#) and household debt continues to rise.

[Income growth has not kept pace](#) with inflation for low-income households, increasing financial strain. At the same time, income support programs are not adequately filling the gap with [most household types reliant on social assistance living in poverty](#) and below the deep poverty income threshold. As a result, [recent gains in poverty reduction are being reversed](#) and income inequality is growing (there is a [49 percentage point gap in the share of disposable income enjoyed by the top 40% and bottom 40% of households](#) by income).

In turn, financial resilience is deteriorating with clear consequences for household stability and well-being. In 2025:

- [39% of Canadians 15 and older reported their household found it “difficult” or “very difficult” to meet their financial needs](#) versus **19%** in 2021.
- [50% of households](#) reported having trouble or sometimes struggling with their financial commitments versus **38%** in 2019.
- [45% of Canadians](#) lacked an emergency fund that would cover 3 months of expenses.
- [28% of Canadians were short of money at month-end](#) versus **19%** in 2019.

[Systemic and personal barriers](#) compound these pressures. Complex administrative systems, and policy and service gaps prevent many households from accessing critical income support. An estimated [1 in 5](#) Canadians with low incomes do not tax file and miss out on critical benefits that are [the main income source for 62% of low-income households](#).

Recent affordability measures in the [Spring Economic Update](#) (SEU) deliver meaningful relief. Initiatives such as the *Canada Groceries and Essentials Benefit*, three-year funding for the *Community Volunteer Income Tax Program (CVITP)*, and improvements to the *Disability Tax Credit* are welcome, but federal leadership is still needed to strengthen income adequacy and improve benefit access.

Recommendation 1: That the government implement a coordinated federal-provincial-territorial approach to strengthen income adequacy and household financial resilience and make permanent and strengthen the *Groceries and Essentials Benefit*.

Current trends point to growing income inadequacy relative to the increasing cost of living, leaving many low-income households without the financial stability needed to meet basic needs, let alone weather economic shocks. Further, emerging economic risks, including growing global instability, supply shocks, and labour market softening, are expected to [place additional strain on household finances](#).

This is not only an affordability issue, but a question of system design and readiness to insulate against future instability or sustained financial stress. Income supports are delivered through siloed programs with differing eligibility rules, benefit structures, and recovery practices, which can result in gaps, inconsistencies, and unintended consequences. While pandemic-era programs demonstrated the ability to deliver rapid support, [core systems remain fragmented](#), difficult to access, and insufficiently responsive to changing conditions.

We urge the Government of Canada to take a coordinated approach to strengthening income adequacy and system resilience by:

- Working with provinces and territories to better align and strengthen income support systems.
- Ensuring income supports are sufficient and responsive to economic conditions.
- Improving access to benefits through more streamlined and integrated delivery.
- Investing in community organizations delivering services and supports to help vulnerable people/groups successfully navigate and access benefits.
- Strengthening coordination across federal departments.
- Strengthening and making permanent the *Groceries and Essentials Benefit*.

Recommendation 2: That the government improve access to the *Canada Disability Benefit* by modernizing the *Disability Tax Credit*, including broadening the definition of disability, enabling automatic eligibility for individuals receiving disability benefits through provincial social assistance, and reducing administrative and financial barriers.

The *Disability Tax Credit (DTC)* is the primary gateway to disability supports, providing access to [at least 13 federal programs](#) and a growing number of provincial and territorial disability support programs. The SEU 2026 included welcome measures to improve DTC access, including streamlining applications with an expanded list of medical conditions and expanding certifying practitioners. However, this gateway remains too narrow for many and too difficult for others to navigate.

Statistics Canada estimates that the DTC is claimed by [14.6% of persons with disabilities, rising to just 19.5% of those with severe disabilities and 34.8% of those with very severe disabilities](#), indicating significant gaps in access.

The current definition of disability used for the DTC is among the [most restrictive in Canada](#) and excludes many individuals who qualify for disability-related supports through provincial and territorial programs. At the same time, the [application process remains complex, time-consuming, and costly, creating barriers for applicants](#) and catalyzing the growth of for-profit navigation assistance services.

[Additional barriers](#) include medical practitioner fees to complete applications, repeated reassessments through temporary certificates, and limited access to free trusted DTC navigation support. These challenges disproportionately impact people with low incomes, who are less able to absorb upfront costs or navigate complex administrative systems.

No eligible person with a disability should be denied DTC support because of administrative or financial barriers. Budget 2026 should build on the SEU measures and remove further barriers to the DTC and related disability benefits by:

- Broadening the definition of disability and granting automatic DTC eligibility to individuals receiving provincial/territorial disability income support.
- Streamlining the application process, including using plain-language and introducing a simplified renewal process that reduces unnecessary reassessments and temporary certificates.
- Covering all medical practitioner fees via direct reimbursement to medical practitioners for DTC assessments.
- Strengthen community-based disability navigation support ([Disability Benefit Navigation Program](#)) by increasing funding for disability organizations that help individuals access the DTC, the CDB, and related programs.

Recommendation 3: That the government mandate and resource the CRA to accelerate the implementation of an inclusive automatic tax filing system.

Canada's tax system is the primary delivery mechanism for federal income supports, including the *Canada Child Benefit*, the *Groceries and Essentials Benefit*, the *Canada Workers Benefit*, and many provincial and territorial benefits. However, [persistent individual and systemic barriers to tax filing](#) prevent many people with low incomes from accessing these benefits. As a result, the Parliamentary Budget Officer estimates that [\\$1.7 – \\$1.9 billion](#) in federal benefits go unclaimed each year.

Budget 2025 committed to advancing [automatic federal benefits](#), including “deemed filing” - allowing the CRA to file taxes, issue refunds, and deliver related income benefits directly for select low-income individuals with no taxes owing. These measures were formally introduced through [Bill-C31](#). While this represents an important step, the current framework remains narrow and will exclude many individuals for whom accessing benefits is a challenge.

We urge the federal government to adopt [program design and eligibility changes](#) that prioritize people on provincial social assistance programs. We recommend that the Government of Canada:

- Expand eligibility and inclusion for deemed filing, including raising income thresholds closer to the Official Poverty Line or *Canada Workers Benefit* thresholds.
- Enable automatic filing for social assistance recipients through federal-provincial-territorial data sharing.
- Ensure timely and continuous access to benefits and remove delays such as the 90-day waiting period and other restrictions that weaken program effectiveness.
- Leverage and coordinate with CVITP community organizations to support outreach, navigation, and T1 adjustments.
- Establish clear evaluation and accountability mechanisms, including transparent public reporting on uptake and access gaps.

Recommendation 4: That the government strengthen consumer protection by advancing a coordinated national approach to fraud prevention and mitigation, with a focus on protecting financially vulnerable populations.

In 2025, Canadians reported [losing over \\$704 million to fraud](#), with total [reported losses exceeding \\$2.4 billion since 2022](#)—likely representing only [5-10% of actual cases](#). Fraud disproportionately impacts people with low incomes and other vulnerable groups, who are least able to absorb financial shocks and more likely to experience compounding harms.

While the SEU 2026 signals progress, including investments in enforcement and the development of a National Anti-Fraud Strategy, this approach can be strengthened by shifting risk and the onus of prevention away from individuals and toward the systems and institutions best positioned to prevent, detect, and respond to fraud.

The Government of Canada should:

- Strengthen accountability for preventing and responding to fraud-related harm.
- Improve access to simple, timely, and accessible reporting and resolution processes.
- Ensure fraud prevention measures do not create additional barriers for people with low incomes or other vulnerable populations.

Recommendation 5: That the government wind down CERB and CRB collections for people with low and modest incomes where there is no evidence of deliberate fraud and where repayment would cause financial hardship.

Pandemic benefits (CERB and CRB) were designed to deliver rapid income support during an unprecedented crisis, relying on attestation-based applications with eligibility assessed retroactively. While effective in delivering timely support, evolving guidance and interactions with other programs contributed to widespread eligibility ambiguity and ongoing reassessments affecting hundreds of thousands of Canadians.

Many low-income recipients [applied in good faith using evolving guidance](#). However, interactions with other income support programs, particularly [social assistance](#) and [Employment Insurance \(EI\)](#), added complexity. In some cases, individuals were encouraged to apply for CERB rather than EI or received unclear guidance. [A significant amount of CERB income also ultimately flowed to provincial governments](#) via clawbacks of social assistance and rent-gear-to-income benefits from individual beneficiaries, yet individual beneficiaries – not provinces – are being asked to pay back these amounts.

Current recovery practices risk imposing disproportionate hardship, particularly where repayment would compromise individuals' ability to meet basic needs. The CRA already recognizes [financial hardship as a basis for flexible repayment](#), however, this principle is applied inconsistently and only on request. This principle should be applied more broadly in this context. A clear distinction should be maintained between intentional fraud and good-faith overpayments.

The Government of Canada should:

- Adopt a recovery framework that distinguishes between fraud and good-faith overpayments, including the suspension of collections where repayment would cause financial hardship (below the Official Poverty Line or *Canada Workers Benefit* thresholds).
- Implement broad-based waivers or settlements for low-income recipients to bring closure to ongoing collections.
- Collect repayment from provinces and territories of pandemic relief they clawed back from ineligible recipients receiving provincial benefits.