

Bill C-31

Delivering Automatic Federal Benefits for Low-Income Individuals

This cost estimate assesses the budgetary impact of Automatic Federal Benefits, noting that the initial design phase which has been announced will target a relatively small subset of all potential low-income non-filers.

Budget 2025 proposes the introduction of Automatic Federal Benefits through a two-stage approach to increase the take-up rate of benefits such as, the Canada Groceries and Essentials Benefit (CGEB, formerly the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit), the Canada Child Benefit (CCB), and the Canada Workers Benefit (CWB) among others. Bill C-31 sets out the framework to implement this measure.

As a first step, beginning with the 2025 tax year, the Canada Revenue Agency (CRA) would file an income tax return on behalf of eligible individuals (“deemed filers”): taxpayers with simple tax situations, who do not have taxes owing, who are either lapsed filers or non-filers. These individuals would start to receive benefits in the 2027-28 fiscal year.

Subsequently, starting with the 2026 tax year, the CRA would prepare pre-filled income tax returns for eligible individuals who have a filing history and a simple tax situation. These returns would be made available for review and confirmation by the taxpayer on CRA’s My Account online filing system.

As shown in Table 1, PBO estimates that the measure will cost \$429 million over 2026-27 to 2030-31¹, rising from \$22 million in 2026-27 to \$136 million in 2030-31.

Of note, in the early stages of implementation, the CRA is focusing on providing this service to a subset of all estimated non-filers in Canada as an initial step to increase uptake of low-income benefits within the target population. This costing reflects the operational objectives established by CRA for coverage of non-filers. As shown in Table 2, CRA is targeting to reach 3,000 non-filers for the 2025 tax year, rising to 50,000 individuals for the 2027 tax year and thereafter.

Table 1 - Detailed 5-Year Cost

\$ millions

Fiscal year	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Cost of additional benefits	0	17	90	117	119	342
Administrative cost	22	15	16	17	17	87
Total cost	22	32	106	134	136	429

Source:

Parliamentary Budget Office, Canada Revenue Agency, Employment and Social Development Canada, and Statistics Canada (SPSD/M).

Note:

Estimates are presented on an accrual basis as would appear in the budget and public accounts.

A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending).

A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).

Table 2 - Benefits Received by Deemed Filers

Base year	2025	2026	2027	2028	2029
Average benefits received (\$)	2,212	2,257	2,300	2,344	2,391
Numbers of deemed filers	3,000	6,000	50,000	50,000	50,000

Source:

Parliamentary Budget Office, Canada Revenue Agency and Statistics Canada (SPSD/M).

Note:

The base year corresponds to the tax year. Average benefits received should be interpreted as average total entitlement to the CGEB, CWB and CCB, as determined after an individual's tax return is assessed for a given year. Actual flows of transfers from the government to the individual follow a payout cycle, depending on the benefit. Average benefits received are calculated as the weighted average of entitlements to the CGEB, CWB, and CCB.

Estimation and Projection Method

The cost of the measure reflects incremental benefit payments to newly eligible recipients, plus associated administrative costs. Automatic federal benefits include the CGEB, CCB, and CWB. As the deemed filing pilot is expected to launch in Fall 2026, PBO assumed that actual transfers from the government to individuals will begin in the 2027–28 fiscal year.

Based on historical data from the CRA's SimpleFile program, the benefit amounts were indexed to inflation using PBO's CPI projections beginning with the 2025 tax year. The projected benefit amounts were subsequently applied to the projected number of deemed filers provided by CRA to estimate total transfers. The GST/HST credit was also increased following its redesign as the CGEB. For deemed filers, the incremental increase of the CGEB was estimated as the average difference between the baseline GST/HST credit amount and the enhanced CGEB amount, simulated using the Social Policy Simulation Database and Model (SPSD/M)².

The administrative costs for implementing Automatic Federal Benefits were estimated using initial IT software and infrastructure cost estimates for benefits delivery at Employment and Social Development Canada (ESDC). These costs were then scaled to CRA using the ratio of CRA-to-ESDC benefit program expenditures, and inflation-adjusted using PBO's CPI projections.

Sources of Uncertainty

The cost of the Automatic Federal Benefits measure is uncertain and driven primarily by the unobserved distribution of income and demographic characteristics among non-filers, which cannot be directly observed due to their limited, or lack of, tax filing history, and operational choices by CRA to reach non-filers. If these characteristics differ materially from those of observed SimpleFile filers, average benefit levels and total costs may be under- or overestimated. Costs could also rise as the program evolves, particularly if its design expands to reach more non-filers and lapsed filers. In fact, Robson and Schwartz (2020) estimated that 2.4 million of 19.5 million working-age adult Canadians did not file a return for the 2015 tax year, thereby missing out on benefits such as the GST/HST credit, the CWB, and federal and provincial child benefits³. Building on this methodology, PBO (2024) estimated that fully automating tax filing for all non-filers in Canada could generate up to \$1.7 billion annually in additional benefit payments⁴.

Parliamentarians may wish to question CRA as to their plans to scale up the program from the initial design phase to ensure that a greater proportion of low-income Canadians receive benefits for which they are eligible.

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Data Sources

Deemed filers, Canada Groceries and Essentials Benefit (formerly the Goods and Services Tax/Harmonized Sales Tax Credit), Child Care Benefit, Canada Workers Benefit, SimpleFile Taxable Income Thresholds

Canada Revenue Agency from Information Request IR0870

Canada Revenue Agency from Information Request IR0920

Canada Groceries and Essentials Benefit

SPSD/M (Version 34.1.0)

Consumer Price Index

PBO Economic and Fiscal Outlook – June 2026

Initial Cost Estimate for the Benefits Delivery Modernization Programme

[House of Commons Standing Committee on Public Accounts](#)

[Employment and Social Development Canada](#)

Notes

¹ PBO estimates that the measure will cost \$7 million in 2025-26.

² This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSSD/M simulation

results were prepared by the Parliamentary Budget Office and the responsibility for the use and interpretation of these data is entirely that of the PBO.

³ Robson, J. and Schwartz, S. (2020). "[Who Doesn't File a Tax Return? A Portrait of Non-Filers](#)", UTP Journals Volume 46, Issue 3, September 2020; University of Toronto Press.

⁴ Office of the Parliamentary Budget Officer. [Expansion of SimpleFile by Phone and the implementation of an automatic tax filing system](#). June 13, 2024.

