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The Tax Return Has Quietly Become Canada's Benefits Gateway. Its Governance Hasn't Caught Up.

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The personal income tax return in Canada was initially designed for one job: to tell the government how much tax you owe. However, that role has expanded over the years. Today, filing a tax return is also the single most important step a low-income Canadian can take to access many benefits, and it is often the only door into the system. Miss that step, and a long list of payments you are entitled to simply never arrive.

In a new Policy Forum article in the *Canadian Tax Journal*, we argue that this expansion has turned tax administration into shared infrastructure for delivering social policy across every order of government. And the rules and responsibilities that govern it need to reflect that.

From revenue tool to benefit gateway

The filing of a tax return is a gateway to two broad groups of benefits.

The first are benefits the Canada Revenue Agency (CRA) administers and delivers directly. For these, the CRA calculates eligibility from your return and issues the payment itself. The Canada Child Benefit (CCB), the Canada Groceries and Essentials Benefit (CGEB, formerly the GST/HST credit), the Canada Workers Benefit (CWB), and a range of provincial child benefits all work this way. For these programs, filing is not just a reporting formality. It is a precondition. Fail to file and you can lose the benefit entirely, even if you are eligible and received it the year before.

The second group of benefits is larger and has expanded since the COVID-19 pandemic. These are programs run by other agencies, federal, provincial, territorial, and even municipal governments, that rely on CRA-held income data to determine who qualifies. The Canada Disability Benefit (CDB), the guaranteed income supplement (GIS)—an addition to OAS for low-income seniors—the Canada dental care plan, provincial pharmacare and housing benefits, and the Calgary low-income transit pass all draw on information the CRA holds. Tax filing sits upstream of all of them.

Add it up, and access to a wide range of benefits across all three orders of government is now conditioned on one act: filing a tax return.

The people most likely to qualify are the most likely to be missed

The problem with relying on a tax return to access benefits is that non-filing is concentrated among exactly the households these programs are meant to reach. Robson and Schwartz estimate that in 2015 up to 12 percent of working-age Canadians, and up to 20 percent of people in families below the poverty line, did not file a return. The federal government's own data suggest non-filing may run as high as 17 percent for people with incomes under $20,000.

When these Canadians do not file, the systems governments use to identify and pay them cannot function, regardless of whether the person is eligible. The result is billions of dollars in unclaimed benefits and a redistributive system that underperforms for the people it was built to help.

It is tempting to read this only as a behaviour problem: the problem being that people fail to do their paperwork. We argue it should also be understood as a governance problem.

Why the tax system is now infrastructure

When we say infrastructure, most people picture roads, bridges, and water mains: physical things governments build and, just as importantly, maintain. We mean something broader. Infrastructure also includes the durable administrative systems, legal authorities, and data practices that governments use to actually carry out their decisions at scale. The CRA's machinery—its income records, its filing process, its data-sharing channels, its payment platforms—is exactly this kind of system. Political scientists have a term for the underlying capacity it represents: the infrastructural power of the state, the ability of governments to implement their decisions through administrative means.

This is not just relabelling. Canada, like other OECD countries, does not count administrative systems as infrastructure in its national accounts. This blind spot hides how completely governments now depend on these systems, a dependence the pandemic made impossible to ignore when the CRA became the delivery channel for emergency support almost overnight.

Naming the tax system as infrastructure changes what we should expect of it. We do not let a bridge corrode and then blame the drivers who can no longer cross it. Infrastructure has to be maintained for everyone who relies on it. Once the tax-filing system is understood this way, the persistence of non-filing among low-income Canadians looks less like a failure of individual effort and more like a public asset that is not being kept in good repair.

A shared system with no shared steward

When something becomes essential public infrastructure, it needs to be looked after with deliberate attention to the load it carries. Within the personal income tax system, that load includes benefit access: making sure filing reliably connects eligible Canadians to the benefits they qualify for. That responsibility currently belongs to no one.

Two instruments currently coordinate the personal income tax system and benefits. Tax collection agreements (TCAs) between Ottawa and the provinces harmonize tax bases and authorize the CRA to administer taxes and benefits on the provinces' behalf. The income verification program (IVP) lets the CRA share income data with more than 100 federal, provincial, territorial, and municipal programs, but only one way—from the CRA to the program—and only with consent of the individual tax payer.

Both instruments do their jobs well; however, neither was designed to ask whether the tax-filing gateway is actually working for the people who depend on it. TCAs say nothing about improving filing rates, raising take-up, or fixing errors. The IVP moves data out of the CRA but never back in, so a program that can see a person is eligible has no way to signal the CRA to help that person file. No single body is responsible for closing these access gaps.

What this looks like in practice

The Canada learning bond (CLB) shows the problem clearly. The CLB helps low-income families save for a child's education with no family contribution required. Yet take-up has stayed low, and lowest among the poorest families: only about 10 percent of children in households under $10,000 receive it, compared with 24 percent in households earning $40,000 to $49,999. As many as 14,000 children a year miss out simply because a parent did not file a tax return.

The CRA knows which children are potentially eligible, and hands ESDC the list each year. Yet the two agencies do not run a joint effort to reach the families who never enrol. And when a child's payments do stop, ESDC can see the interruption but not its cause: it cannot tell whether the family's income rose above the threshold or a parent simply did not file taxes. In that second case, a quick nudge to file might be all that stands between a child and the benefit, but no one is positioned to send it.

A related pattern appears in provincial income assistance. In 2021, nearly 15 percent of social assistance recipients (290,930 people) who were issued a T5007 slip, the form that reports their income assistance payments to the CRA, did not file a tax return. Their income was therefore already on record with the CRA. These recipients are among those most likely to qualify for tax-delivered benefits, yet because they had not filed, those benefits never reached them. The system simply had no way to turn information it already held into benefit access.

Automatic filing helps, but it is not the whole answer

The 2025 federal budget announced automatic tax filing for low-income people with simple returns, phasing in from the 2026 tax year. This is a genuine step forward and will pull some non-filers into the system. Earlier coverage on the Canadian Tax Observatory made this case in detail, welcoming automatic filing as genuine progress while cautioning that there is more to do. But automation does not resolve the underlying fragmentation. When access depends on a shared gateway, outcomes depend not only on how each program is designed but on whether governments collectively steward the system that turns eligibility into a payment. A companion Policy Forum article in the same issue takes up the evaluation side of this question, offering a welfare-based framework for judging whether administrative reforms actually improve access and fairness, not just whether they cut costs.

A light-touch fix: a tax-filing and benefit access accord

We propose an intergovernmental tax-filing and benefit access accord. It is deliberately modest. It would not centralize benefit delivery, expand entitlements, weaken privacy protections, or touch constitutional responsibilities. It would layer onto the instruments that already exist and assign something currently missing: shared responsibility for making the gateway work.

The accord would focus on four things:

1. **Shared responsibility for filing supports.** Where filing is a gatekeeper to benefits, helping people file is part of the access architecture, not an optional extra. The accord would establish shared responsibility for ensuring access to filing supports, while allowing provinces and territories to tailor delivery models to local service ecosystems.
2. **Standardized, consent-based, two-way data protocols.** Existing arrangements permit limited, one-way sharing of tax information from the CRA to other administering bodies. While essential for privacy protection, this structure prevents coordination that could reduce administrative burden and improve access. The accord would establish standardized, purpose-limited, consent-based protocols enabling two-way signalling between programs and the CRA. These protocols would support coordination and notification without altering program authority.
3. **Integrated service design.** Research on administrative burden and service integration shows that fragmented delivery imposes disproportionate costs on individuals with limited resources. The accord would promote integrated service design by aligning tax filing and benefit access through networks of trusted intermediary service providers. Under the accord, governments could support coordinated networks of community-based organizations that assist with tax filing, consent, and benefit access, enabling individuals to navigate administrative systems through accessible and trusted service environments.
4. **Performance, learning, and scale.** The accord should be implemented incrementally, beginning with targeted pilots in policy areas where access gaps are well documented, such as housing benefits, the Canada learning bond, and disability supports. These pilots should be accompanied by public reporting on agreed performance metrics, supporting scaling and refinements based on observed outcomes.

Signatories would be governments rather than individual programs, reflecting that this is a whole-of-government concern: Ottawa represented by the CRA and the Department of Finance, the provinces and territories by their central agencies.

Aligning governance with reality

The tax return has become a critical piece of infrastructure that determines whether millions of Canadians can reach the benefits they qualify for. We argue that governments should govern it that way. The accord does not reinvent the federation or rewrite a single program. It simply recognizes the system we already have and assigns responsibility to make sure it works.

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