



May 12, 2026

**From:** Alexandre Laurin  
**To:** Budget Watchers  
**Re:** AUTOMATIC TAX-FILING IS NO PANACEA

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Tax time has come and gone, and once again, at least a million Canadians have likely not filed, and don't intend to.

Those who don't file potentially miss out on various valuable tax credits, including for children, to help workers or to supplement spending on groceries and other essentials.

Ottawa's answer is to make tax filing automatic, or at least simpler, for very low-income filers. Next year the Canada Revenue Agency (CRA) will send pre-filled returns that only have to be signed and submitted for about one million very low-income filers, expanding to 5.5 million by 2029. In some cases, the agency may eventually file on people's behalf. That may improve convenience at the margins but doesn't solve the deeper problem: The Canadians most needing benefits from the tax system are the hardest for it to reach.

Automatic tax filing is driven by two goals: Reducing costs for those who do file and reaching vulnerable individuals who consistently don't. In my recent C.D. Howe Institute [paper](#), I estimate that once late filers are properly accounted for – some people file years after the deadline – Canada's true non-filing rate is about 3.6 percent, or roughly 1.2 million people in 2023. Excluding those who would not be eligible for benefits shrinks the pool further.

Non-filers are disproportionately young, Indigenous, or housing-insecure, often in combination. They may mistrust government or worry that filing would expose informal income, and they may have trouble verifying their ID. Filling out forms on their behalf won't fix these problems.

The CRA's data are telling. In the 2025 filing season, it sent roughly two million invitations to low-income Canadians offering a free, fully automated return through its SimpleFile service delivered by phone. About 73,000 people accepted – a 4-percent uptake consistent with the 3 to 11 percent observed over nearly a decade. By contrast, community tax clinics where people receive free in-person assistance from volunteers helped prepare more than one million returns. For hard-to-reach populations, trust and human interaction still matter.

There's also the more fundamental issue of just how “automatic” tax-filing can really be in Canada. Countries often cited as models, where most employees and pensioners have a one-click experience or do not need to file at all, have far simpler tax systems for large segments of the population.

In this country, by contrast, both levels of governments have layered the system with credits supporting social and economic objectives: Childcare, medical expenses, disability supports, caregiving, moving costs, tuition, work-from-home expenses, tools for certain occupations, donations and many more. As a result, the CRA has enough third-party information to complete returns for only about a third of Canadians. The rest require input only taxpayers can provide. Even in countries with so-called “return-free” systems, such as the United Kingdom, gig work, multiple jobs and new credits have increased reporting requirements.

To its credit, last fall's federal budget did not promise universal automation. Instead it targets filers with zero tax owing whose low income is entirely captured on existing information slips, thus limiting the risk of errors. But it's also focused on people already known to the CRA who have interacted with the system before.

The expected impact is modest. The budget projects about \$103 million in additional benefit payments by 2029-30. At typical benefit levels, that translates into roughly 44,000 new recipients. That's not a transformative policy.

To get to the bulk of vulnerable people who do not file requires more drastic measures.

First, we should think about de-coupling benefits from tax filing. A dedicated benefit-delivery body reaching out to disconnected, vulnerable people might have a better chance of engaging them. Some may be more willing to interact with a benefits agency than a tax collector.

Second, we should consider streamlining the system for the majority of Canadians who have mainly employment or pension income. One approach would be to consolidate the bulk of credits and deductions into a single, simplified credit large enough to capture their intended value for most people. A basic tax return could then fit on a single page. If provinces followed suit, automatic tax filing would become much more realistic.

Absent such reforms, improvements could come from outside government. AI and commercial tax software could eventually deliver one-click filing – or close to it – for many.

As this tax season recedes in the rear-view mirror, we all might wish the CRA would file our taxes for us. But policymakers should be clear about what's on offer. As currently designed, automatic filing is primarily a convenience for very-low-income filers already in the system. It is not a solution to Canada's deeper problem of non-participation among the most vulnerable.

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