

Extending the Eligibility for the Disability Tax Credit to Fight Poverty

A quantitative analysis

EXECUTIVE
SUMMARY



The Canadian
Tax Observatory



The Disability Tax Credit (DTC) was designed as a tax instrument. Its eligibility test—requiring a marked restriction in a fixed list of daily activities, lasting at least twelve continuous months, certified by a qualified medical practitioner—was calibrated to identify individuals whose taxable capacity is meaningfully reduced by the non-discretionary costs of a severe and prolonged impairment. That design logic held so long as the DTC was only performing a tax function.

That changed when Parliament made the DTC the eligibility gateway to the Canada Disability Benefit (CDB), an income-support program aimed at reducing poverty among working-age Canadians with disabilities. Once the DTC controls access to an anti-poverty benefit, whether it applies the right definition of disability is no longer only a question of tax design: it is a question of whether the right population is being reached by a federal anti-poverty program.

This report, part of the second phase of the *Broken Links* project led by the Canadian Tax Observatory, examines that mismatch. It compares the DTC's eligibility criteria against those of the Accessible Canada Act (ACA), the Canada Pension Plan Disability benefit (CPP-D), and provincial and territorial disability assistance programs; and it models, using Statistics Canada's Social Policy Simulation Database and Model (SPSD/M, v34.0), what extending the DTC presumptively to CPP-D and provincial disability assistance recipients would mean for access, cost, and poverty.

ANALYTICAL FRAMEWORK

Two concepts structure the analysis. The first is fit-for-purpose: a test designed to measure taxable capacity is not necessarily a test for who is disabled in the sense an anti-poverty benefit requires. The DTC's strict functional test was calibrated to one task; it now performs a second, different task without having been recalibrated for it.

The second concept is the evaluative benchmark. Parliament's own inclusive definition of disability is found in the *Accessible Canada Act* (ACA), enacted in 2019—four years before the CDB was created. The ACA defines disability as any physical, mental, intellectual, cognitive, learning, communication, or sensory impairment, or functional limitation, whether permanent, temporary, or episodic, that in interaction with a barrier hinders a person's full and equal participation in society. No medical certification is required; episodic conditions are explicitly included. The report uses the ACA as the evaluative standard against which to assess how inclusive each program's disability test is. The ACA is used as a benchmark rather than modelled as a pathway because it is a standard rather than a program — it assesses no individuals and certifies no one, so there is no ACA-determined population to deem presumptively eligible.

The modelling in Section 2 estimates two presumptive-eligibility pathways: one that deems CPP-D recipients eligible for the DTC, and one that does the same for provincial disability assistance recipients. These are estimated separately, and then as a combined pathway. For each, the report estimates how many people would be newly reached, what the fiscal cost would be, and what the effect on poverty rates and depth would be.

FINDINGS

1. The DTC's eligibility criteria are among the most restrictive of any disability program reviewed and are not well aligned with Parliament's own inclusive disability standard.

Where the ACA recognizes any impairment that hinders full and equal participation in society, the DTC requires a marked restriction (at least 90 percent of the time) in a fixed, enumerated list of daily activities, for a continuous minimum of twelve months, certified by a qualified medical practitioner. Work, housekeeping, and social participation are explicitly excluded from the DTC's test. CPP-D, which assesses incapacity for any substantially gainful occupation rather than daily activity restriction, is similarly restrictive by ACA standards— and it tests something different from the DTC. The two populations overlap heavily, but neither sits inside the other: qualifying for one does not mean qualifying for the other. Most provincial and territorial disability assistance programs apply less restrictive severity thresholds than the DTC on at least one definitional dimension. Thirteen jurisdictions operate fifteen distinct disability tests, varying widely on severity, duration, and the activities assessed.

FINDING 1 • KEY NUMBERS

12% of provincial disability assistance recipients hold a DTC certificate
46% of CPP-D recipients hold a DTC certificate

2. Making CPP-D recipients presumptively eligible for the DTC would be modest in scale and poverty impact, with most of the cost flowing through the non-refundable disability tax credit rather than the CDB.

Of working-age CPP-D and QPP disability pension recipients, the SPSPD/M estimates that 54.3 percent do not hold a DTC certificate. Presumptive eligibility would newly qualify these recipients, increasing the number of working-age DTC certificate holders by 28.6 percent. The poverty effect is modest: the MBM low-income rate among working-age CPP-D recipients would fall from 18.5 to 16.7 percent, lifting approximately 6,000 people above the poverty line.

This modest poverty impact follows from poor targeting. Because CPP-D is a contributory program that selects on work history, its recipients tend to have higher income (QPP is similar). Most of the cost increase therefore flows through the non-refundable DTC rather than the CDB: of the \$419 million increase in government costs, 57 percent is an increase in federal and provincial DTC costs, accruing mainly to those with no CDB because their income is too high. The CDB is the smaller share of the cost increase, and it goes almost entirely to the lowest-income families: about 90 per cent of it reaches families with incomes under \$30,000, once income is adjusted for family size.

FINDING 2 • CPP-D PRESUMPTIVE PATHWAY

181,269 working-age CPP-D recipients newly eligible for the DTC
+\$420M total additional government cost per year

~6,000 people lifted above the MBM poverty line
18.5→16.7% poverty rate among CPP-D recipients (before → after)

3. Making provincial disability assistance recipients presumptively eligible for the DTC would be far larger in scale and substantially more effective for poverty reduction

Provincial disability assistance recipients have a low DTC take-up rate (approximately 12 percent of cases). Presumptive eligibility would newly qualify an estimated 671,000 to 673,000 working-age recipients, more than doubling the number of working-age DTC certificate holders (from 632,819 to approximately 1.3 million). Between 95 and 97 percent of newly eligible recipients fall below the CDB's income test; they would receive an average of approximately \$2,380 per person—close to the 2026 maximum of \$2,440. The additional cost is estimated at \$1.63 to \$1.68 billion, with the CDB accounting for almost the entire increase. The poverty impact is correspondingly larger: the MBM low-income rate among disability assistance recipients would fall from approximately 47 - 49 percent to approximately 42 percent, lifting between 38,000 and 53,000 people above the poverty line, and reducing the aggregate poverty gap – the depth of poverty -- by 24 to 28 percent.

FINDING 3 • PROVINCIAL DISABILITY ASSISTANCE PATHWAY

671,000–673,000 newly eligible working-age recipients
+\$1.6–1.7B additional annual government cost (~98% federal)
38,000–53,000 people lifted above the MBM poverty line
~49→42% poverty rate among DA recipients (before → after)

4. Extending the DTC to both groups would reach about 826,000 to 828,000 working-age people at an additional cost of about \$2 billion — close to, but not the sum of, the two pathways taken separately.

The two populations overlap only slightly: about 26,680 people receive both CPP-D and provincial disability assistance. Combining the pathways therefore reaches close to the sum of the two, newly qualifying between 826,000 and 828,000 working-age people, more than doubling the number of working-age DTC certificate holders (from 632,819 to approximately 1.46 million) and more than tripling the number receiving the CDB (from 319,984 to between 1.01 and 1.02 million). The additional government cost is estimated at \$1.99 to \$2.04 billion annually, approximately 94 percent of it federal. Among all working-age C/QPP-D and disability assistance recipients, the MBM low-income rate would fall from 38–40 percent to 34 per cent, lifting between 42,900 and 58,000 people above the poverty line.

FINDING 4 • COMBINED PATHWAY

826,000–828,000 newly eligible working-age recipients

+\$2.0B additional annual government cost (~94% federal)
42,900–58,000 people lifted above the MBM poverty line
~38→34% poverty rate among CPP-D and DA recipients (before → after)

5. The two pathways differ fundamentally in how they deliver money: CPP-D through the non-refundable tax credit, disability assistance through the refundable benefit. This determines both the poverty impact and the equity of each pathway.

The non-refundable DTC is worth little to those with little tax to offset while the CDB delivers its full value to those with low income. Because CPP-D recipients have higher average incomes, the CPP-D pathway routes most of its cost through the DTC to a population above the CDB's income test—producing modest poverty reduction at substantial cost. Because disability assistance recipients have low incomes by design, the disability assistance pathway routes most of its cost through the CDB to people below the poverty line—producing a large reduction in poverty.

6. While extending DTC access presumptively to disability assistance recipients would reduce access barriers to the CDB, gains in access would be uneven across provinces in part due to the differing definitions of disability used by the provincial disability assistance programs.

Reach varies markedly by province. Because a presumptive pathway adopts each province's definition of disability rather than imposing a national standard, the pathway's reach is set by the tests it recognizes in its place. For example, 36 persons per 1,000 working-age residents in Ontario would be newly eligible for the DTC if disability-assistance clients were presumptively eligible—a province with a relatively less restrictive definition of disability. Comparatively, 8 persons per 1,000 working-age residents in New Brunswick would be newly eligible—a province with a relatively more restrictive definition of disability and more than a fourfold difference compared to Ontario. Zero persons in Newfoundland and Labrador would be newly eligible because the provincial disability benefit is itself tied to DTC certification. The correspondence with disability definitions is indicative rather than exact.

RECOMMENDATIONS

1. Develop a new disability definition for the Canada Disability Benefit.

The CDB's disability test should be written for the purpose the CDB serves, rather than inherited from a credit designed to measure taxable capacity. Table 1 in the report maps the DTC's test against the ACA's inclusive framework and against fifteen other provincial and territorial programs: the distance is substantial. A definition written for an anti-poverty benefit—developed in consultation with the disability community and aligned with the ACA—would close the gap that the presumptive pathways modelled here work around rather than resolve. What such a definition would reach, and at what cost, requires confidential microdata (the 2022 Canadian Survey on Disability linked to T1FF) that the next phase of this work is seeking access to analyze.

2. Require a disability-determination field on the T5007.

The T5007 tax slip reports income assistance income but does not identify which program paid it. A person receiving the Ontario Disability Support Program is indistinguishable on their tax file from a person receiving Ontario Works. This gap is a structural barrier both to administering any presumptive eligibility pathway built on provincial disability determinations and to evaluating disability income programs generally. Adding a field to T5007 reporting requirements identifying the program stream—or, more narrowly, whether the paying program made a disability determination—falls within federal authority and would be a prerequisite for the CRA to administer the disability assistance pathway. This report had to estimate the disability assistance population by calibration against published caseloads rather than observe it directly; better data would permit more precise analysis.

3. If presumptive eligibility is adopted, structure it as an alternate route, not the only route.

Presumptive eligibility should add a pathway to DTC certification rather than replace the existing one. Existing provincial precedents—British Columbia's treatment of CPP-D recipients as a prescribed class for the PWD designation, and Ontario's treatment of CPP and QPP disability pension recipients as prescribed classes for ODSP—take exactly this form: an alternative ground for designation that sits alongside the province's own assessment, leaving existing applicants unaffected. A federal presumptive pathway structured the same way would reach C/QPP-D and disability assistance recipients who currently fall outside the DTC's gate without removing anyone already certified, and without altering the CDB's income test.

This executive summary accompanies the full report: *Extending the Eligibility for the Disability Tax Credit to fight poverty: A Quantitative Analysis* (Petit, 2026). The complete findings, tables, methodology, technical appendix, and references are available in the full document. Modelling was conducted using SPSS/M v34.0 (Statistics Canada), supplemented with provincial disability assistance caseload data from Oliveira and Caballero (2026). Results exclude the territories and persons living on reserve; incremental cost estimates should be read as upper bounds.