Tax: the flaw at the heart of the National Commission of Audit

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What's missing? Tax. The National Commission of Audit has decided not to consider it. That means also not considering something more fundamental: tax expenditures.

Taxation expenditures are government programs that are delivered via tax breaks rather than by direct payments.

Retirement is an example. The government supports well-off retirees via superannuation tax concessions. They cost $27 billion. It supports less well-off retirees by the pension. That costs $41 billion. The commission of audit comes down hard on the pensioners and lets off the superannuants scot-free.

Memo to anyone seeking government support: get it delivered as a concession rather than as a payment. The commission of audit won't notice.

It's the same for business. The commission of audit wants grants to business axed but it lets tax breaks for business go through to the keeper.

And don't believe for one second the people it does turn its attention to get off lightly. Behind innocuous sounding words such as "taper rates", "benchmarks" and "average weekly earnings" lie cuts that will hurt.

At the moment, pensions are set at at least 27.7 per cent of male average weekly earnings. The commission of audit wants to transition it to 28 per cent of average weekly earnings. It doesn't sound like a big change, but total average weekly earnings (female and male averaged together) are a good deal less than male earnings, about 17 per cent less. To transition the pension benchmark down, pensions will climb with prices rather than wages for the next 15 years.

Letting the pension age climb to 70 by the middle of the century sounds gentle, but lifting the age beyond that by about nine months for each year that life expectancy climbs will mean the pension age increases as far as the eye can see.

Including superannuation income in the means test for the Seniors Health Card is entirely reasonable but will exclude almost everyone. It is only available to retirees with too much income to get the pension. For couples that's $70,000. Including superannuation income in the income test will see access cut off at $80,000.

Strictly speaking, the commission of audit shouldn't have included the minimum wage in the section of its report headed "Managing expenditure growth". It isn't a government expenditure. Abandoning Fair Work Australia wage cases and instead tying the minimum wage to 44 per cent of average weekly earnings sounds innocent enough until you realise the present minimum wage is $622.20 a week, which is 56 per cent of average weekly earnings – a good deal higher. The commission of audit wants Australia's lowest paid workers to get there by accepting increases of the consumer price index minus 1 per cent for the next 10 years.

Forcing young unemployed people to move to where there are jobs after one year on Newstart sounds fair until you consider what one year on Newstart will mean. It isn't readily available until an unemployed person has run down their assets. After that it's $13,273. It is hard to know how someone who had received that little for so long can afford to move.

A Medicare co-payment of $15 for each visit to the doctor (dropping to $7.50 after 15 visits) runs of the risk of turning away people whose conditions should be examined early. Denying doctors who bulk bill the right to waive the payment amplifies the risk.

Whether by design or not, the people most likely to be hurt by the commission of audit's recommendations are Australia's most vulnerable. It wouldn't have been so if it had devoted equal or any attention to tax breaks.

It is a heavy irony that the 1996 National Commission of Audit found Australia's treatment of tax expenditures "clearly inadequate".

"Tax expenditures should be treated as much as possible like program expenditures in all published fiscal reports and statements," it recommended.