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**EMPLOYERS WILL CARRY THE COST OF SUPER CONTRIBUTIONS  
FOLLOWING HENRY REVIEW**

Employers will have to find the extra 3.5% to fund the increased superannuation contribution following the Government's decision to increase compulsory employer superannuation contributions from 9% to 12% over a six-year period starting on 1 July 2013, said Pitcher Partners Superannuation Director Brad Twentyman.

Mr Twentyman said the cost to business will be in the order of \$30bn to \$35 billion a year and the Government stands to collect in the order of \$4bn to \$5bn a year in extra contributions tax, with the Government's "contribution to the arrangement in isolation amounting to zero unless the company tax cut is factored in".

"The concept that increasing compulsory contributions from 9% to 12% will provide a great benefit to lower income workers is questionable.

"The increase in cost to the employer will most likely lead to an offsetting reduction in the employee's wage or an increase in costs which will make its way through to higher prices. Either way the employee is likely to be worse off each year through their working life."

Mr Twentyman said the higher compulsory contribution rate should result in the employee having more superannuation when they retire. However, he said, because of the income and/or assets means tests, the employee will likely receive less age pension as a direct result of their higher superannuation balance. He said they will most likely be better off in retirement, but not by nearly as much as is portrayed.

"Setting a maximum balance of \$500,000 to access the higher concessional contribution rate of \$50,000 from 1 July 2012 should also be questioned.

"The better response would have been for the Government to admit that from the perspective of someone over age 50, the decision last year to halve concessional contribution caps went too far. Including a maximum balance test just adds undue complexity to the system."

Mr Twentyman said that while the Henry Review and Government's response confirm that superannuation will continue to receive preferential tax treatment into the future, the fact that the superannuation measures are being sold as significant reform is "underwhelming".

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*Pitcher Partners is an association of independent firms. An independent member of Baker Tilly International.*

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