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Award in Payroll Fundamentals

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Introduction to Payroll

Introduction to Payroll

What is Payroll?



Introduction to Payroll

- Payroll and bookkeeping, as we know it today, dates back to the 14th and 15 Century
- In the early 20th Century it became a business practice, with a system being put into place
- Automation of payroll was introduced in the late 20th Century
- Does Payroll relate to HR or the Finance Department?



Payroll Processing – Overview

- The mandatory records necessary for processing payroll
- Documentation of the employee's payroll records
- Recording and inputting data from time-sheets or changes correctly
- Income tax, social security deductions & maternity fund contributions
- Weekly and statutory (government) bonus
- Processing of terminations within the correct / stipulated time
- Preparation of payslip and identifying the difference between gross and net salaries
- Preparation and submission of FSS statutory forms



We may be experts but...

QUESTION EVERYTHING

SEEK ADVICE WHEN IN DOUBT

NEVER ASSUME ANYTHING — SEEK CLARIFICATION

NEVER STOP LEARNING



Payroll Systems

Manual Calculation (Excel)

Payroll Software (automated systems)

Whatever you use you must review your work!



Outsourcing of the Payroll function

- What is outsourcing of payroll?
- How does it work?
- What options are available?

• Consider who is the controller and who is the processor (GDPR)



Maltese Legislation Regulating Payroll

Main Legislation

- Chapter 452 Employment and Industrial Relation Act (EIRA)
- Chapter 343 Employment and Training Services Act
- Chapter 267 Employment Commission Act
- Chapter 318 Social Security Act



Maltese Legislation Regulating Payroll

Other Legislation

- FSS Rules (SL 372.14)
- Parental Leave Entitlement Regulations (SL 452.78)
- Organisation of Working Time Regulations (SL 452.87)
- Urgent Family Leave Regulations (SL 452.88)
- Minimum Special Leave Entitlement Regulations (SL 452.101)
- Overtime Regulations (SL 452.110)
- Leave for Medically Assisted Procreation N.S. Order (SL 452.114)
- Annual Leave National Standard Order (SL 452.115)
- Work-Life Balance (LN 201 2022)



Eyes open for Regular Updates!

Office of the Commissioner for Revenue

https://cfr.gov.mt/en/Pages/Home.aspx

- Tax and Social Security Rates
- Employer submissions
- Validation of tax numbers and social security numbers



Eyes open for Regular Updates!

• Department for Industrial and Employment Relations

https://dier.gov.mt/en/Pages/home.aspx

- Conditions of Work
- Work Regulation Orders
- Employee Entitlement



Eyes open for Regular Updates!

• Department of Social Security

https://socialsecurity.gov.mt/en

Benefit Rates et al

- Legislation Malta (Online Portal)
 https://legislation.mt
 - Tax Updates and Legal Notices



Wage Regulation Orders (WRO)

How many WROs are there currently?

Does the Company / Client fall under a WRO?

https://dier.gov.mt/en/Legislation/Pages/Wage-Regualtion-Orders.aspx

– Benefit Rates et al



Tax

- What should our concerns be in respect to tax deductions from employment income?
- The importance of the FS4
- Tax Rates Resident and Non-Resident

Source of information:

https://cfr.gov.mt/en/rates/Pages/TaxRates/Tax-Rates-2022.aspx



Tax – Final Settlement System

The FSS tax deduction methods

• FSS Main Tax

- Resident

or Non-Resident



- Single
- Parent
- Married
- FSS Part-Time
- FSS other emoluments



Tax Rates – Year Basis 2022 (Resident Rates)

Single Rates				Married Rates				Parent Rates			
Chargeable Income				Chargeable Income				Chargeable Income			
From	То	Rate	Subtract	From	То	Rate	Subtract	From	То	Rate	Subtract
€-	€9,100	0%	€-	€-	€12,700	0%	€-	€-	€10,500	0%	€-
€9,101	€14,500	15%	€1,365	€12,701	1 €21,200	15%	€1,905	€10,501	€15,800	15%	€1,575
€14,501	€19,500	25%	€2,815	€21,20	1 €28,700	25%	€4,025	€15,801	€21,200	25%	€3,155
€19,501	€60,000	25%	€2,725	€28,70	1 €60,000	25%	€3,905	€21,201	€60,000	25%	€3,050
€60,001	and over	35%	€8,725	€60,00	1 and over	35%	€9,905	€60,001	and over	35%	€9,050



Tax Rates – Year Basis 2022 (Non-Resident Rates)

Tax Rates: 2008 to Date								
Chargeable Income (€)								
From To Rate Subtract (€)								
0	700	0%	0					
701	3,100	20%	140					
3,101	7,800	30%	450					
7,801	and over	35%	840					



Social Security Contributions

- Calculated on the **basic weekly wage** of the employee
- Factors that affect SS deduction employed elsewhere / age
- Class 1

Source of information:

https://cfr.gov.mt/en/rates/Pages/SSC1/SSC1-2022.aspx

- Class 2

Source of information:

https://cfr.gov.mt/en/rates/Pages/SSC2/SSC2-2022.aspx



Social Security Rates / MFC – Year Basis 2022 Employed Persons (Class 1)

	Basic V	Veekly Wage ¹	€ Week	ly Rate Payable² €		
Category	From	То	by Employee	by Employer	Total	Maternity
Α	0.10	182.83	6.62	6.62	13.24	0.20
В	0.10	182.83	18.28*	18.28	36.56	0.55

*Or if the employee chooses, 10% of the basic weekly wage. This rate of contribution entitles the contributor to pro-rata contributory benefits.

	Persons born up to 31st December 1961									
C	182.84	378.98	10%	10%	n/a	0.30%				
D	378.99	n/a	37.90	37.90	75.80	1.14				

	Persons born from 1st January 1962 onwards									
С	182.84	499.73	10%	10%	n/a	0.30%				
D	499.74	n/a	49.97	49.97	99.94	1.50				
E	n/a	n/a	10% Max.4.38	10% Max.4.38	n/a	0.3% Max.0.13				
F	n/a	n/a	10% Max.7.94	10% Max.7.94	n/a	0.3% Max.0.24				

Basic Weekly Wage or the weekly equivalent of the basic monthly salary



² For percentage rates, the weekly rate payable is calculated to the nearest cent

Statutory Bonus / Weekly Allowances

Statutory Bonus

Payable every six months

- End of June € 135.10
- By 23rd December € 135.10

When calculating part of the bonus it can be worked out at €0.74 per calendar day including Saturdays and Sundays

Weekly Allowance

Payable every six months

- End of March € 121.16
- End of September € 121.16

When calculating part of the bonus it can be prorated at € 4.66 per working week





Stand and Stretch!

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Payslip Format

The employer is bound to give the employees an itemised payslip either before or on the date when wages are due.

The payslip should contain:

- the name of the employer / company and the employer's address
- the employee's name, address and designation (job title)
- the period for which the payslip is being issued
- the basic wage and the total salary being paid, split into the various pay elements
- the number of normal hours worked including those worked on Sunday or on a public holiday when this is part of the scheduled normal hours
- the number of hours entitled at overtime or special rate broken down into those in excess of normal daily or weekly hours, hours worked on a Sunday or on a public holiday
- the number of hours of annual leave availed of and any remaining balance
- a breakdown of any bonuses, allowances or commissions received
- any deductions effected, including national insurance contributions, tax and others



Payslip

The employer is bound to give the employees an itemised payslip either before or on the date when wages are due.

The payslip should show the current period totals

The payslip should show the year-to-date totals:

- gross salary
- taxable gross salary
- tax deductions
- social security contributions)

Should the employer fail to provide an employee with an itemised payslip, it shall be the employer who must present proof (which is beyond reasonable doubt) in order not to be held liable in case of a contestation by the employee in front of a tribunal.

In the case where a revised payslip has been issued for the same period to the employee and said revision is contested by the employee, the DIER would consider the payslip which is more favourable to the employee as the one which should prevail.

Gathering Employee Information

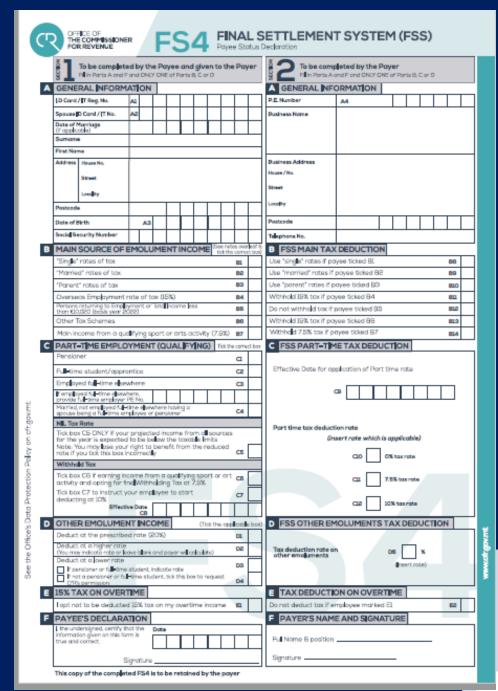
What would you consider as paramount information required to process payroll?

- All the details required to complete an FS4 and the Jobsplus registration form Important - Tax Number and Social Security Number (validate them)
- Relevant information from the employee's contract
- Employee correct banking details (validate them)
- Court Order (request this information from employee)
- FS3 for any previous employment during the current calendar year (for tax deduction purposes)
- Do you retain physical / electronic copies of employee information?
- Monthly changes to be considered in calculation



- Complete and submit FS4 (email PDF to fss.cfr@gov.mt)
- Used in case of new employee
- Used in case of change in tax status

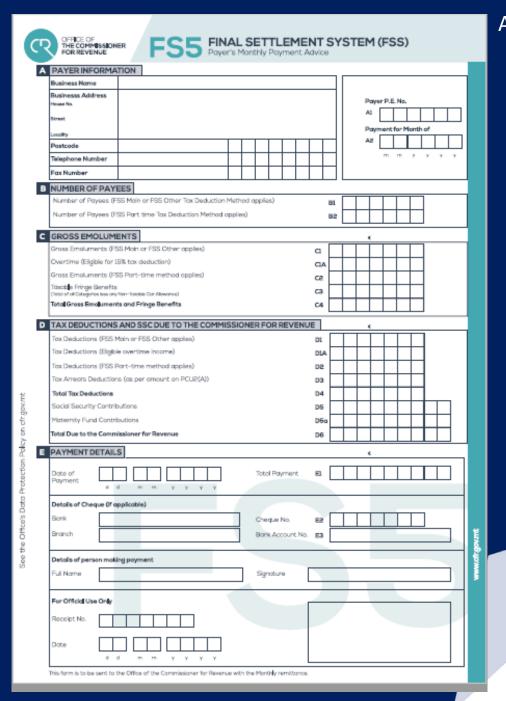
- Used in case of marriage (include the spouse details)





Monthly payroll summary

- To be submitted to the CfR electronically and payments are to be processed via internet banking by the last working day of the following month
- The submission of the FS5 will generate a reference number which is to be included in the payment
- Any adjustments to the FS5 and/or payment may be settled via cheque payment at the post office, payable to the Commissioner for Revenue

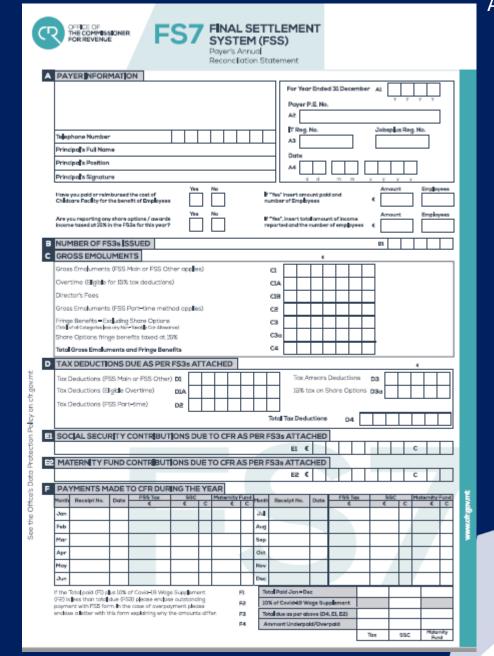




Payor's Annual Reconciliation Statement

- Issued on an annual basis

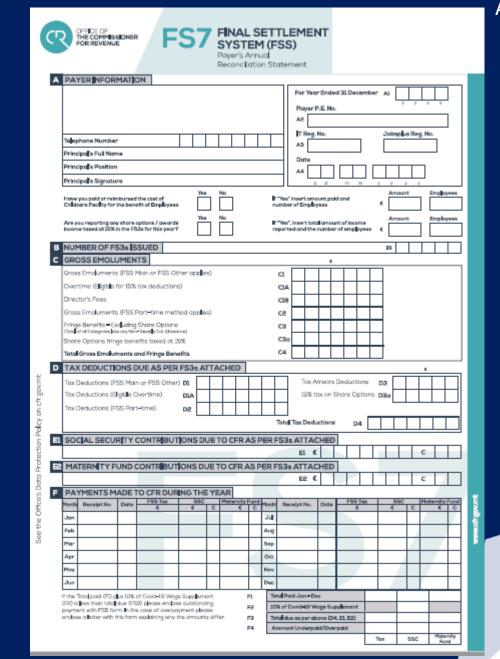
- Ideally submitted online via CfR portal using the E-filing sheet (Excel)
- Must be submitted online if more that nine FS3s have been issued





The FS7 is to contain the following information

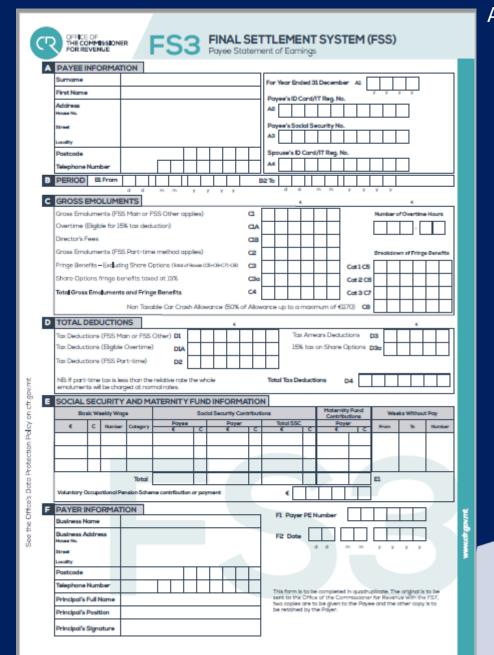
- Employer details
- Number of FS3s issued in respect to the reporting year
- The total amount of gross emoluments paid to payees in respect to full time and other emoluments arising from any other source
- The total gross emoluments paid to part-timers for such qualifying employment
- Total taxable fringe benefits, directorship fees and share options exercised
- Total tax deducted from employment income, directorship fees and share options
- Any additional tax deducted in cases of outstanding employee tax liability
- SSC (employee and employer share)
- Maternity fund contribution paid by the employer





Employee's Annual Reconciliation Statement

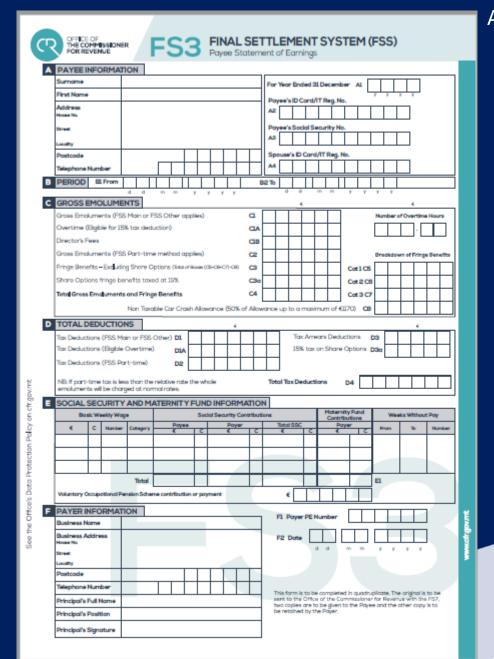
- Issued on an annual basis
- On termination of employment
- Signed copy must be provided to the employee
- Required by the employee for correct tax deduction from new employment during a calendar year





The FS3 is to contain

- Employer and employee details
- Gross emoluments from full-time / parttime qualifying employment
- Total taxable fringe benefits, directorship fees and share options
- Total tax deducted from all employment income, directorship fees and share options
- Any additional tax deducted in cases of outstanding employee tax liability
- Social security and maternity fund contributions paid throughout the year, both by the employee and employer











AWARD IN PAYROLL FUNDAMENTALS