# Starting Payroll for Local & Foreign Employees

Lecturer: Matthew Vella

Date: 19.10.2022

Award in Payroll Fundamentals

# Quick Recap

- What is the source to calculate FSS Tax?
- How do I determine which Social Security category applies?
- Can I pay Social Security from more than one employment?
  Take note of the Malta Budget measure October 2021
  Persons working in more than one part-time job will have the option to pay the contribution on more than one job (up to a maximum of 40 working hours) in order to pay a higher contribution rate thanks to which they can benefit from a higher pension rate

# Quick Recap

- What is the source to calculate FSS Tax?

| Single Rates | | | |
|---|---|---|---|
| Chargeable Income | | | |
| From | To | Rate | Subtract |
| €- | €9,100 | 0% | €- |
| €9,101 | €14,500 | 15% | €1,365 |
| €14,501 | €19,500 | 25% | €2,815 |
| €19,501 | €60,000 | 25% | €2,725 |
| €60,001 | and over | 35% | €8,725 |

| Married Rates | | | |
|---|---|---|---|
| Chargeable Income | | | |
| From | To | Rate | Subtract |
| €- | €12,700 | 0% | €- |
| €12,701 | €21,200 | 15% | €1,905 |
| €21,201 | €28,700 | 25% | €4,025 |
| €28,701 | €60,000 | 25% | €3,905 |
| €60,001 | and over | 35% | €9,905 |

| Parent Rates | | | |
|---|---|---|---|
| Chargeable Income | | | |
| From | To | Rate | Subtract |
| €- | €10,500 | 0% | €- |
| €10,501 | €15,800 | 15% | €1,575 |
| €15,801 | €21,200 | 25% | €3,155 |
| €21,201 | €60,000 | 25% | €3,050 |
| €60,001 | and over | 35% | €9,050 |

# Quick Recap

- How do I determine which Social Security category applies?

| | Basic Weekly Wage[1] € | | Weekly Rate Payable[2] € | | | |
|---|---|---|---|---|---|---|
| **Category** | From | To | by Employee | by Employer | Total | Maternity |
| **A** | 0.10 | 182.83 | 6.62 | 6.62 | 13.24 | 0.20 |
| **B** | 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** | | | | | |
| **C** | 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 |
| **[1] 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** | | | | | | |

# Different types of Employment

- Local
- EU
- TCN (Third Country National)

# Different types of Employment

- Refugee status (Asylum Seekers)

The person can only work in the country in which the status was granted.

An employment licence is issued by Jobsplus (time-frame is usually 4-6 weeks)

# Onboarding / Engagement

The employer is responsible to notify Jobsplus of every engagement within 3 working days from the first day of employment.
We suggest that you register to the Jobsplus portal be able to submit registrations electronically.
However Jobsplus engagement forms can still be submitted by email to hriu.jobsplus@gov.mt

Every Expatriate / foreign employee needs to be registered for social security via online portal
The social security number is provided via email

**https://www.servizz.gov.mt/en/Pages/Inclusion_-Equality-and-Social-Welfare/Social-Solidarity/Benefits-and-Services/WEB632/default.aspx**

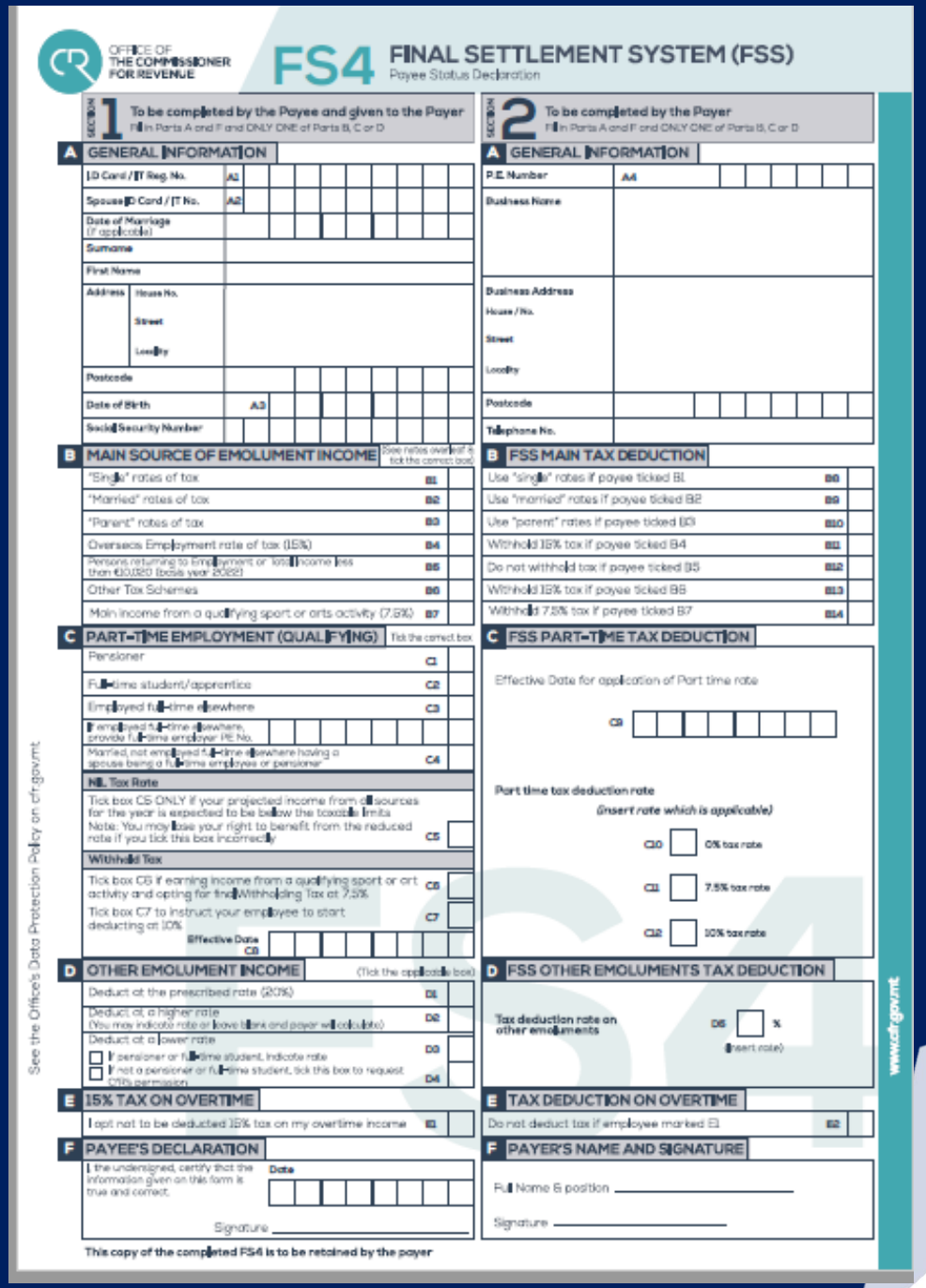
The employee/employer is also responsible for applying for a Tax Number
For residents this should to be completed online
**https://finance.gov.mt/en/eForms/Pages/Expatriates-Taxpayer-Registration.aspx**

# Employment - Local

- ID Card would be the person's tax number and Social Security Number
- The process is very straight forward
- Be informed of the tax status / percentage to be applied
- Social Security deductions as per normal schedule

# Employment Maltese Nationals

- Contract of Employment
- Complete and submit FS4 (email PDF to fss.cfr@gov.mt)
- Register with Jobsplus (online portal)
- Be notified of any previous income and tax paid (previous employment for current year)



OFFICE OF THE COMMISSIONER FOR REVENUE

FS4 FINAL SETTLEMENT SYSTEM (FSS)
Payee Status Declaration

SECTION 1 — To be completed by the Payee and given to the Payer
Fill in Parts A and F and ONLY ONE of Parts B, C or D

SECTION 2 — To be completed by the Payer
Fill in Parts A and F and ONLY ONE of Parts B, C or D

A GENERAL INFORMATION

ID Card / IT Reg. No. A1
Spouse ID Card / IT No. A2
Date of Marriage (if applicable)
Surname
First Name
Address — House No. / Street / Locality
Postcode
Date of Birth A3
Social Security Number

A GENERAL INFORMATION

P.E. Number A4
Business Name
Business Address — House / No. / Street / Locality
Postcode
Telephone No.

B MAIN SOURCE OF EMOLUMENT INCOME (See notes overleaf & tick the correct box)

"Single" rates of tax B1
"Married" rates of tax B2
"Parent" rates of tax B3
Overseas Employment rate of tax (15%) B4
Persons returning to employment or total income less than €10,000 (basis year 2022) B5
Other Tax Schemes B6
Main income from a qualifying sport or arts activity (7.5%) B7

B FSS MAIN TAX DEDUCTION

Use "single" rates if payee ticked B1 B8
Use "married" rates if payee ticked B2 B9
Use "parent" rates if payee ticked B3 B10
Withhold 15% tax if payee ticked B4 B11
Do not withhold tax if payee ticked B5 B12
Withhold 15% tax if payee ticked B6 B13
Withhold 7.5% tax if payee ticked B7 B14

C PART-TIME EMPLOYMENT (QUALIFYING) (Tick the correct box)

Pensioner C1
Full-time student/apprentice C2
Employed full-time elsewhere C3
If employed full-time elsewhere, provide full-time employer PE No.
Married, not employed full-time elsewhere having a spouse being a full-time employee or pensioner C4

C FSS PART-TIME TAX DEDUCTION

Effective Date for application of Part time rate C9

Part time tax deduction rate (insert rate which is applicable)

C10 0% tax rate
C11 7.5% tax rate
C12 10% tax rate

NIL Tax Rate

Tick box C5 ONLY if your projected income from all sources for the year is expected to be below the taxable limits. Note: You may lose your right to benefit from the reduced rate if you tick this box incorrectly C5

Withheld Tax

Tick box C6 if earning income from a qualifying sport or art activity and opting for final Withholding Tax at 7.5% C6
Tick box C7 to instruct your employee to start deducting at 10% C7
Effective Date C8

D OTHER EMOLUMENT INCOME (Tick the applicable box)

Deduct at the prescribed rate (20%) D1
Deduct at a higher rate (You may indicate rate or leave blank and payer will calculate) D2
Deduct at a lower rate D3
If pensioner or full-time student, indicate rate
If not a pensioner or full-time student, tick this box to request (10% permission) D4

D FSS OTHER EMOLUMENTS TAX DEDUCTION

Tax deduction rate on other emoluments D5 % (insert rate)

E 15% TAX ON OVERTIME

I opt not to be deducted 15% tax on my overtime income E1

E TAX DEDUCTION ON OVERTIME

Do not deduct tax if employee marked E1 E2

F PAYEE'S DECLARATION

I, the undersigned, certify that the information given on this form is true and correct. Date
Signature

F PAYER'S NAME AND SIGNATURE

Full Name & position
Signature

This copy of the completed FS4 is to be retained by the payer

See the Office's Data Protection Policy on cfr.gov.mt

www.cfr.gov.mt

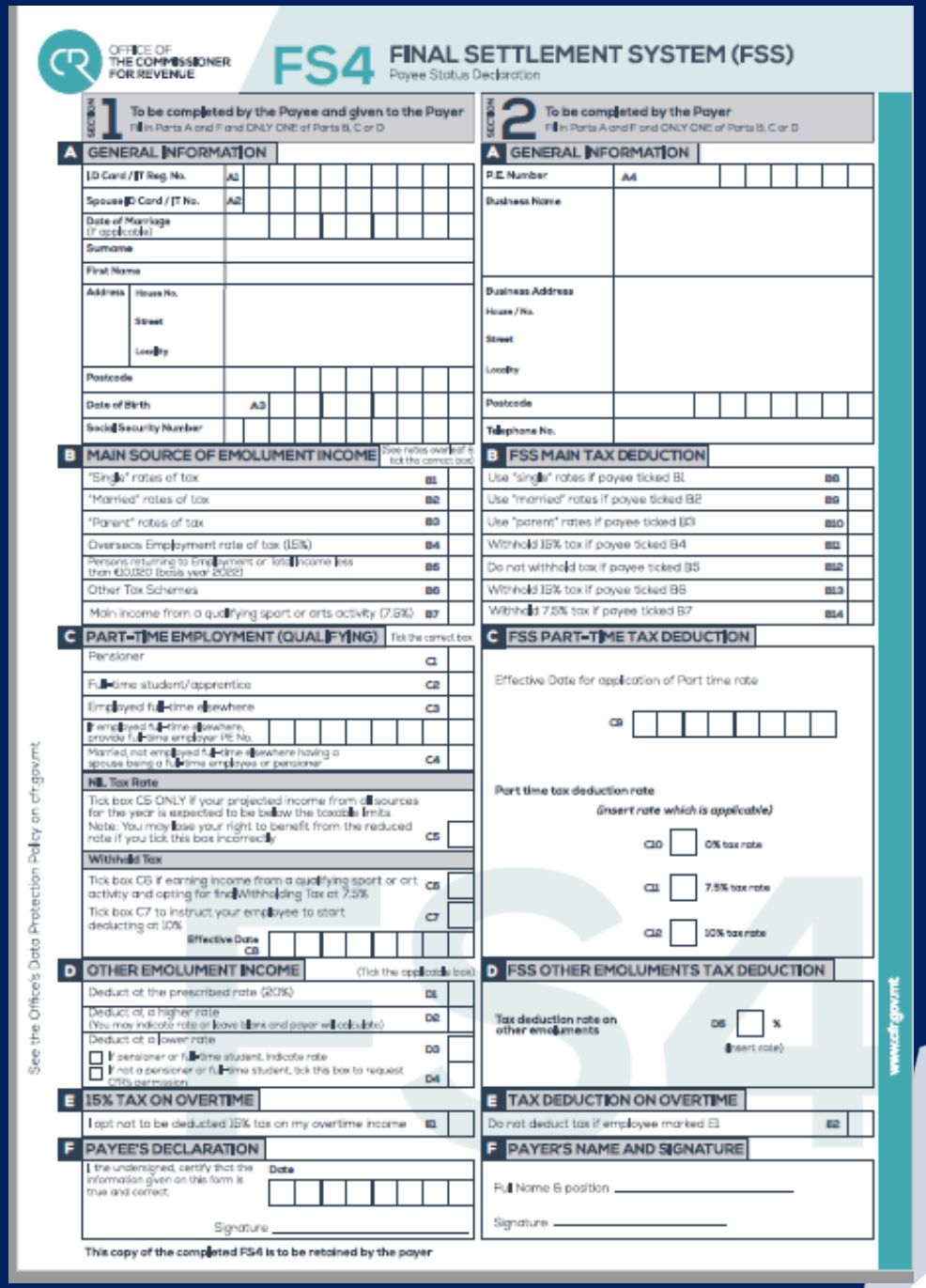
Award in Payroll Fundamentals 19.10.2022

# Employment – EU / Expats

- Apply for Social Security number
- Tax number
- Do not assume that the Maltese Resident Card is the tax number (validate the SS number to confirm)

# Employment Non-Maltese (EU)

- Contract of Employment
- Application for Social Security Number (online)
- Application for Tax Number if not automatically generated
- Register with Jobsplus (provide copy of ID / passport)
- Complete and submit FS4 (email PDF to fss.cfr@gov.mt)



OFFICE OF THE COMMISSIONER FOR REVENUE

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Payee Status Declaration

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Fill in Parts A and F and ONLY ONE of Parts B, C or D

A GENERAL INFORMATION
ID Card / IT Reg. No. A1
Spouse ID Card / IT No. A2
Date of Marriage (if applicable)
Surname
First Name
Address — House No. / Street / Locality
Postcode
Date of Birth A3
Social Security Number

B MAIN SOURCE OF EMOLUMENT INCOME (See notes overleaf & tick the correct box)
"Single" rates of tax B1
"Married" rates of tax B2
"Parent" rates of tax B3
Overseas Employment rate of tax (15%) B4
Persons returning to employment or total income less than €10,000 (basis year 2022) B5
Other Tax Schemes B6
Main income from a qualifying sport or arts activity (7.5%) B7

C PART-TIME EMPLOYMENT (QUALIFYING) (Tick the correct box)
Pensioner C1
Full-time student/apprentice C2
Employed full-time elsewhere C3
If employed full-time elsewhere, provide full-time employer PE No.
Married, not employed full-time elsewhere having a spouse being a full-time employee or pensioner C4

NIL Tax Rate
Tick box C5 ONLY if your projected income from all sources for the year is expected to be below the taxable limits
Note: You may lose your right to benefit from the reduced rate if you tick this box incorrectly C5

Withheld Tax
Tick box C6 if earning income from a qualifying sport or art activity and opting for final Withholding Tax at 7.5% C6
Tick box C7 to instruct your employee to start deducting at 10% C7
Effective Date C8

D OTHER EMOLUMENT INCOME (Tick the applicable box)
Deduct at the prescribed rate (20%) D1
Deduct at a higher rate (You may indicate rate or leave blank and payer will calculate) D2
Deduct at a lower rate D3
If pensioner or full-time student, indicate rate
If not a pensioner or full-time student, tick this box to request (10% permission) D4

E 15% TAX ON OVERTIME
I opt not to be deducted 15% tax on my overtime income E1

F PAYEE'S DECLARATION
I, the undersigned, certify that the information given on this form is true and correct. Date
Signature

SECTION 2 — To be completed by the Payer
Fill in Parts A and F and ONLY ONE of Parts B, C or D

A GENERAL INFORMATION
P.E. Number A4
Business Name
Business Address — House / No. / Street / Locality
Postcode
Telephone No.

B FSS MAIN TAX DEDUCTION
Use "single" rates if payee ticked B1 B8
Use "married" rates if payee ticked B2 B9
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C FSS PART-TIME TAX DEDUCTION
Effective Date for application of Part time rate C9
Part time tax deduction rate (Insert rate which is applicable)
C10 0% tax rate
C11 7.5% tax rate
C12 10% tax rate

D FSS OTHER EMOLUMENTS TAX DEDUCTION
Tax deduction rate on other emoluments D5 % (Insert rate)

E TAX DEDUCTION ON OVERTIME
Do not deduct tax if employee marked E1 E2

F PAYER'S NAME AND SIGNATURE
Full Name & position
Signature

This copy of the completed FS4 is to be retained by the payer

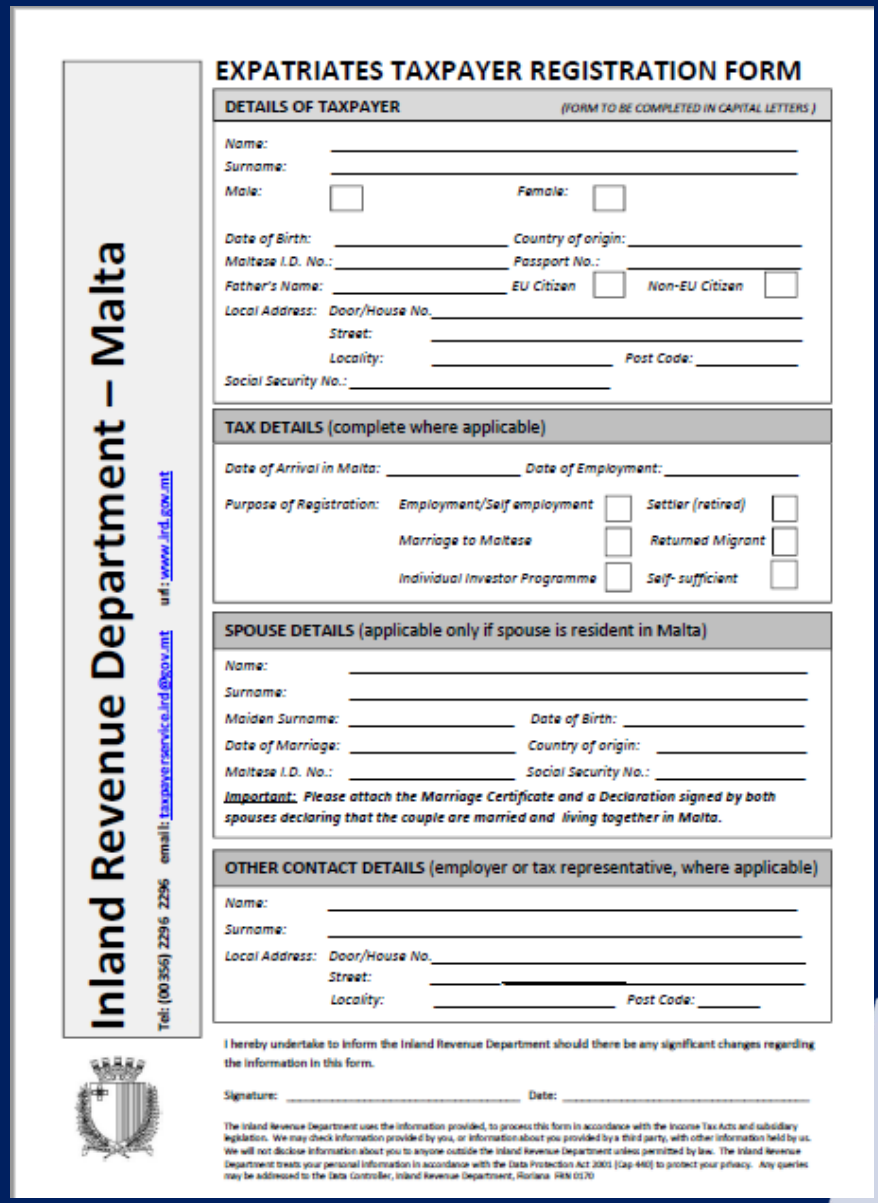
See the Office's Data Protection Policy on cfr.gov.mt

www.cfr.gov.mt

FS4

# Employment Forms

Resident - to be submitted Online



Inland Revenue Department – Malta

Tel: (00356) 2296 2296 email: taxpayerservice.ird@gov.mt url: www.ird.gov.mt

## EXPATRIATES TAXPAYER REGISTRATION FORM

**DETAILS OF TAXPAYER** *(FORM TO BE COMPLETED IN CAPITAL LETTERS)*

*Name:* _____
*Surname:* _____
*Male:* ☐ *Female:* ☐

*Date of Birth:* _____ *Country of origin:* _____
*Maltese I.D. No.:* _____ *Passport No.:* _____
*Father's Name:* _____ *EU Citizen* ☐ *Non-EU Citizen* ☐
*Local Address:* *Door/House No.* _____
*Street:* _____
*Locality:* _____ *Post Code:* _____
*Social Security No.:* _____

**TAX DETAILS** (complete where applicable)

*Date of Arrival in Malta:* _____ *Date of Employment:* _____

*Purpose of Registration:*
*Employment/Self employment* ☐ *Settler (retired)* ☐
*Marriage to Maltese* ☐ *Returned Migrant* ☐
*Individual Investor Programme* ☐ *Self- sufficient* ☐

**SPOUSE DETAILS** (applicable only if spouse is resident in Malta)

*Name:* _____
*Surname:* _____
*Maiden Surname:* _____ *Date of Birth:* _____
*Date of Marriage:* _____ *Country of origin:* _____
*Maltese I.D. No.:* _____ *Social Security No.:* _____

***Important:*** ***Please attach the Marriage Certificate and a Declaration signed by both spouses declaring that the couple are married and living together in Malta.***

**OTHER CONTACT DETAILS** (employer or tax representative, where applicable)

*Name:* _____
*Surname:* _____
*Local Address:* *Door/House No.* _____
*Street:* _____
*Locality:* _____ *Post Code:* _____

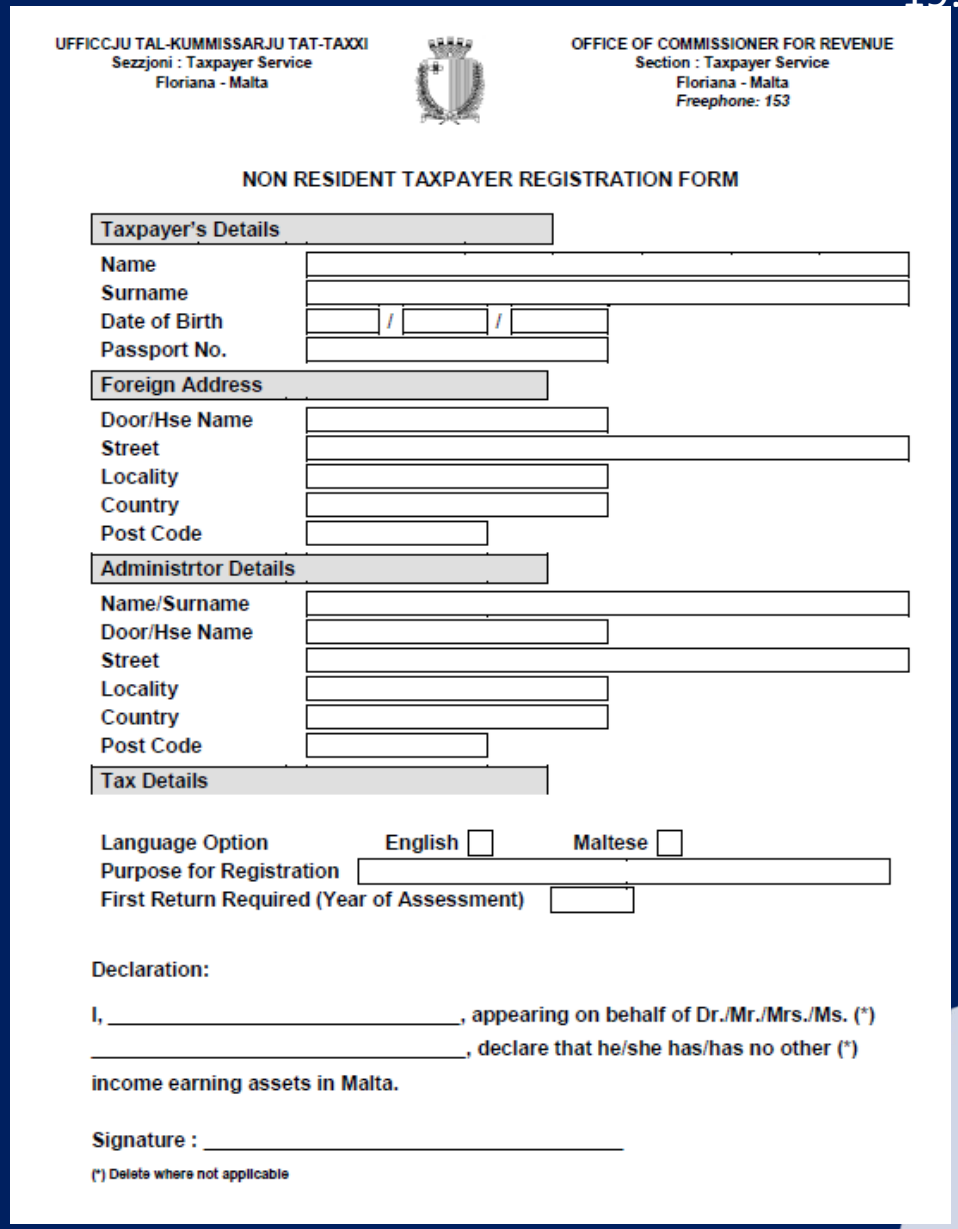
I hereby undertake to inform the Inland Revenue Department should there be any significant changes regarding the information in this form.

Signature: _____ Date: _____

The Inland Revenue Department uses the information provided, to process this form in accordance with the Income Tax Acts and subsidiary legislation. We may check information provided by you, or information about you provided by a third party, with other information held by us. We will not disclose information about you to anyone outside the Inland Revenue Department unless permitted by law. The Inland Revenue Department treats your personal information in accordance with the Data Protection Act 2001 [Cap 440] to protect your privacy. Any queries may be addressed to the Data Controller, Inland Revenue Department, Floriana FRN 0170

# Employment Forms

## Non-Resident - submitted via email taxpayeregister.cfr@gov.mt



UFFICCJU TAL-KUMMISSARJU TAT-TAXXI
Sezzjoni : Taxpayer Service
Floriana - Malta

OFFICE OF COMMISSIONER FOR REVENUE
Section : Taxpayer Service
Floriana - Malta
*Freephone: 153*

**NON RESIDENT TAXPAYER REGISTRATION FORM**

**Taxpayer's Details**

Name
Surname
Date of Birth / /
Passport No.

**Foreign Address**

Door/Hse Name
Street
Locality
Country
Post Code

**Administrtor Details**

Name/Surname
Door/Hse Name
Street
Locality
Country
Post Code

**Tax Details**

Language Option English ☐ Maltese ☐
Purpose for Registration
First Return Required (Year of Assessment)

Declaration:

I, _____, appearing on behalf of Dr./Mr./Mrs./Ms. (*)
_____, declare that he/she has/has no other (*)
income earning assets in Malta.

Signature : _____

(*) Delete where not applicable

# Employment – TCNs

- Work Permit or Employment Licences
  Issued by Identity Malta
  Single Work Permit
  Termination / Change of Employer or Designation

- Social Security Number

- Tax Number

# Downloads – CfR

- E-Services – Employers e-service

https://cfr.gov.mt/en/eServices/Pages/IRD-Services-Online-Employers.aspx

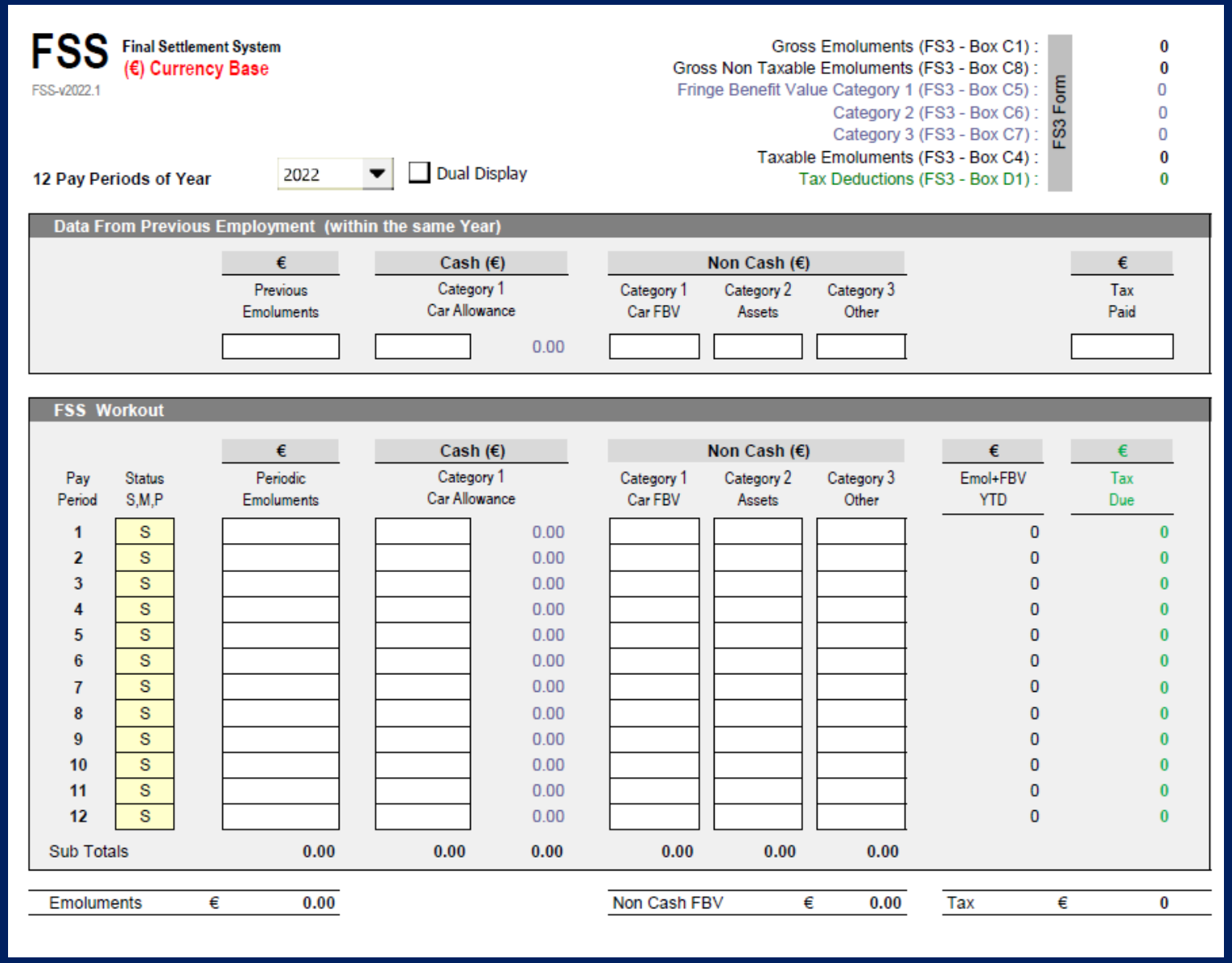
Forms and Guidelines

Click on the following links to access forms and guidelines relevant to FSS obligations and submissions. The Electronic Lodgement Specifications is a guideline which is more technical in nature and aimed at payroll software developers who may be required to provide the facility of the electronic lodgement to their clients.

- Electronic Lodgement Specification
- CFR 02 - Authorise Tax Rep.
- CFR 03 - Registration Form
- **FSS with FBT Spreadsheet ***
- Download the FSS e-filing sheet for MS Office 2007 and onwards
- Set up Taxation 2-Factor Authentication
- Power-point Presentation on how to Submit FSS data

# Downloads – CfR

- **FSS with FBT Spreadsheet**



**FSS** Final Settlement System
(€) Currency Base
FSS-v2022.1

| FS3 Form | |
|---|---|
| Gross Emoluments (FS3 - Box C1) : | 0 |
| Gross Non Taxable Emoluments (FS3 - Box C8) : | 0 |
| Fringe Benefit Value Category 1 (FS3 - Box C5) : | 0 |
| Category 2 (FS3 - Box C6) : | 0 |
| Category 3 (FS3 - Box C7) : | 0 |
| Taxable Emoluments (FS3 - Box C4) : | 0 |
| Tax Deductions (FS3 - Box D1) : | 0 |

12 Pay Periods of Year 2022 ☐ Dual Display

**Data From Previous Employment (within the same Year)**

| € | Cash (€) | | Non Cash (€) | | | € |
|---|---|---|---|---|---|---|
| Previous Emoluments | Category 1 Car Allowance | | Category 1 Car FBV | Category 2 Assets | Category 3 Other | Tax Paid |
| | | 0.00 | | | | |

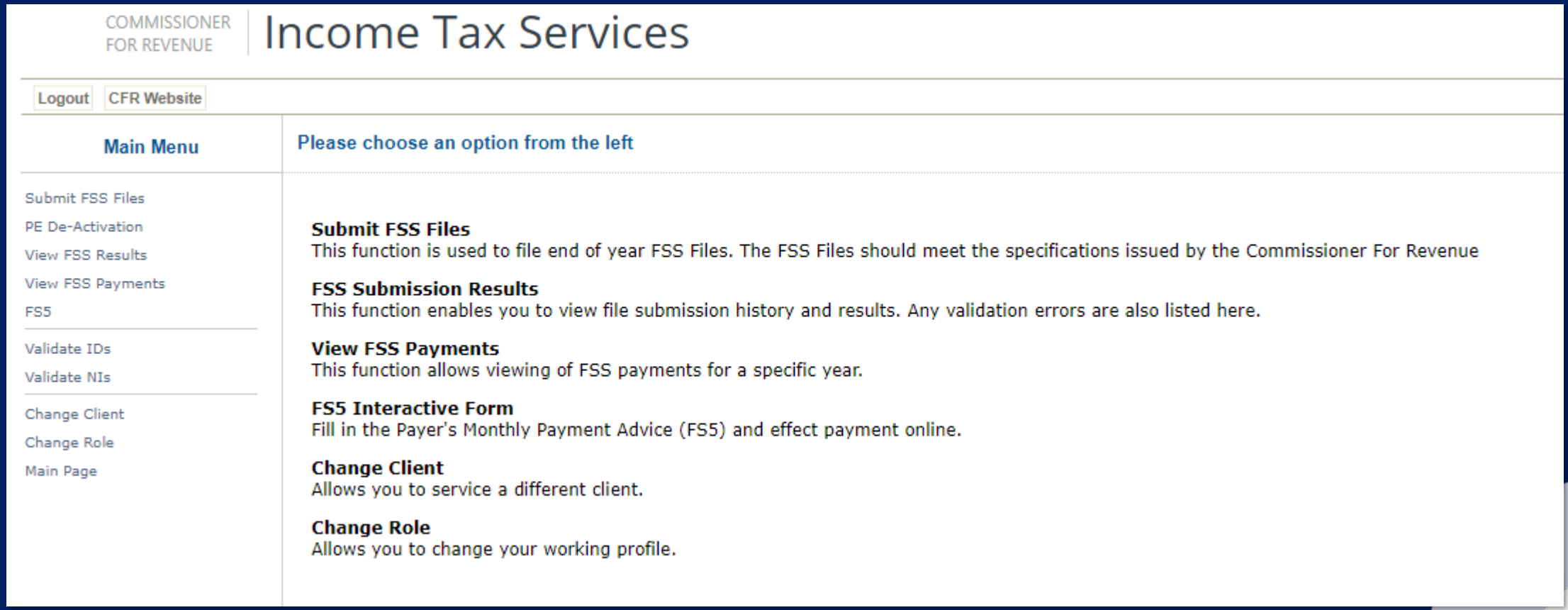
**FSS Workout**

| | | € | Cash (€) | | Non Cash (€) | | | € | € |
|---|---|---|---|---|---|---|---|---|---|
| Pay Period | Status S,M,P | Periodic Emoluments | Category 1 Car Allowance | | Category 1 Car FBV | Category 2 Assets | Category 3 Other | Emol+FBV YTD | Tax Due |
| 1 | S | | | 0.00 | | | | 0 | 0 |
| 2 | S | | | 0.00 | | | | 0 | 0 |
| 3 | S | | | 0.00 | | | | 0 | 0 |
| 4 | S | | | 0.00 | | | | 0 | 0 |
| 5 | S | | | 0.00 | | | | 0 | 0 |
| 6 | S | | | 0.00 | | | | 0 | 0 |
| 7 | S | | | 0.00 | | | | 0 | 0 |
| 8 | S | | | 0.00 | | | | 0 | 0 |
| 9 | S | | | 0.00 | | | | 0 | 0 |
| 10 | S | | | 0.00 | | | | 0 | 0 |
| 11 | S | | | 0.00 | | | | 0 | 0 |
| 12 | S | | | 0.00 | | | | 0 | 0 |
| Sub Totals | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Emoluments | € | 0.00 | Non Cash FBV | € | 0.00 | Tax | € 0 |

# Online Validation / Submissions

- https://cfr.gov.mt/en/Pages/Home.aspx
- Log in with E-ID



Stand and Stretch!

Read this:

You look funny doing that with your head!

**Prepare:**
**Paper and Pen (thought you had them!)**
**Calculator / Calendar (use PC)**

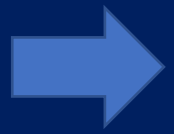
21 ACADEMY

**Award in Payroll Fundamentals**
**L2 19.10.2022**

# Let's Discuss…

- What information / documents do we need to include the employee in payroll software?

Employee complete profile



- ✓ Full name
- ✓ Address
- ✓ Date of Birth
- ✓ Contact Number (?)
- ✓ Email Address
- ✓ Date of Employment
- ✓ Tax & SS Number
- ✓ IBAN
- ✓ Employment Basis (Full-time/ Full-time Reduced Hours / Part-time)
- ✓ Weekly Hours
- ✓ Salary + Allowances
- ✓ Designation / Job title
- ✓ FS3s all previous employment current year
- ✓ Absence entitlement
- ✓ Any other relevant information

# Let's Discuss…

- It is imperative to have all the employee information provided to you immediately.
- It would be very difficult to obtain any missing information in case of termination or the employee leaving the island
- This information is crucial for the submission of the End of Year declaration

# Let's Discuss…

- How do you receive information / profile of a new employee?

- Do you retain employee records manually?
- Are these updated regularly?

# Let's Discuss…and calculate

- Info

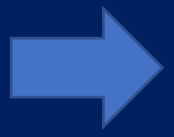
Peter, a Maltese resident, is a new employee.
His date of birth is 01.10.1974
He has joined a company on 3rd October 2022, on a full-time basis

The employee's tax status is Single and has a basic gross annual salary of €25,000. No other fixed allowances are agreed upon in the contract of employment

The employee was in employment elsewhere till 30.09.2022

# Let's Discuss…and calculate

- What are the required forms / registrations?



  - Jobsplus
  - ✓Engagement Form
  - ✓Submit: Online / hriu.jobsplus@gov.mt

  - Commissioner for Revenue (CfR)
  - ✓FS4
  - ✓Submit: fss.cfr@gov.mt

# Let's Discuss…and calculate

- What do we need to check / verify before including the employee in payroll software?

- Validation of
  - Social Security Number
  - Surname and ID Card / Tax Number
  - IBAN

- FS3s previous employment

# Let's Discuss…and calculate

- Calculate:
  - What would Peter's monthly hours be on his payslip?
  - What is his basic monthly gross?
  - Identify the Social Security category – what is the basic weekly wage?
  - What would the basic gross salary and Social Security deductions be in December 2022?

# Let's Discuss…and calculate

- Calculate:
  - What would Peter's monthly hours be on his payslip?

Peter is employed on full-time basis of 40 hours per week

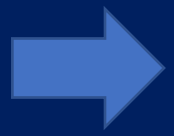
40 hours x 52 weeks = 2080 hours

Divided by 12 months = 173.33 hours per month

# Let's Discuss…and calculate

- Calculate:
  - What is his basic monthly gross salary?

Peter has an annual gross salary as per contract of €25,000

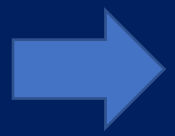


€25,000 divided by 12 months = €2,083.33

# Let's Discuss…and calculate

- Calculate:
  - Identify the Social Security category – what is the basic weekly wage?

Peter has an annual gross salary as per contract of €25,000



€25,000 divided by 52 weeks = €480.77 per week (rounded)

# Let's Discuss…and calculate

- Identify the Social Security category (€480.77)

| | Basic Weekly Wage[1] € | | Weekly Rate Payable[2] € | | | |
|---|---|---|---|---|---|---|
| **Category** | From | To | by Employee | by Employer | Total | Maternity |
| **A** | 0.10 | 182.83 | 6.62 | 6.62 | 13.24 | 0.20 |
| **B** | 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** | | | | | |
| **C** | 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 |

[1] **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**

# Let's Discuss…and calculate

- Calculate:
  - What would the basic gross salary be in December 2022?

| | |
|---|---|
| Basic Salary: | € 2,083.33 |
| December Bonus | € 67.55* |
| Total Gross: | € 2,150.88 |

# Let's Discuss…

- Calculation of December bonus (full bonus is €135.10)

This is based on the working hours for the previous six months

July to December: 173.33 x 6 = 1040 hours

The employee joined in the beginning of October

Total hours July to December: 173.33 x 3 = 519.99 hours (Oct-Dec)

Formula: 135.10 divided by 1040 hours x total number of hours

Formula: €0.74 x total number of days from 03.10.2022 - 31.12.2022

90 days x 0.74 = €66.60

# Let's Discuss…and calculate

- Calculate:
  - What would the Social Security deductions be in December 2022?

| | |
|---|---|
| Basic Weekly Wage: | € 480.77 |
| Category: | C2 |
| Formula: | 480.77 x 10% x 4 Mondays |
| SS Deduction (Employee): | € 192.31 |

# Questions?

# Thank You!

Award in Payroll Fundamentals