

# Hands – On Payroll

## A-Z Practicals

Lecturer: Dr Claire Balzan

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**AWARD IN  
PAYROLL FUNDAMENTALS**

# Payroll Management Mistakes to Avoid

- These payroll errors can be very costly and can also add several days of unnecessary work for the payroll department.
- Something very important to take into consideration is the potential damage to employee relations and morale + reputational damage



# Costly Payroll Management Mistakes to Avoid

- What do you think are the most costly mistakes that one should avoid?



# Costly Payroll Management Mistakes to Avoid

## 1. Administration

Many businesses, especially smaller ones, still carry out their payroll process in-house and manually. This is a huge administrative burden. It creates a ton of work and involves a lot of paper work. Errors in data entry are more common.



# Costly Payroll Management Mistakes to Avoid

## 2. Payroll Documents

A common problem is the disorganisation of documents such as employee records. This is usually a matter of work flow: not keeping files and documents in a central location or creating a uniform filing process.



# Costly Payroll Management Mistakes to Avoid

## 3. Software and Payroll Setup

Not all programs are compatible. For example T&A and the Payroll software. This leads to mistakes and hours of human intervention



# Costly Payroll Management Mistakes to Avoid

## 4. Employee Absences

Manually tracking employees vacation and sick days is a task that has great potential for mistakes. In addition tracking which employees are not available due to various types of absences is critical for effective planning and optimum productivity



# Costly Payroll Management Mistakes to Avoid

## 5. Payroll deductions

Errors in Tax and Social security contributions can result in a great deal of grief for both employer and employees.





# Costly Payroll Management Mistakes to Avoid

## 6. Overtime Rules

There is very strict WRO & Laws that have to be adhered to with regards to overtime. Various taxes also apply



# Costly Payroll Management Mistakes to Avoid

## 7. Court Ordered Garnishees

Though not uncommon, the infrequent occurrence of court orders requirement garnishments from employee's income means the potential for errors. In these situations the employer is required to fulfil the court's terms. Failure to do so, or to do so correctly leaves the company subject to penalties and legal implications.



# Costly Payroll Management Mistakes to Avoid

## 8. Regulatory Compliance

As noted earlier, payroll rules and regulations change. These changes do not happen only annually. While we all strive to stay updated with changes that may occur, too often the overwhelming amount of information leads to compliance gaps.



# Costly Payroll Management Mistakes to Avoid

## 9. Employee Classification

Most companies make use of different types of workers. This can include permanent & temporary, full-time & Part-Time, freelance contractors etc.

Tax Misclassification can lead to miscalculation of taxes.



# Costly Payroll Management Mistakes to Avoid

## 10. Submissions

FS3, FS4, FS5 and FS7 submissions are to be done in correct and timely manner. Late or lack of payments and submissions can lead to criminal proceedings for the employer.


FS3 and FS7 are carried out electronically if you have 9 or more employees on your payroll



# FSS Forms – FS3

## 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



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FOR REVENUE

# FS3

FINAL SETTLEMENT SYSTEM (FSS)  
Payee Statement of Earnings

**A PAYEE INFORMATION**

Surname	For Year Ended 31 December AI
First Name	AY
Address House No.	Payee's ID Card/IT Reg. No. A2
Street	Payee's Social Security No. A3
Locality	Spouse's ID Card/IT Reg. No. A4
Postcode	
Telephone Number	

**B PERIOD** From           To

**C GROSS EMOLUMENTS**

Gross Emoluments (FSS Main or FSS Other applies) CI		Number of Overtime Hours
Overtime (Eligible for 15% tax deduction) CIA		
Director's Fees CIB		
Gross Emoluments (FSS Part-time method applies) C2		Breakdown of Fringe Benefits
Fringe Benefits – Including Share Options (tax of 10% (D3-D4-C1-C6) C3		
Share Options fringe benefits taxed at 10% C3a		
Total Gross Emoluments and Fringe Benefits C4		Cat 1 C5
Non Taxable Car Crash Allowance (50% of Allowance up to a maximum of €100) C5		Cat 2 C6
		Cat 3 C7

**D TOTAL DEDUCTIONS**

Tax Deductions (FSS Main or FSS Other) D1	Tax Arrears Deductions D3
Tax Deductions (Eligible Overtime) DIA	15% tax on Share Options D3a
Tax Deductions (FSS Part-time) D2	
NB: If part-time tax is less than the relative rate the whole emoluments will be charged at normal rates.	
Total Tax Deductions D4	

**E SOCIAL SECURITY AND MATERNITY FUND INFORMATION**

Basic Weekly Wage		Social Security Contributions				Maternity Fund Contributions		Weeks Without Pay			
€	C	Number	Category	Payee	Payer	Total SSC	Payee	Payer	From	To	Number
				€	€	€	€	€			
Total											E1
Voluntary Occupational Pension Scheme contribution or payment											€

**F PAYER INFORMATION**

Business Name	F1 Payer PE Number
Business Address House No.	F2 Date
Street	
Locality	
Postcode	
Telephone Number	
Principal's Full Name	
Principal's Position	
Principal's Signature	

This form is to be completed in quadruplicate. The original is to be sent to the Office of the Commissioner for Revenue with the FSS, two copies are to be given to the Payee and the other copy is to be retained by the Payer.

See the Office's Data Protection Policy on cr.gov.ie


www.cr.gov.ie



# FSS Forms – FS3

The FS3 is to contain

- Employer and employee details
- Gross emoluments from full-time / part-time 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



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## FS3

FINAL SETTLEMENT SYSTEM (FSS)  
Payee Statement of Earnings

**A PAYEE INFORMATION**

Surname	For Year Ended 31 December: AI
First Name	Payee's ID Card/IT Reg. No.
Address	A2
House No.	Payee's Social Security No.
Street	A3
Locality	Spouse's ID Card/IT Reg. No.
Postcode	A4
Telephone Number	

**B PERIOD** B1 From: d d m m y y y y B2 To: d d m m y y y y

**C GROSS EMOLUMENTS**

Gross Emoluments (FSS Main or FSS Other applies)	C1	Number of Overtime Hours
Overtime (Eligible for 15K tax deduction)	C1A	
Director's Fees	C1B	
Gross Emoluments (FSS Part-time method applies)	C2	Breakdown of Fringe Benefits
Fringe Benefits – Excluding Share Options (See also (S3-01-C1-02))	C2	Cat 1 C5
Share Options fringe benefits taxed at 10%	C2a	Cat 2 C6
<b>Total Gross Emoluments and Fringe Benefits</b>	<b>C4</b>	Cat 3 C7
Non Taxable Car Crash Allowance (50% of Allowance up to a maximum of €170)	C5	

**D TOTAL DEDUCTIONS**

Tax Deductions (FSS Main or FSS Other)	D1	Tax Arrears Deductions	D3
Tax Deductions (Eligible Overtime)	D1A	15K tax on Share Options	D3a
Tax Deductions (FSS Part-time)	D2		
Total Tax Deductions			D4

NB: If part-time tax is less than the relative rate the whole emoluments will be charged at normal rates.

**E SOCIAL SECURITY AND MATERNITY FUND INFORMATION**

Basic Weekly Wage				Social Security Contributions						Maternity Fund Contributions		Weeks Without Pay		
€	C	Number	Category	Payee		Payer		Total SSC		Payer		From	To	Number
				€	C	€	C	€	C	€	C			
Total														
Voluntary Occupational Pension Scheme contribution or payment												€		

**F PAYER INFORMATION**


Business Name	F1 Payer PE Number
Business Address	F2 Date
House No.	
Street	
Locality	
Postcode	
Telephone Number	
Principal's Full Name	
Principal's Position	
Principal's Signature	

This form is to be completed in quadruplicate. The original is to be sent to the Office of the Commissioner for Revenue with the P57, two copies are to be given to the Payee and the other copy is to be retained by the Payer.



# FSS Forms – FS4

- Complete and submit FS4 (email PDF to [fss.cfr@gov.mt](mailto: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)



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## 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

**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** (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 (base year 2009) 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

Employed part-time elsewhere, provide full-time employer P.E. No.

Married, not employed full-time elsewhere holding a spouse based full-time employee or pensioner C4

**III. 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

**Withhold Tax**

Tick box C6 if earning income from a qualifying sport or art activity and opting for the Withholding tax at 7.5%. C6

Tick box C7 to instruct your employer to start deducting at 10%. C7

Effective Date C8

**D OTHER EMOLUMENT INCOME** (Tick the appropriate 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

Pensioner or full-time student, indicate rate

Not a pensioner or full-time student, tick this box to request 10% concession. 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

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 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**

P.I. Name & position

Signature

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






# FSS Forms – FS5

## 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



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## FS5 FINAL SETTLEMENT SYSTEM (FSS)

Payer's Monthly Payment Advice

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**A PAYER INFORMATION**

Business Name				
Business Address				
House No.				
Street				
Locality				
Postcode				
Telephone Number				
Fax Number				

Payer P.E. No.

A1

Payment for Month of

A2

m m y y y y

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**B NUMBER OF PAYEES**

Number of Payees (FSS Main or FSS Other Tax Deduction Method applies)	B1	
Number of Payees (FSS Part-time Tax Deduction Method applies)	B2	

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**C GROSS EMOLUMENTS**

Gross Emoluments (FSS Main or FSS Other applies)	C1	
Overtime (Eligible for 15% tax deduction)	C1A	
Gross Emoluments (FSS Part-time method applies)	C2	
Taxable Fringe Benefits <small>(Other than Categories less any Non-Taxable Car Allowance)</small>	C3	
<b>Total Gross Emoluments and Fringe Benefits</b>	<b>C4</b>	

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**D TAX DEDUCTIONS AND SSC DUE TO THE COMMISSIONER FOR REVENUE**

Tax Deductions (FSS Main or FSS Other applies)	D1	
Tax Deductions (Eligible overtime income)	D1A	
Tax Deductions (FSS Part-time method applies)	D2	
Tax Amends Deductions (as per amount on PCUR(A))	D3	
<b>Total Tax Deductions</b>	<b>D4</b>	
Social Security Contributions	D6	
Maternity Fund Contributions	D6a	
<b>Total Due to the Commissioner for Revenue</b>	<b>D6</b>	

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**E PAYMENT DETAILS**

Date of Payment		Total Payment
d d m m y y y y		€
<b>Details of Cheque (if applicable)</b>		
Bank	Cheque No.	
Branch	Bank Account No.	
<b>Details of person making payment</b>		
Full Name	Signature	
<b>For Official Use Only</b>		
Receipt No.		
Date		
d d m m y y y y		

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

www.cfr.govt.nz


This form is to be sent to the Office of the Commissioner for Revenue with the Monthly remittance.



# FSS Forms – FS7

## 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 than nine FS3s have been issued



OFFICE OF THE COMMISSIONER FOR REVENUE

### FS7 FINAL SETTLEMENT SYSTEM (FSS)

Payor's Annual Reconciliation Statement

**A PAYER INFORMATION**

	For Year Ended 31 December A1
Telephone Number	Y Y Y Y
Principal's Full Name	Payer P.E. No. A2
Principal's Position	IT Reg. No. A3 Job Reg. No.
Principal's Signature	Date A4

Have you paid or reimbursed the cost of Childcare Facility for the benefit of Employees?	Yes No	<input type="checkbox"/> <input type="checkbox"/>	If "Yes" insert amount paid and number of Employees	€	Amount Employees
Are you reporting any share options / awards income taxed at 10% in the FS3s for this year?	Yes No	<input type="checkbox"/> <input type="checkbox"/>	If "Yes", insert total amount of income reported and the number of employees	€	Amount Employees

**B NUMBER OF FS3s ISSUED** B1

**C GROSS EMOLUMENTS** C

Gross Emoluments (FSS Main or FSS Other applies)	C1	
Overtime (Eligible for 10% tax deductions)	C1A	
Director's Fees	C1B	
Gross Emoluments (FSS Part-time method applies)	C2	
Fringe Benefits (Including Share Options) (Total of Categories 1 to 4) (See Note 1 for Abbreviations)	C3	
Share Options fringe benefits taxed at 10%	C3a	
<b>Total Gross Emoluments and Fringe Benefits</b>	<b>C4</b>	

**D TAX DEDUCTIONS DUE AS PER FS3s ATTACHED** D

Tax Deductions (FSS Main or FSS Other)	D1		Tax Arrears Deductions	D3	
Tax Deductions (Eligible Overtime)	D1A		10% tax on Share Options	D3a	
Tax Deductions (FSS Part-time)	D2		<b>Total Tax Deductions</b>	<b>D4</b>	

**E1 SOCIAL SECURITY CONTRIBUTIONS DUE TO CFR AS PER FS3s ATTACHED** E1

**E2 MATERNITY FUND CONTRIBUTIONS DUE TO CFR AS PER FS3s ATTACHED** E2

**F PAYMENTS MADE TO CFR DURING THE YEAR**

Month	Receipt No.	Date	FSS Tax			SSC			Maternity Fund		
			€	€	C	€	€	C	€	€	C
Jan											
Feb											
Mar											
Apr											
May											
Jun											
Jul											
Aug											
Sep											
Oct											
Nov											
Dec											

If the Total paid (F1) is 10% of Covid-19 Wage Supplement (F2) is less than total due (F3) please ensure outstanding payment with FSS form. In the case of overpayment please enclose a letter with this form explaining why the amounts differ.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td>F1 Total Paid Jan-Dec</td><td></td></tr> <tr><td>F2 10% of Covid-19 Wage Supplement</td><td></td></tr> <tr><td>F3 Total due as per above (D4, E1, E2)</td><td></td></tr> <tr><td>F4 Amount Underpaid/Overpaid</td><td></td></tr> </table>	F1 Total Paid Jan-Dec		F2 10% of Covid-19 Wage Supplement		F3 Total due as per above (D4, E1, E2)		F4 Amount Underpaid/Overpaid	
F1 Total Paid Jan-Dec									
F2 10% of Covid-19 Wage Supplement									
F3 Total due as per above (D4, E1, E2)									
F4 Amount Underpaid/Overpaid									



# FSS Forms – FS7

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

OFFICE OF THE COMMISSIONER FOR REVENUE **FS7 FINAL SETTLEMENT SYSTEM (FSS)**  
Payer's Annual Reconciliation Statement

**A PAYER INFORMATION**

For Year Ended 31 December A1:

Payer P.E. No. A2:

Telephone Number:

Principal's Full Name:

Principal's Position:

Principal's Signature:

IT Reg. No. A3:  Jobplan Reg. No.

Date A4:

Have you paid or reimbursed the cost of Children's Facility for the benefit of Employees? Yes  No  If "Yes", insert amount paid and number of Employees: €  Employees

Are you reporting any share options / awards income taxed at 10% in the FS3s for this year? Yes  No  If "Yes", insert total amount of income reported and the number of employees: €  Employees

**B NUMBER OF FS3s ISSUED** B1:

**C GROSS EMOLUMENTS** C: €

Gross Emoluments (FSS Main or FSS Other applies) C1:

Overtime (Eligible for 10% tax deductions) C1A:

Director's Fees C1B:

Gross Emoluments (FSS Part-time method applies) C2:

Fringe Benefits = (Including Share Options) (Field of Categories only for Part-time) C3:

Share Options fringe benefits taxed at 10% C3a:

Total Gross Emoluments and Fringe Benefits C4:

**D TAX DEDUCTIONS DUE AS PER FS3s ATTACHED** D: €

Tax Deductions (FSS Main or FSS Other) D1:

Tax Deductions (Eligible Overtime) D1A:

Tax Deductions (FSS Part-time) D2:

Tax Arrears Deductions D3:

10% tax on Share Options D3a:

Total Tax Deductions D4:

**E SOCIAL SECURITY CONTRIBUTIONS DUE TO CFR AS PER FS3s ATTACHED** E1: €

**E2 MATERNITY FUND CONTRIBUTIONS DUE TO CFR AS PER FS3s ATTACHED** E2: €

**F PAYMENTS MADE TO CFR DURING THE YEAR**

Month	Receipt No.	Date	FSS Tax	SSC	Maternity Fund	Month	Receipt No.	Date	FSS Tax	SSC	Maternity Fund
			€	€	€				€	€	€
Jan						Jul					
Feb						Aug					
Mar						Sep					
Apr						Oct					
May						Nov					
Jun						Dec					

If the Total paid (F2) is 10% of Covid-19 Wage Supplement payment with total due (F3) (please include outstanding payment with FSS form in the case of overpayment please include a letter with this form explaining why the amounts differ.

F1 Total Paid Jan = Dec:

F2 10% of Covid-19 Wage Supplement:

F3 Total due as per above (D4, E1, E2):

F4 Amount Underpaid/Overpaid:

Tax:  SSC:  Maternity Fund:

See the Office's Data Protection Policy on cfr.gov.ire. [www.cfr.gov.ire](http://www.cfr.gov.ire)

# Employee Queries

What are the most common questions employees ask regarding their payroll?



# Employee Queries

What are the most common questions employees ask regarding their payroll?

- How are hours reflected on the payslip calculated?
- Is the correct amount of tax being deducted?
- Why do social security contributions vary from one month to another?
- Is all the income I receive taxable?



# Information

You have 3 minutes to mention the information that you would need from a new employee when he is enrolled in a company



# Gathering Employee Information

- 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



# Social Security

What does this mean to you?





# Social Security

The Aim of Social Security is to provide financial protection for the people of that Nation.

The core operations of the Department of Social Security are to:

- assess, pay and provide information on social security benefits
  - encourage individuals and organizations' to be aware of, and to comply with their obligations under social security legislation
- keep account of the social security system
- advise the relevant Minister on the development of effective and dynamic policies for social security



# Social Security Law

## Social Security Act

<https://legislation.mt/eli/cap/318/eng/pdf>

To establish a scheme of social security and to consolidate with amendments existing provisions concerning the payment of social security benefits, pensions and allowances, social and medical assistance, non-contributory pensions and the payment of social security contributions by employees, employers, self-employed and the State.



# Social Security Law

The **Maternity Leave Contribution** that came into effect as of 1st July 2015 through Legal Notice 257 of 2015 (Trusts and Trustees Act Cap. 331.) is to be paid by Employers for all their employees in the private sector. <https://legislation.mt/eli/cap/331/eng/pdf>

The Maternity Leave Contribution is an employer's expense and is applicable where social security contributions are deducted.



# Social Security Law

## Exceptions to the Maternity Leave Contributions:

- Employees over 65 years of age who are exempt from SSC but still considered to be in employment
- Directors who are liable to pay SSC class 2
- Employees on unpaid leave for whom no SSC is paid
- Casual employees for whom no SSC is paid
- Expatriate employees for whom no SSC is paid in Malta
- All self-employed employees who are not entitled to Maternity Leave or Maternity Leave Benefit



# Benefits

The one that we are most exposed to is the sickness Benefit

- Daily Married Rate €21.85
- Daily Single Rate €14.15

This is deducted from the salary of the person who has taken more than 3 days sick leave in consecutive days





**AWARD IN PAYROLL  
FUNDAMENTALS**

# Practical Examples

## □ Info

Matthew, a Maltese resident, is a new employee.

His date of birth is 05.11.1975

He has joined a company on 3rd October 2022, on a full-time basis

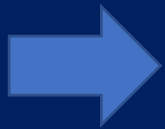
The employee's tax status is Single and has a basic gross annual salary of €25,000. No other fixed allowances are agreed upon in the contract of employment

The employee was in employment elsewhere till 30.09.2022



# Practical Examples

- What are the required forms / registrations?
  - Jobsplus
    - ✓ Engagement Form
    - ✓ Submit: Online / [hriu.jobsplus@gov.mt](mailto:hriu.jobsplus@gov.mt)
  - Commissioner for Revenue (CfR)
    - ✓ FS4
    - ✓ Submit: [fss.cfr@gov.mt](mailto:fss.cfr@gov.mt)





# Practical Examples

- 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



# Practical Examples

- Calculate:
  - What would Matthew'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?

# Practical Examples

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

Matthew 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



# Practical Examples

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

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

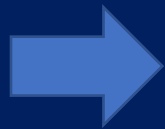


€25,000 divided by 12 months = €2,083.33

# Practical Examples

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

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



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



# Practical Examples

- Identify the Social Security category (€480.77)

Category	Basic Weekly Wage <sup>1</sup> €		Weekly Rate Payable <sup>2</sup> €			
	From	To	by Employee	by Employer	Total	Maternity
<b>A</b>	0.10	182.83	6.62	6.62	13.24	0.20
<b>B</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.						
<b>Persons born up to 31st December 1961</b>						
<b>C</b>	182.84	378.98	10%	10%	n/a	0.30%
<b>D</b>	378.99	n/a	37.90	37.90	75.80	1.14
<b>Persons born from 1st January 1962 onwards</b>						
<b>C</b>	182.84	499.73	10%	10%	n/a	0.30%
<b>D</b>	499.74	n/a	49.97	49.97	99.94	1.50
<b>E</b>	n/a	n/a	10% Max.4.38	10% Max.4.38	n/a	0.3% Max.0.13
<b>F</b>	n/a	n/a	10% Max.7.94	10% Max.7.94	n/a	0.3% Max.0.24
<sup>1</sup> Basic Weekly Wage or the weekly equivalent of the basic monthly salary						
<sup>2</sup> For percentage rates, the weekly rate payable is calculated to the nearest cent						



# Practical Examples

- 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



# Practical Examples

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

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

July to December:  $173.33 \times 6 = 1040$  hours

The employee joined in the beginning of October

Total hours July to December:  $173.33 \times 3 = 519.99$  hours (Oct-Dec)

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

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

$90 \text{ days} \times 0.74 = €66.60$





# Practical Examples

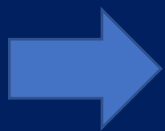
- Calculate:
  - What would the Social Security deductions be in December 2022?

Basic Weekly Wage: € 480.77

Category: C2

Formula:  $480.77 \times 10\% \times 4 \text{ Mondays}$

SS Deduction (Employee): € 192.31



# Practical Examples

□ Q

How would you manually calculate the tax to be deducted in a given month?

- The FSS system would estimate that the gross salary received in a month would be the same for the rest of the months of a calendar year



# Practical Examples

- If an employee had a gross salary of €2,500 in January 2022 our assumption would be that for the whole of the year the employee's income would be €30,000 (excluding government bonus)
- For this example let's agree that the tax status of the employee is Single and we are calculating the tax to be deducted in January
- With the tax rates in hand, €30,000 per annum would fall under the second 25% bracket
- $€30,000 \times 25\% - €2725 = €4775$  tax in a whole year
- Divide €4775 by the twelve months = €398 due in tax



# Practical Examples

## □ Q

You are calculating this month's payroll (December 2022) and have been informed that an employee was given a salary increase with effect 1<sup>st</sup> November 2022

- The previous gross annual salary was €25,000
- The new gross annual salary is €35,000
  
- What factors and calculations must we keep in mind?



# Practical Examples

## ➤ Salary Arrears (Difference)

New annual salary less old annual salary divided by twelve x 1  
(November)

## ➤ Social Security Contributions have now changed category with effective date of 1<sup>st</sup> November 2022

The previous SS category was C2; the new category is D2

In payroll we would need to reverse the 4 contributions at C2 deducted in November and deduct 8 contributions at D2 rate in December



# Practical Examples



**An employee has joined your company on a part-time basis. The employee is employed full-time elsewhere**

➤ What tax rate should be applied

In terms of the budget measures for 2022, the employee should pay tax at 10% on the first €10,000 income from this part-time employment. This should also be reflected in the FS4

If income exceeds €10,000 the percentage of tax to be deducted should be that at the applicable bracket (25% or 35%) when one takes into consideration the income from the full-time and part-time employment

➤ Should we deduct Social Security ?

Since the employee is employed on a full-time basis elsewhere no SS deductions apply



# Practical Examples

## Shift considerations:

- In most cases employees who work on a shift arrangement tend to be unionised. If this is the case, they will therefore be subject to a collective agreement which is crucial for the calculation of payroll.
- There could be different rates applicable for morning, afternoon or night shifts.
- Each shift may have an applicable allowance over and above the hourly rate. This would be clearly indicated in the collective agreement.



# Practical Examples

## Shift considerations:

- When processing payroll you have to consider all information extracted from the T & A system.
- The allowance may be in the form of a flat rate or applicable per hour. (flat rate pro-rata / hourly) – this always depends on the collective agreement.







**AWARD IN PAYROLL  
FUNDAMENTALS**