

AWARD IN PAYROLL FUNDAMENTALS

Lecture 01: Introduction to Payroll

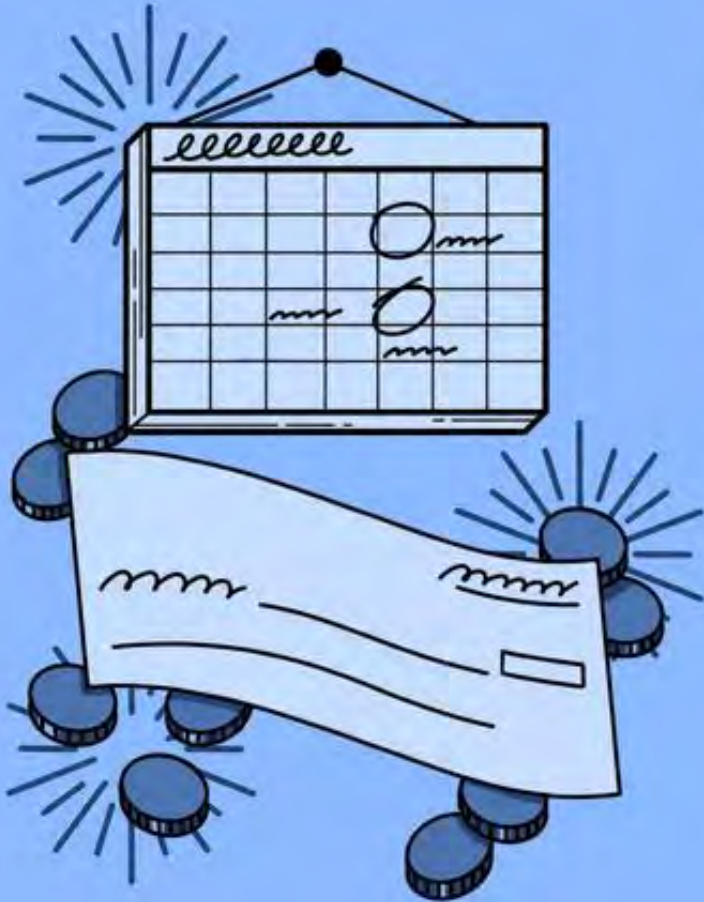
Lecturer: Antoine P. Portelli
Date: Monday, 16 October 2023



What is Payroll ?

Payroll is the
art
of determining
what
and
how much
is due to
whom !





Payroll

['pā-,rōl]

The compensation a business must pay to its employees for a set period or on a given date.

The Process... and its dilemmas

- When does payroll start ?
- Who is responsible ?
 - HR vs. Finance
- Is it worked in a vacuum ?
- What are the actions needed ?
- Who determines the amounts ?
- What are the obligations ?
- And to whom ?
- Can it be outsourced ?
- How is it to be paid ?



The Impact of Payroll

- **44%** consider Resignation over incorrect pay
- **79%** of Employees with incorrect pay find the error and issues themselves
- Impact of erroneous calculations and settlement:
 - Food on the table issues
 - Missed Loan payment deadlines
 - Unfulfilled commitments
 - Stress and Anxiety
 - Employee strife



• **TRUST**

Today's Agenda

- Introduction
- Historical context
- Processing overview
- Payroll systems
- Outsourcing
- Maltese Legislation re: Payroll
- Sources of Information
- Walk through of basic parameters



Historical Context

- Payroll dates back to the 14th Century
- Early 20th Century – formalised system and business practice
- Late 20th Century - Automation



Eternal Tug-of-War: Where does Payroll sit in an organisation ?

Accurate Payroll Processing

- Mandatory records
- Documentation of employee's records
- Recording and inputting data - time-sheets / attendance systems
- Weekly and statutory (government) bonuses
- Statutory deductions - Income tax, social security & maternity fund



Accurate Payroll Processing

- Processing of terminations
- Processing of changes
- Preparation of payslip
- Gross and Net salaries
- Preparation and submission of FSS statutory forms
- Post Payroll processing
- Access of past data records
- GDPR



Mantra

- Never accept anything as is - **question** everything
- Seek advice when in doubt – **double-check**
- Never assume anything – seek **clarification** and authorisation
- Never stop **learning**



Payroll Systems



Manual Calculations

Excel; Tabular; Filing Cabinets



Payroll Software

Automated systems installed in-house or shared platforms



Outsourcing Systems

Onsite or offsite



Whichever the system that suits your organisation;
ALWAYS review the outcome **BEFORE** you pay.

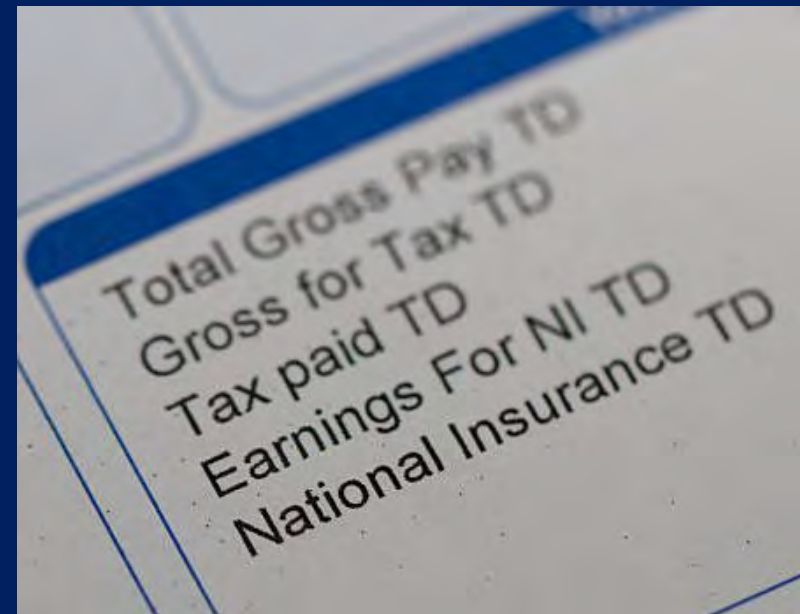
Manual Calculations

EMPLOYEE	NAME AND SURNAME				EMPLOYEE ID		01234567M													
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
MONTH NO.	MONTH	GROSS	OVERTIME 1.5		OVERTIME 2.0		FRNG BEN	BONUS	OTHERS	TOTAL	NAT INS	FSS	FRNG BEN	NET PAY	NAT INS	NO. OF	WEEKLY	HOURLY	NI CAT	TAX
		€	HOURS	€	HOURS	€	TAXABLE			GROSS	(EE)		NON-TAX	(ER)	MONDAYS	RATE	RATE			CLASS
1	Jan-23	1,459.57	3.00	37.89	-	-	-	-	-	1,497.46	168.41	140.00	-	1,189.05	168.41	5	336.82	8.42	C	S
2	Feb-23	1,459.57	2.00	25.26	-	-	-	-	-	1,484.83	134.73	136.00	-	1,214.10	134.73	4	336.82	8.42	C	S
3	Mar-23	1,459.57	-	-	-	-	-	121.13	-	1,580.70	134.73	161.00	-	1,284.97	134.73	4	336.82	8.42	C	S
4	Apr-23	1,459.57	5.00	63.15	-	-	-	-	-	1,522.72	134.73	146.00	-	1,241.99	134.73	4	336.82	8.42	C	S
5	May-23	1,916.67	6.50	107.81	-	-	-	-	457.10	2,481.58	221.15	423.00	-	1,837.43	221.15	5	442.31	11.06	C	S
6	Jun-23	1,916.67	8.50	140.99	-	-	-	135.10	-	2,192.76	176.92	322.00	-	1,693.83	176.92	4	442.31	11.06	C	S
7	Jul-23	1,916.67	1.00	16.59	-	-	-	-	-	1,933.25	221.15	256.00	-	1,456.10	221.15	5	442.31	11.06	C	S
8	Aug-23	1,916.67	-	-	-	-	-	-	-	1,916.67	176.92	252.00	-	1,487.74	176.92	4	442.31	11.06	C	S
9	Sep-23	1,916.67	5.50	91.23	-	-	-	121.13	-	2,129.02	176.92	305.00	-	1,647.10	176.92	4	442.31	11.06	C	S
10	Oct-23	1,916.67	-	-	-	-	-	-	-	1,916.67	221.15	252.00	-	1,443.51	221.15	5	442.31	11.06	C	S
11	Nov-23	1,916.67	-	-	-	-	-	-	-	1,916.67	176.92	253.00	-	1,486.74	176.92	4	442.31	11.06	C	S
12	Dec-23	1,916.67	-	-	-	-	-	135.10	-	2,051.77	176.92	285.00	-	1,589.84	176.92	4	442.31	11.06	C	S
JAN - DEC		21,171.61	31.50	482.92	-	-	-	512.46	457.10	22,624.09	2,120.68	2,931.00	-	17,572.42	2,120.68	52				



Payroll Software

- Usually linked to a wider HR system
- Specialised people handling the data integrity
- Formalised process with set timelines
- Accurate data management
- Automatic calculations based on inbuilt rules
- Generation of payslips – emails
- Submission of Direct Credit settlements
- Generation of FSS documentation



Sample Employee Record

Employees Employees Basic Pays Pay Items Tax Split Payments Payroll History Leave Entitlement Leave History Previous Employment Apply On Behalf Of Employer VOPS

Code: Surname: Name:

Personal Details

Code	<input type="text"/>	Also known as	<input type="text"/>	Civil status	Single
I.D. no.	<input type="text"/>	Sex	Male	Partner I.D. no.	<input type="text"/>
Title	<input type="text"/>	Date of birth	dd/mm/yyyy	Tax registration no.	<input type="text"/>
Surname	<input type="text"/>	Age	0	Social Security no.	<input type="text"/>
Name	<input type="text"/>	Nationality	<input type="text"/>	Academic Level	None
Middle name	<input type="text"/>	Citizenship	<input type="text"/>		

NO IMAGE AVAILABLE

Employment Details

Employment date	dd/mm/yyyy	Employment type	<input type="text"/>	Short term benefits	<input type="text"/>
Termination date	dd/mm/yyyy	Work schedule	<input type="text"/>	Overtime	<input checked="" type="checkbox"/> Overtime Concession <input type="checkbox"/> Opt Out
Termination reason	<input type="text"/>	Tax profile	<input type="text"/>	Default OT pay item	<input type="text"/>
Original employment	<input type="text"/>	Occupation	<input type="text"/>	No maternity leave	<input type="checkbox"/> SSC disability

Sample Payroll Calculation Report



Payroll Outsourcing

- What is outsourcing of payroll ?
- How does it work ?
- What options are available?
- It's not just the payslip !
- The Controller and 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

EMPLOYMENT AND INDUSTRIAL RELATIONS [CAP. 452.] 1

CHAPTER 452

EMPLOYMENT AND INDUSTRIAL RELATIONS ACT

To consolidate, with amendments, the Conditions of Employment (Regulation) Act (Cap.135) and the Industrial Relations Act (Cap. 266).

2nd December, 2002
27th December, 2002

ACT XXII of 2002, as amended by Acts IX of 2003, III of 2004 and XIX of 2006; Legal Notice 427 of 2007; Acts V of 2009, V of 2011 and XVI of 2012; Legal Notice 426 of 2012; and Acts IV of 2015 and XXXIII of 2016.*

ARRANGEMENT OF ACT

	Articles
General	1-2
Title I - Employment Relations	
Part I Employment Relations Board	3
Part II Recognised Conditions of Employment	4-10
Part III Protection of Wages	11-25
Part IV Protection against Discrimination related to Employment	26-32
Part V Termination of Contracts of Service	33-42
Part VI Enforcement and Non-Compliance related to Employment	43-47
Part VII Administration related to Employment	48
Title II - Industrial Relations	
Part I Organization of Workers and Employers	
Sub-Part I Status, registration and conduct of trade unions and	49-62



Maltese Legislation Regulating Payroll

Subsidiary Legislation

- SL372.14 - FSS Rules
- SL452.78 - Parental Leave Entitlement Regulations
- SL452.87 - Organisation of Working Time Regulations
- SL452.88 - Urgent Family Leave Regulations
- SL452.101 - Minimum Special Leave Entitlement Regulations
- SL452.110 - Overtime Regulations
- SL452.114 - Leave for Medically Assisted Procreation National Standard Order
- SL452.115 - Annual Leave National Standard Order
- LN201/2022 - Work-Life Balance
- LN267/2022 – Transparent & Predictable Working Conditions



Information Goldmines for Payroll Processing

- Office of the Commissioner for Revenue
- Department of Industrial and Employment Relations
- Department of Social Security
- Legislation Malta
- Wage Regulation Orders
- Jobsplus
- Identita'
- Malta Employers Association

Constantly Updated !



Commissioner for Revenue

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

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



OFFICE OF
THE COMMISSIONER
FOR REVENUE



Department for Industrial and Employment Relations

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

- Work Conditions
- Work Regulation Orders
- Employee Entitlements
- Dispute resolution
- Change of Conditions
- Transfer of Business Regulations

dier.gov.mt



Department of Social Security

<https://socialsecurity.gov.mt/en>

- Benefit Rates
- Pensions
- Calculation of Social Security Contributions



Legislation Malta – Online Portal

<https://legislation.mt>

- Tax Updates and Legal Notices
- Efficient search engine



Wage Regulation Orders (WRO)

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

- How many WROs are there currently? – 31 + 3 (LN)
- Who falls under a WRO?



Wage Regulation Orders (WRO)

- » S.L. 452.50 - Agriculture and Allied Industries
- » S.L. 452.60 - Beverage Industries
- » S.L. 452.45 - Canning Industry
- » S.L. 452.41 - Cargo Clearance and Forwarding Agents' (Burdnara) Employees
- » S.L. 452.43 - Cinemas and Theatres
- » S.L. 452.49 - Clay and Glass Products
- » S.L. 452.59 - Construction
- » S.L. 452.40 - Domestic Service
- » S.L. 452.46 - Electronics Industry
- » S.L. 452.67 - Food Manufacture Industries
- » S.L. 452.57 - Hire (Cars or Private Buses)
- » S.L. 452.54 - Hospitals and Clinics
- » S.L. 452.66 - Hotels and Clubs
- » S.L. 452.56 - Jewellery and Watches
- » S.L. 452.53 - Laundries
- » S.L. 452.69 - Leather Goods and Shoes Industries
- » S.L. 452.37 - Paper, Plastics , Chemicals and Petroleum
- » S.L. 452.48 - Printing and Publishing
- » S.L. 452.76 - Private Cleaning Services
- » S.L. 452.47 - Private Schools
- » S.L. 452.75 - Private Security Services
- » S.L. 452.39 - Professional Offices
- » S.L. 452.35 - Public Transport
- » S.L. 452.51 - Seamen
- » S.L. 452.72 - Sextons and Custodians
- » S.L. 452.55 - Textiles and Allied Industries
- » S.L. 452.68 - Tobacco Manufacture Industry
- » S.L. 452.52 - Transport Equipment, Metal and Allied Industries
- » S.L. 452.58 - Travel and Insurance Agencies
- » S.L. 452.63 - Wholesale and Retail Trades
- » S.L. 452.44 - Woodworks
- » L.N. 351 of 2019 – Adaptation of Laws (Wages Council Wage Regulation Orders) Order (Amendment No.2),2019
- » L.N. 335 of 2022 – Adaptation of Laws (Wages Council Wage Regulation Orders) Order,2022
- » L.N. 268 of 2022 – Digital Platform Delivery Wages Council Wage Regulation Order, 2022



Jobsplus

<https://jobsplus.gov.mt/>

- Employment Registration Agency
- Depository of all employee movements
- Search for Vacancies
- Employer Portal
- Employee Portal
- Forms



Identita'

<https://identita.gov.mt/>

- Identity Cards management
- E-ID Cards
- Passports
- E-Passports
- Visas
- Residency Documents
- TCNs
- Single Permits



identità



Malta Employers Association

<https://www.maltaemployers.com/>

- Portal of the Association of Maltese Employers
- Provides updated legislation , media events and position papers
- HR Handbook



Taxation

- The Final Settlement System (FSS) was introduced in 1998.
- A tax deduction methodology designed to produce accurate tax deductions from emoluments.
- This methodology ensures that the correct amount of tax is deducted from gross emoluments as they are received thus reducing the incidence of large refunds or tax bills arising from end of year tax assessments.



Final Settlement System

- FSS Main Tax
 - Resident
 - Single
 - Parent
 - Married
 - Non-Resident Tax
- FSS Part-Time
- FSS other emoluments



Considerations

- How to correctly apply the particular FSS per employee
- On which emoluments is FSS deducted ?
- What are the concerns in respect to tax deductions ?
- The importance of the FS4

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



Tax Rates

Tax Rate (Marginal)	SINGLE		PARENT		MARRIED	
	Chargeable Income up to €	Deduct from Income X Tax Rate	Chargeable Income up to €	Deduct from Income X Tax Rate	Chargeable Income up to €	Deduct from Income X Tax Rate
0%	9,100	0	10,500	0	12,700	0
15%	14,500	1,365	15,800	1,575	21,200	1,905
25%	19,500	2,815	21,200	3,155	28,700	4,025
25%	60,000	2,725	60,000	3,050	60,000	3,905
35%	60,001+	8,725	60,001+	9,050	60,001+	9,905

Tax Rates

FULL-TIME EMPLOYMENT

- **SINGLE**

- Single Persons
- Married Persons whose spouse is in employment and have no dependent children (<18 years or <23 years full-time students)

- **PARENT**

- Married Persons both in employment with dependent children

- **MARRIED**

- Married Persons whose spouse is unemployed
- Single Parents with dependent children



Tax Rates Year Basis 2023 (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



Tax Rates

PART-TIME EMPLOYMENT

- EMPLOYMENT **NOT** MAIN EMPLOYMENT
 - 10% on first €10,000
- SELF-EMPLOYMENT **NOT** MAIN EMPLOYMENT
 - 10% on first €12,000

OVERTIME

- 15% on first €10,000
(provided annual basic wage is <€20,000)

