

# AWARD IN PAYROLL FUNDAMENTALS

## Lecture 10: Social Security, Pensions and Payroll Practicals

**Antoine P. Portelli, CPA**  
**Monday, 18 December 2023**



# Today's Agenda

- Social Security
- Pensions
  
- Practicals – part 2



# Social Security

The Aim of Social Security is to:

- provide a safety net for the people of Malta

On any particular instance, you might have received some form of social security benefits.

Or you might know someone who does.



# Social Security Mission & Values



“to provide correct financial assistance and other benefits to eligible persons in time”

# Social Security

- The development of social security services in Malta could possibly be traced back to the rule of the Order of the Knights of St. John over the Maltese islands.
- In the 19th century the first-ever state sponsored social benefit was introduced in Malta.
- It was a pension scheme launched in 1885 for police officers, and which a few years later, was extended to civil servants.



# Social Security

- 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 Minister on the development of effective and dynamic policies for social security



# Social Security & Covid-19

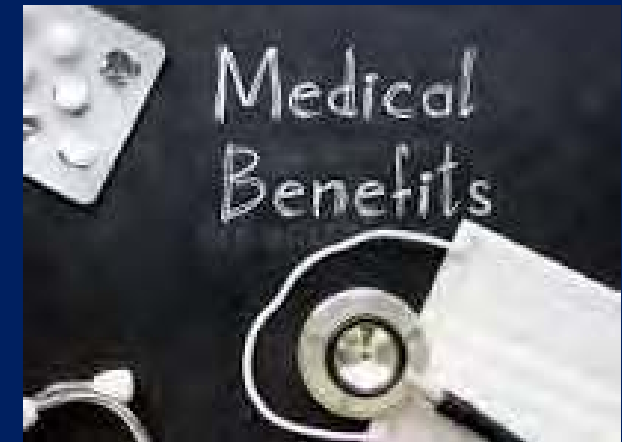
Medical Benefit – Vulnerable Employees

Parent Benefit – While schools were closed

Benefit to persons with disabilities – who had to stay at home

Additional Unemployment Benefits – for those who lost their job

Indirectly – Employers benefitted with the Wage Supplement Scheme wherein a part of salaries was refunded.



# 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

- **Trusts and Trustees Act**

The Maternity Leave Contribution that came into effect as of 1<sup>st</sup> 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>



# Social Security Law

- **Widows' Orphans' and Pensions Act**
- To make provision for Widows and Children
- Granting of pensions to deceased Public Officers, i.e. their heirs.

<https://legislation.mt/eli/cap/58/eng/pdf>



# Benefits

There are a number of Benefits that a person might be eligible to.

<https://socialsecurity.gov/mat/en/Benefits-and%20Assistance/Pages/Benefits-Information.aspx>

## Family Benefits

[Adoption Benefit - view information](#)

[Adoption Leave Benefit - view information](#)

[Children in Care Allowance - Foster Care Service - view information](#)

[Children in Care Allowance: Foster Care Service - Tapering of Benefit - view information](#)

[Children in Care Allowance - Residential Service - view information](#)

[Children's Allowance - Child between 16 and 21 years of age - view information](#)

[Children's Allowance - Claim for Revision - view information](#)

[Children's Allowance and Child Birth or Adoption Bonus - Annual Income exceeds Threshold - view information](#)

[Children's Allowance and Child Birth or Adoption Bonus - Annual Income less than Threshold - view information](#)

[Children's Allowance and Child Birth or Adoption Bonus - Additional Children - view information](#)

[Children's Allowance Supplement - view information](#)



# Sickness Benefits

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

- Daily Married Rate €23.03
- Daily Single Rate €14.92

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



# Contributory Pensions

The Contributory Retirement Pension may be awarded to a person who reaches retirement age.

There are 3 types of pensions



# Contributory Pensions

1. TTP – **TWO THIRDS PENSION** which is earnings related according to the contribution average
2. RP – **RETIREMENT PENSION** which is based on flat rates and is paid to claimants in receipt of a service pension
3. NMP – **NATIONAL MINIMUM PENSION** which is paid to claimants paying a low rate of social security contributions



# Contributory Pensions

- For employees born between 1962 and 1968, the pension age is 65 years – for employed, self-employed or self-occupied persons, pension will be calculated on the **best 10 calendar years out of the full 40 years**
- For those born on or after the 1st January 1969, the pension age is 65 years – for employed, self-employed or self-occupied persons, pension will be calculated on the **best 10 calendar years out of the full 41 years**



# Contributory Pensions

- Eligibility to a contributory Pension depends on a number of criteria
- A person can decide to go for an Early opt-out at the age of 61 or retire with full benefits according to the year they were born.





# Contributory Pensions

- Worked for 35 years, paid or credited contributions for a person born during calendar years **1952 to 1961** (Total number of Social Security Contributions required for this period is 1820)
- Worked for 40 years, paid or credited contributions for a person born during calendar years **1962 to 1968** (Total number of Social Security Contributions required for this period is 2080)
- Worked for 41 years, paid or credited contributions for a person born on or after **1st January 1969**, of which 35 need to be paid contributions (Total number of Social Security Contributions required for this period is 2132)



# Contributory Pensions

<https://socialsecurity.gov.mt/en/Pensions/Pages/default.aspx>

More information regarding Pensions

<https://socialsecurity.gov.mt/en/Pensions-Reform/Pages/Pensions-Strategy-Working-Group-2015.aspx>

Pension reform of 2015 – to incentivise social beneficiaries and women to enter the labour market.



# Pensioners who continue to work

Persons who satisfy the eligibility conditions to claim a Pension prior to their Pension Age, but opt to defer such claim and continue in employment within the private sector, public sector and public service, and self-occupation are eligible to a percentage increase in their pension rate

<https://socialsecurity.gov.mt/en/Documents/Benefits-and-Assistance/INF%20-%20IncentivespersonsbeyondPensionAgeEN.pdf>

[Budget 2024 extended these pension top-up opportunities](#)



# Budget 2024

Increase in pension for persons who opt to continue working at pension age

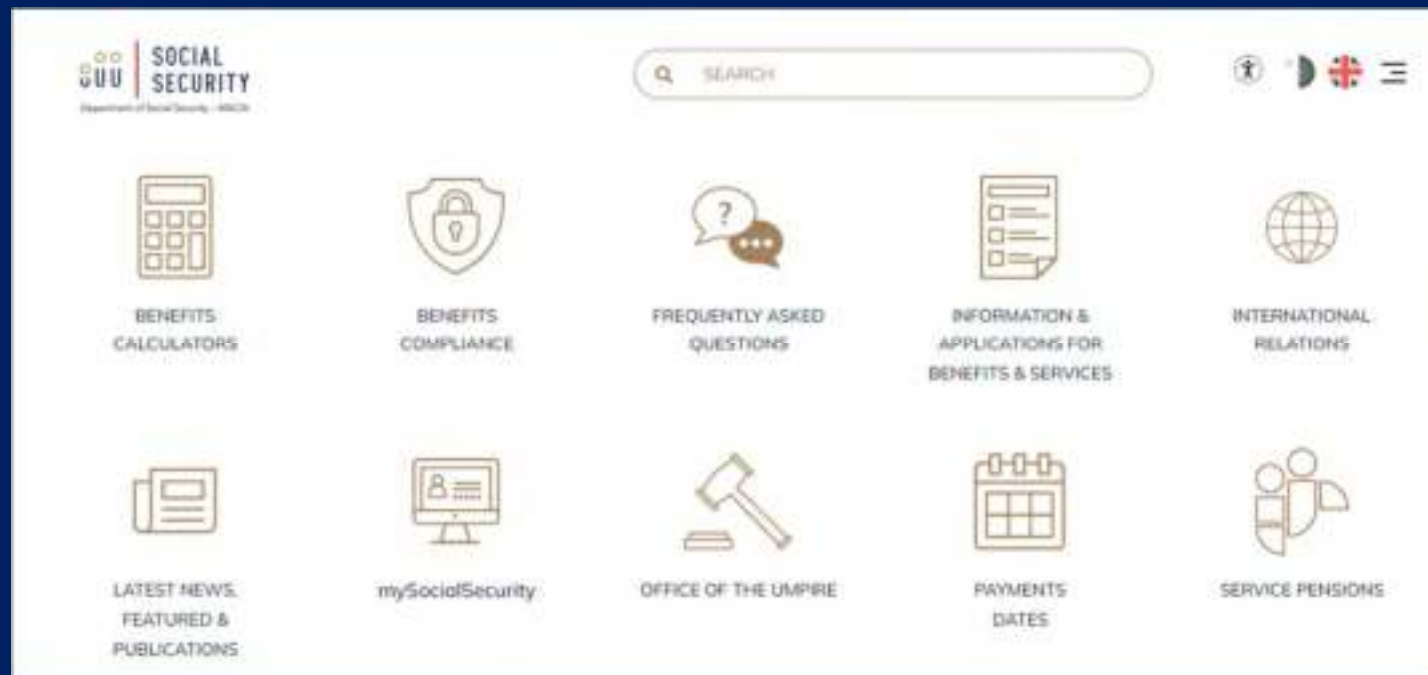
- As from 2024, persons opting to work beyond the pension age of 61 will see their pension increase by 6.5% pension (currently 5%).
- For a two-year delay, the increase will be 13.5% (3% higher than the current rate).
- A three-year delay will result in a 21% boost
- A four-year delay will lead to a 29% increase (6% higher than the current rate).



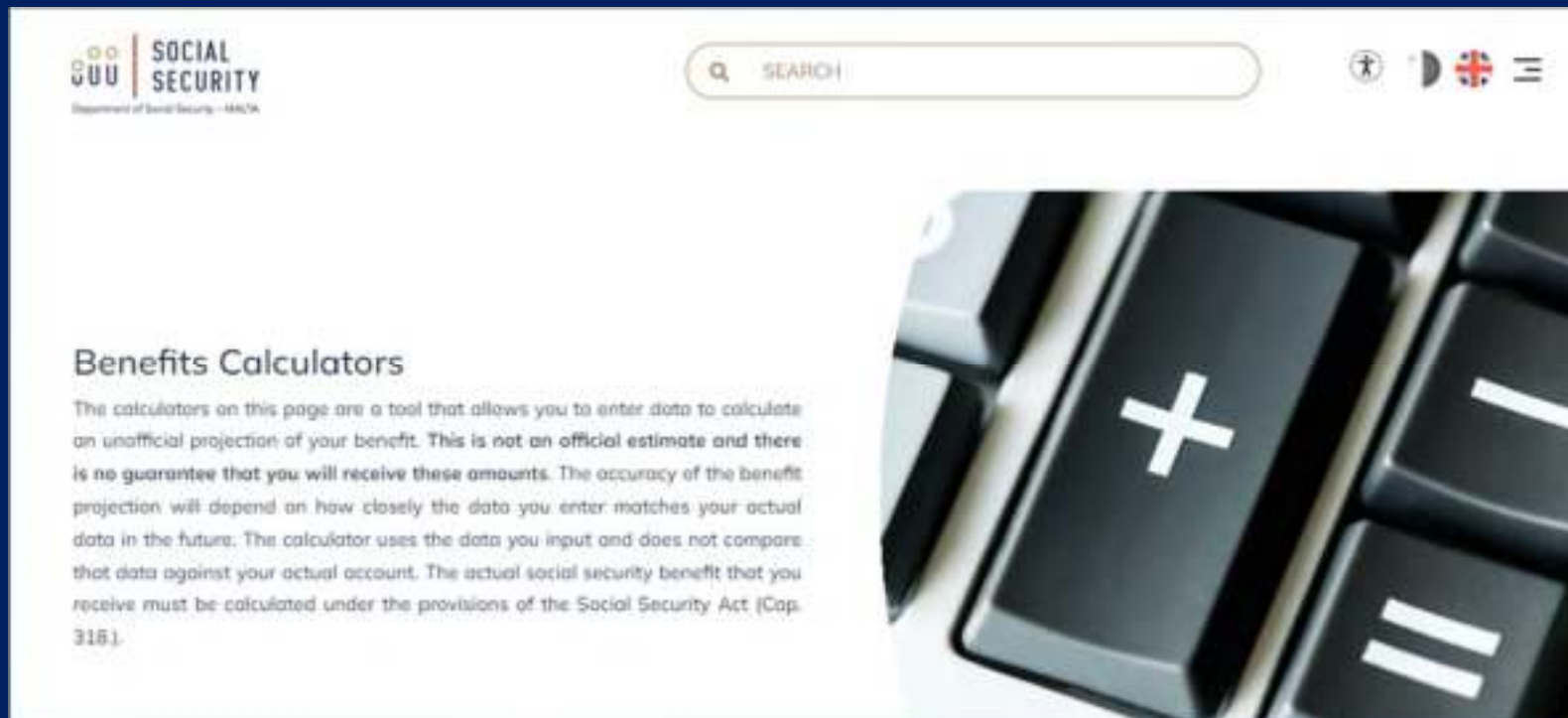
# Social Security online

It is important to familiarise with the Social Security online portal.

<https://socialsecurity.gov.mt/en/online%20applications/Pages/MyServicesEN.aspx>



# Social Security online



Each benefit also has an online calculator



# Sickness Benefit Calculator

The screenshot shows the 'mySocialSecurity' website interface. At the top, there is an orange header bar with the site logo 'mySocialSecurity' in the center. Below the logo is a navigation bar with links for 'Home', 'Calculators', and 'Online Services'. The main content area is titled 'Sickness Benefit Calculator' and contains a text input field for the number of days absent from work. Below the input field is a 'Clear' button. At the bottom of the page, there is a footer with links for 'Contact Us', 'Terms Of Use', 'Accessibility Statement', and 'Developed by fmita'.

mySocialSecurity

Home Calculators Online Services

## Sickness Benefit Calculator

Number of days absent from work due to sickness (exclude non-working days, e.g. Saturdays, Sundays and public holidays. If you are unemployed please only exclude Sundays):

Clear

Contact Us Terms Of Use Accessibility Statement Developed by fmita



## Sickness Benefit Calculator

Number of days absent from work due to sickness (exclude non-working days, e.g. Saturdays, Sundays and public holidays. If you are unemployed please only exclude Sundays):

14

Do you have a minimum of 50 Contributions paid up to the date you last worked? (Social Security contributions are paid in weekly rates, and each year of gainful occupation will carry 52 or 53 social security contributions (depending on the annual number of Mondays):

Yes  No

Do you have a minimum of 20 Contributions paid or credited in the last two full years prior to the year during which you are making the claim?:

Yes  No

Is your Civil Status: Married, Civil Union, or Official Co-habitation\*? (if you are Single, Legally Separate, or Divorced, please choose No):

Yes  No

Is your Spouse/ Partner\* employed Full-time? (A Co-habitation status has to be formally registered in the Malta Public Registry):

Yes  No







The screenshot shows the 'mySocialSecurity' website interface. At the top, there is an orange header bar with a small flag icon and a 'mySocialSecurity' logo. Below the header is a navigation bar with links for 'Home', 'Calculators', and 'Online Services'. The main content area is titled 'Result' and contains the following text: 'According to the details provided you may be entitled for a daily rate of €14.92 which is applicable to each day of absence, excluding the first three days which are not covered under this benefit.' followed by 'Henceforth, you may be entitled to a payment of €164.12.' and a disclaimer: 'This calculation is an estimate and by no means is final and official. The eligibility and final rate is worked out by the Department following a formal application.' At the bottom of the content area, there are two buttons: 'Amend' and 'Print'.



Award in Payroll Fundamentals



# Welcome to our Employees



## Question 12



Nicole was born in 1995. She earns €325 per week. How much is her yearly gross wage?

€16,900



# Question 13



If out of €16,900, the maximum possible car cash allowance is taken, what would the Basic Gross annual Salary be?

€16,900-€2,340 = €14,560 Basic



## Question 14



If Nicole's basic salary per annum is €14,560 and her gross €16,900, how much NI will she be paying on a monthly basis?

$€14,560 / 52 = €280$  per week @ 10% = €28 per week

4 Mondays - €112.00

5 Mondays - €140.00



## Question 15



If Nicole's basic annual gross salary is €14,560 and her gross €16,900, how much Maternity Fund contributions will the employer be paying?

$€14,560 / 52 = €280$  per week  
@ 0.30% = €0.84 per week



## Question 16



Nicole starting working with the employer on the 1<sup>st</sup> November 2022.  
How much was her March 2023 bonus (weekly allowance)?

$$€121.16 / 6 = €20.19 * 5 = €100.97$$





## Question 17



Due to schools being unforeseeably closed, Nicole decided that from April she would like to reduce her hours of work.

Is the Employer obliged to accept?

No



# Question 18



Since her employer is considerate and understanding, they decide to accept this request and she will be reducing her hours to 30 per week.

What is Nicole's new monthly Gross salary? (Her full is of €16,900)

$$€16,900 / 52 \text{ weeks} = € 325.00$$

$$€325.00 / 40 \text{ hours} = €8.13 * 30 = €243.75$$

$$€243.75 * 52 / 12 = €1,056.25$$



## Question 19



Her new salary is now €1,056.25 and the employer decided to keep her full car cash allowance.

What is her new basic?

$$€1,056.25 - €195 = €861.25$$



# Question 20



If her monthly wage is of €861.25  
how much National Insurance will  
she be paying?

Gross Basic Weekly - €198.75 per week  
NI - €19.88 per week



## Question 21



At €198.75 per week how much is the weekly Maternity Fund contribution?

€198.75 @ €0.3% = €0.60 per week



## Question 22



What will her Bonus be in June?

January February & March @ full  
 $€135.10 / 6 * 3 = €67.55$

April, May & June @ reduced  
30 hours \*  $€67.55 / 40 = €50.66$

Total €118.21



## Question 23



Paul was sick in April and he took 5 consecutive days of leave. How much sick benefit will we deduct from his wage?

$$€23.03 * 2 = €46.06$$

## Question 24



Clarissa wage is €37,500 per year.  
She arrived in Malta on the 1st of January.  
She paid 6 months of Non-Res tax rate of  
€5,705 till June.

In July we changed her tax to Single  
Rate.

What should be her total payment for  
the year?

€6,650

The final tax rate applies

$€37,500 \times 25\% - €2,725 = €6,650$





## Question 25 – Bonus question



Clarissa' salary is €37,500 per year.  
At Single Rate she needs to pay €6,650.  
She has already paid €6,143 till June.  
When will she start paying tax again?

In December



## Question 26 – Bonus question



How much will she pay in December?

€507



# Assignment Questions

- Choose ONE question from the following TWO questions and include a report of 500 words besides the tasks being asked for.



# Question 3: Breakaway Deliveries Limited

AWARD IN PAYROLL FUNDAMENTALS: INTAKE OCTOBER 2023

## ASSIGNMENT TASK

Choose ONE question from the following TWO questions and include a report of 300 words besides the tasks being asked for.

### Question 3

Breakaway Deliveries Limited has been in operation for over 15 years. Its PE No. is 534003. It has a consistent workforce, and recently added on a new employee. The current employee list is:

Employee Name	Position	Status	Employment Date	Age	Gross Annual Salary (2023) €	Car Cash Allowance (Total Fridge Smears) €	Other Earnings (Annual) €	Tax Status
Roger Grech	Sales Manager	Full-Time	2011	45	30,000	4,000	Commission	Single
Janice Debatista	Sales Executive	Full-Time	2018	35	50,000	2,340	Commission	Parental
Jürgen Zahra	Accountant	Full-Time	2012	56	42,000	0	Telephone Allowance-€500	Parental
Charmaine Caruana	Secretary	PT 20 Hours per week	2008 (NOTE 1)	66	Hourly Rate of €10.50	0	NIL	Single
Alfred Calleja	Logistics Manager	Full-Time	1 June 2023 (NOTE 2)	37	28,000	5,000	NIL	Married
Stephen Xuevb	Director & CEO	Full-Time	2009	52	65,000	0	NIL	Married

NOTE 1 – Charmaine Caruana is entitled to a state pension of €11,500 per year.

NOTE 2 – Alfred Calleja was previously employed elsewhere. His P53 shows Gross Taxable Earnings of €10,574; and P55 paid to date of €966.

Vacation Leave Days taken over the 6-month period January to June 2023 were:

Employee Name	Vacation Leave Taken – Jan 23	Vacation Leave Taken – Feb 23	Vacation Leave Taken – Mar 23	Vacation Leave Taken – Apr 23	Vacation Leave Taken – May 23	Vacation Leave Taken – Jun 23
Roger Grech	0	4	0	2	1	0
Janice Debatista	0	0	5	0	0	5
Jürgen Zahra	1	0	2	2	0	1
Charmaine Caruana	1	1	1	0	0	2
Alfred Calleja	n/a	n/a	n/a	n/a	n/a	1
Stephen Xuevb	0	0	10	0	0	3

Sick Leave days (consecutive) taken over the same period were:

Employee Name	Sick Leave Taken – Jan 23	Sick Leave Taken – Feb 23	Sick Leave Taken – Mar 23	Sick Leave Taken – Apr 23	Sick Leave Taken – May 23	Sick Leave Taken – Jun 23
Roger Grech	0	0	0	0	0	2
Janice Debatista	4	0	0	0	3	0
Jürgen Zahra	0	1	0	2	0	3
Charmaine Caruana	0	0	0	0	0	0
Alfred Calleja	n/a	n/a	n/a	n/a	n/a	2
Stephen Xuevb	0	0	0	0	0	0

### Task

- Prepare all the Employee paylips (using Excel and showing the workings on a separate tab) for the period January to June 2023.
- You are to choose how much Commission is earned per month.
- Explain how you went about your assignment and which assumptions and schedules did you use. Include also any challenges you faced. (500 words)



# Question 4: Sandra, Jean...and triplets!

## Question 4

Sandra and Jean were given the unexpected, lovely news that they were going to have triplets. After the initial shock and ensuing happiness, they started to plan for the coming months and years.

Jean has a full-time employment and has been with his employer for over 10 years. Sandra had changed jobs 2 years ago, and also works full-time. They wish to take the maximum allotted time available to be with their newborns.

The couple approached you as an independent consultant to advise what they are entitled to, and any limitations set by the local legislation. You need to:

- Identify what types of leave both are entitled to and the qualifying conditions of such leave.
- If Sandra and Jean had opted to adopt the children, what would have been their total entitlement?

Sandra gives birth on the 28 March 2023. The below information is required to process the payroll:

- She started her maternity leave 4 weeks before giving birth
- Her Basic Gross Annual Salary is of €20,000
- She has a car cash allowance of €195 per month
- She had brought over 40 hours of vacation leave from 2022
- She took 36 hours vacation leave in January and another 16 hours in February 2023.
- The remaining available vacation leave was taken after her maternity leave to increase her time with the triplets.

You are to prepare the payslips of Sandra from 1 February 2023, until her return back to work. Also, give a summary of the assumptions and legislation you used to prepare the task, and identify any challenges you faced. (500 words)



Wishing  
you a  
blessed  
Christmas,  
and a  
stress-free  
2024



