

# AWARD IN PAYROLL FUNDAMENTALS

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

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# 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 €30.39
- Daily Single Rate €23.16

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

Sickness Benefits are TAX EXEMPT! Therefore they do **NOT** attract tax.



# 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

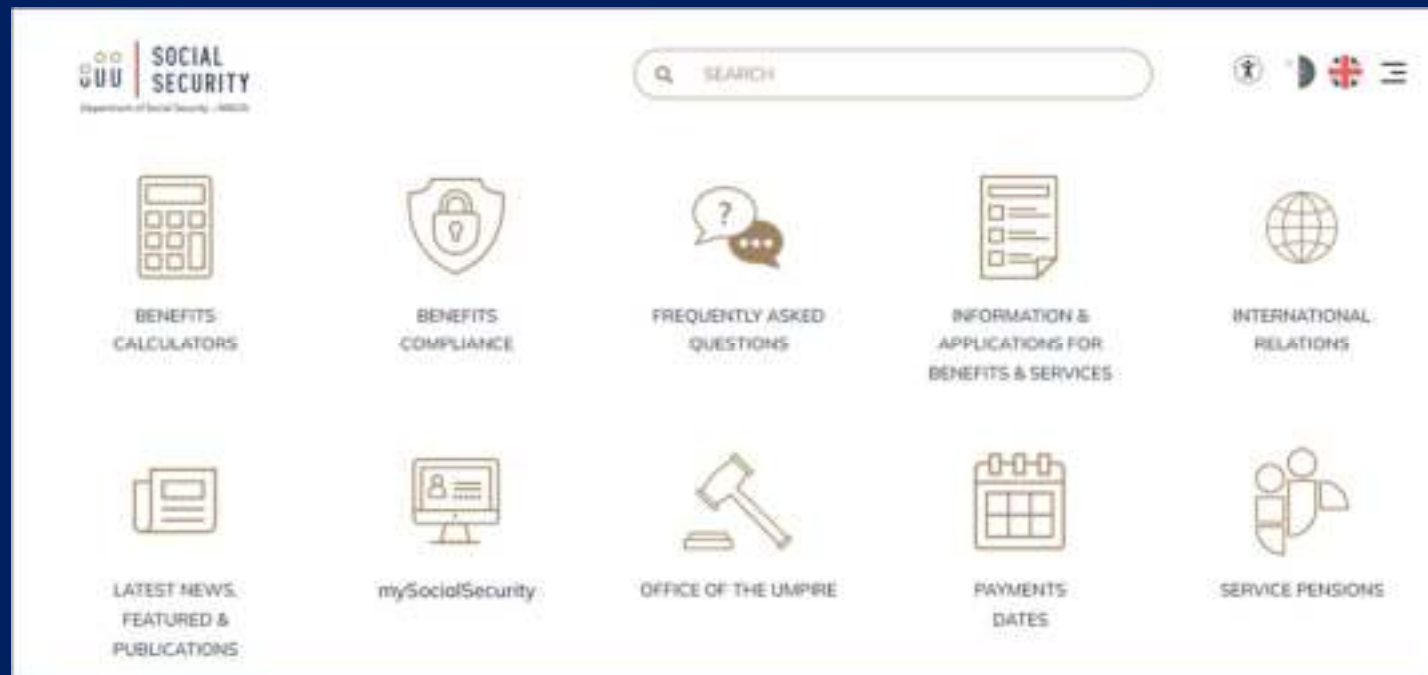
- As from 2024, persons opting to work beyond the pension age of 61 will see their pension increase by 6.5% pension
- For a two-year delay, the increase will be 13.5%
- A three-year delay will result in a 21% boost
- A four-year delay will lead to a 29% increase



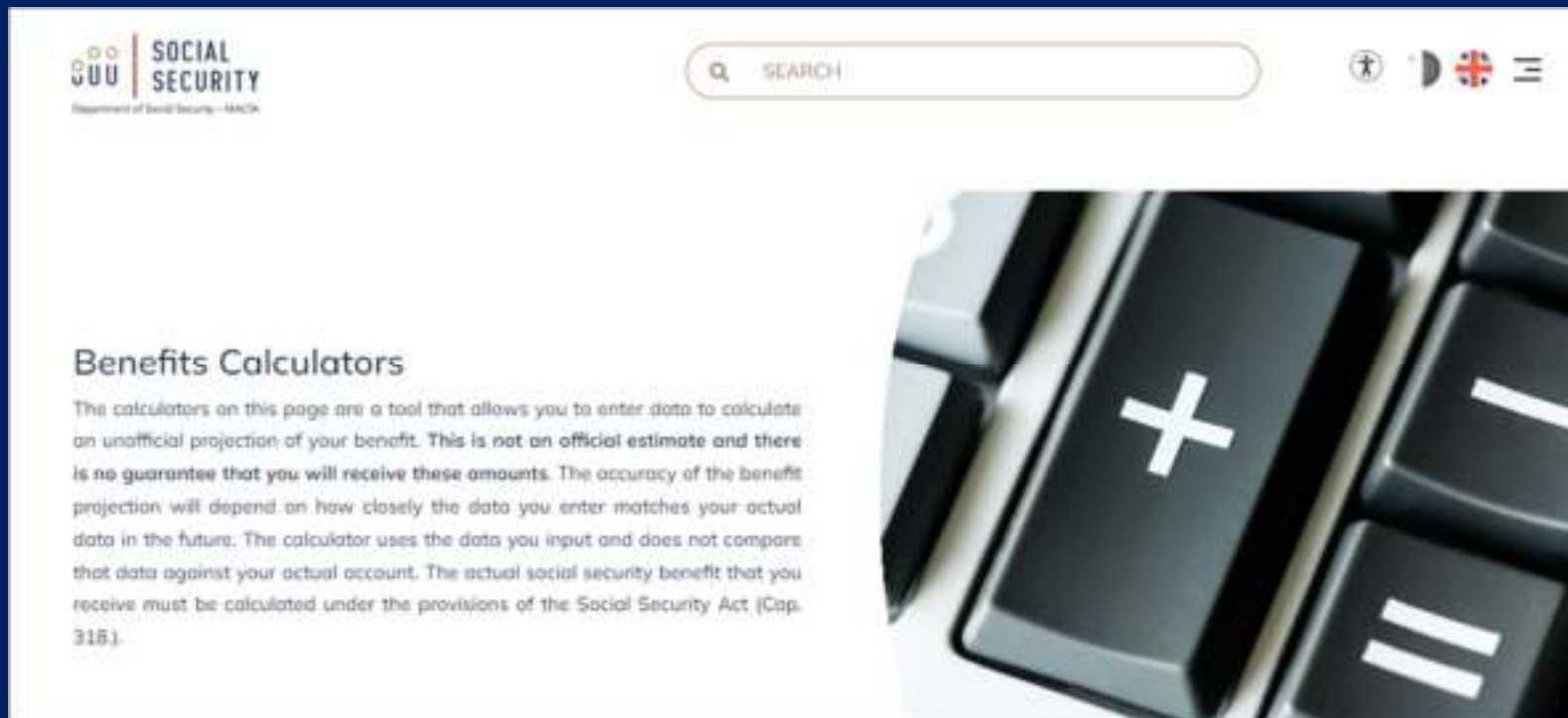
# Social Security online

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 a small red and white icon and a small globe icon. Below this is a white banner with the 'mySocialSecurity' logo. A secondary orange header bar contains navigation links: 'Home', 'Calculators' (with a dropdown arrow), and 'Online Services' (with a dropdown arrow). The main content area is white and features the title 'Sickness Benefit Calculator'. Below the title is a text instruction: '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):'. Underneath this text is a wide, empty orange input field. Below the input field is a small orange button labeled 'Clear'. At the bottom of the page is a wide orange footer bar containing four links: 'Contact Us', 'Terms Of Use', 'Accessibility Statement', and '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 user profile icon. Below this is a white section with the 'mySocialSecurity' logo. A second orange header bar contains navigation links: 'Home', 'Calculators', and 'Online Services'. The main content area is white and features a 'Result' section. The text in this section states that the user is entitled to a daily rate of €14.92, applicable to each day of absence excluding the first three days. It also states a total payment of €164.12. A disclaimer follows, noting that the calculation is an estimate and not final. At the bottom of the result section, there are two orange buttons labeled 'Amend' and 'Print'.



# Welcome to our Employees



## 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 Question No. 3

- Cambridge Design Solutions Limited has been in operation since 2012.
- Its PE No. is 891021.
- It is owned by the Degiorgio family and has been able to hold on to its employees for a considerable time.
- Recently, an employee resigned, and a new one was recruited.



# Assignment Question No. 3

Employee Name	Position	Status	Employment Date	Age	Gross Annual Salary (2024) €	Car Cash Allowance (Total Fringe Benefit) €	Other Earnings (Annual) €	Tax Status
Clyde Degiorgio	Director & CEO	Full-Time	2012	55	75,000	0	NIL	Married
Grace Grima	Sales Manager	Full-Time	2013	46	42,000	4,000	Commission of €2,400	Single
Michele Vella	Sales Executive	Full-Time	2016	31	30,000	2,340	Commission of €1,800	Parental
Jesmond Falzon	Accountant	Full-Time	2013	36	36,000	0	Telephone Allowance €600	Parental
Sandra Theuma	Secretary	PT 20 hours per week	2014 (NOTE 1)	66	Hourly Rate of €11.00	0	NIL	Single
George Zammit	Stores Manager	Full-Time	1 May 2024 (NOTE 2)	30	24,000	1,800	NIL	Single
Kyle Azzopardi	Logistics Manager	Full-Time	2012 (NOTE 3)	45	36,000	4,000	NIL	Married

# Assignment Question No. 3

- NOTE 1 – Sandra Theuma is entitled to a state pension of €12,000 per year in 2024.
- NOTE 2 – George Zammit was previously employed elsewhere. His FS3 shows Gross Taxable Earnings of €10,570; and FSS paid to date of €1,734.
- NOTE 3 – Kyle Azzopardi left the Company on 31 May 2024.





# Assignment Question No. 3

Vacation Leave Days taken over the 6-month period January to June 2024 were:

Employee Name	Vacation Leave taken – Jan 24	Vacation Leave taken – Feb 24	Vacation Leave taken – Mar 24	Vacation Leave taken – Apr 24	Vacation Leave taken – May 24	Vacation Leave taken – Jun 24
Clyde Degiorgio	0	3	0	3	0	1
Grace Grima	0	0	8	0	0	2
Michele Vella	2	0	3	1	0	1
Jesmond Falzon	0	3	1	0	0	1
Sandra Theuma	0	0	0	0	0	2
George Zammit	n/a	n/a	n/a	n/a	0	1
Kyle Azzopardi	3	0	0	0	4	n/a

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

Employee Name	Sick Leave taken – Jan 24	Sick Leave taken – Feb 24	Sick Leave taken – Mar 24	Sick Leave taken – Apr 24	Sick Leave taken – May 24	Sick Leave taken – Jun 24
Clyde Degiorgio	0	0	0	0	0	0
Grace Grima	2	0	0	3	0	0
Michele Vella	0	2	0	0	0	1
Jesmond Falzon	0	0	4	0	0	0
Sandra Theuma	0	0	0	0	0	2
George Zammit	n/a	n/a	n/a	n/a	0	2
Kyle Azzopardi	1	0	2	4	0	n/a

# Assignment Question No. 3

- Task
  - Prepare all the Employees' **monthly payslips** (using Excel and showing the workings on a separate sheet) for the period January to June 2024.
  - You are to use the 2024 calendar to calculate the Social Security contributions, if any, and the Tax Rates applicable during the year.
  - Include all the statutory required information on the payslip and choose any company logo and address you wish.
  - Explain how you went about your assignment and which assumptions and schedules did you use. Include also any challenges you faced.
- 500 words



## Award in Payroll Fundamentals

[NAME OF EMPLOYER]					[EMPLOYER LOGO]
[PE NO. XXXXXX]					
[ADDRESS 1]					
[ADDRESS 2]					
EMPLOYEE	[NAME & SURNAME]				
ID NO.	123456M				
NI NO.	A12345678				
ADDRESS	[ADDRESS 1]				
	[ADDRESS 2]				
DESIGNATION	[JOB DESCRIPTION]				
PAYSLIP FOR THE MONTH OF			[MONTH & YEAR]		
Pay Period from / to			01/xx/2024 - 30/xx/2024		
			THIS MONTH	YEAR TO DATE	
			€	€	
BASIC PAY	Hrs	xxx	1,235.56	-	
VACATION LEAVE	Hrs	xxx	879.41	-	
OVERTIME AT 1.5 RATE	Hrs	#N/A	-	-	
OVERTIME AT 2.0 RATE	Hrs	#N/A	-	-	
FRINGE BENEFITS (TAXABLE)			-	-	
BONUS ( STATUTORY)			-	-	
OTHERS			-	-	
TOTAL			2,114.97	-	
NATIONAL INSURANCE	Weeks/Cat	4D	- 212.92	-	
FSS	Category	S/P/M	- 411.00	-	
FRINGE BENEFITS (NON-TAXABLE)			-	-	
NET PAY THIS MONTH			1,491.05	-	
Vacation Leave taken to date	Hrs			0	
Vacation Leave available to end of Year	Hrs			0	



# Assignment Question No. 4

- Write an essay of 1,500 words explaining the different Social Security Contributions and Tax rates applicable to Maltese employees under the current legislation. You are to delve in detail on the different SSC brackets, the types of tax charged and also describe the Maternity Fund Contributions that have to be levied on the Employer.
- You are also expected to highlight the different scenarios when such SSC and Tax rates are applicable and include examples and workings to back your arguments.
- You are to use 2024 as the reference year and provide detailed references to the various Acts.

