

AWARD IN PAYROLL FUNDAMENTALS

Lecture 02: Starting Payroll for Local & Foreign Employees

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AGENDA

- Taxation
- Social Security Contributions
- The Payslip
- Data and Engagement
- The FSS Documents
- Engagement of:
 - Maltese Nationals
 - EU / Expats
 - Third Country Nationals
- Practical Example

TODAY'S AGENDA

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://mtca.gov.mt/personal-tax/individual/tax-rates1>

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%	12,000	0	13,000	0	15,000	0
15%	16,000	1,800	17,500	1,950	23,000	2,250
25%	60,000	3,400	60,000	3,700	60,000	4,550
35%	60,001+	9,400	60,001+	9,700	60,001+	10,550

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 2025 (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)



SOCIAL SECURITY CONTRIBUTIONS

- Calculated on the **basic weekly wage** of the employee
- Factors that affect SS deduction
 - Employed elsewhere
 - Age of Employee
- Two Categories



Class 1

<https://mtca.gov.mt/personal-tax/fss/social-security-contribution-rates/class-1---social-security-contribution-rates>

Class 2

<https://mtca.gov.mt/personal-tax/fss/social-security-contribution-rates/class-2---social-security-contribution-rates>

NATIONAL INSURANCE CONTRIBUTIONS (2025)

Class 1 Employed Persons		Basic Weekly Wage to €	Weekly NI Contributions (Employee)	Weekly NI Contributions (Employer)	Weekly Maternity Leave Contribution (Employer)
Category	Age				
A	< 18 years	221.78	€6.62	€6.62	€0.20
B	18+ years	221.78	€22.18 (or 10%)	€22.18	€0.67
C	Born <1962	451.91	10%	10%	0.3%
C2	Born 1962+	544.28	10%	10%	0.3%
D	Born <1962	>451.92	€45.19	€45.19	€1.36
D2	Born 1962+	>544.29	€54.43	€54.43	€1.63
E	< 18 years		10% (max. €4.38)	10% (max. €4.38)	0.3% (max. €0.13)
F	18+ years		10% (max. €7.94)	10% (max. €7.94)	0.3% (max. €0.24)

NATIONAL INSURANCE CONTRIBUTIONS (2025)

Class 2 Self-Employed Persons		Annual Net Income from €910 (€1,006 for SP) up to	Weekly NI Contribution payable by self- employed	Full-Time Farmers
Category	Age			
SP	Income from Rents, investments or capital gains	€10,840.40	€31.27	n/a
SA		€12,301.39	€35.48*	€23.65
SB	Born <1962	€23,499.99	15% of net weekly	10% of net weekly
SB2	Born 1962+	€28,303.35	15% of net weekly	10% of net weekly
SC	Born <1962	€23,500.00+	€67.79	€45.19
SC2	Born 1962+	€28,303.36+	€81.64	€54.42

* May choose to pay 15% of Net weekly income if:

- A part-time woman
- A full-time student <24 years working part-time
- A pensioner

NATIONAL INSURANCE - WEEKS

Month	No. of Mondays	Month	No. of Mondays
Jan	4	Jul	4
Feb	4	Aug	4
Mar	5	Sep	5
Apr	4	Oct	4
May	4	Nov	4
Jun	5	Dec	5

**52 weeks
in 2025**

- Self-Employed Persons pay their dues:
 - April – 17 weeks
 - August – 17 weeks
 - December – 18 weeks

GOVERNMENT INDUCED BONUSES

STATUTORY BONUS

- **€135.10** every 6 months
- Payable at:
 - End of June
 - Between 15 – 23 December
- €0.74 per calendar day pro rata (incl. Saturdays and Sundays)

WEEKLY ALLOWANCE

- **€121.16** every 6 months
- Payable at:
 - End of March
 - End of September
- €4.66 per working week pro rata



PAYSLIP DETAILS

Name of Employee	Address of Employee	Employee ID No.	Basic Salary	Other Pre-Tax Additions / Deductions	NI Contributions
Employee NI No.	Department / Section / Unit	Grade / Occupation	Tax (FSS)	Any Post-Tax Additions / Deductions	Net Pay for Period
Employer's Name	Employer's Address	PE Number	Gross Pay Totals to Date	NI Totals to Date	FSS Deducted to Date
Pay Date	Payroll Period		Overtime Tax Concession	Vacation Leave (Hrs) Taken	Available Vacation Leave Hrs