AWARD IN PAYROLL FUNDAMENTALS

Lecture 10: Social Security, Benefits, Pensions & more

Antoine P. Portelli, CPA

Monday, 15 December 2025

square CONSULTING LTD.

21 ACADEMY

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 tobe 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 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

SOCIAL SECURITY LAW

- **Widows' Orphans' and Pensions Act**

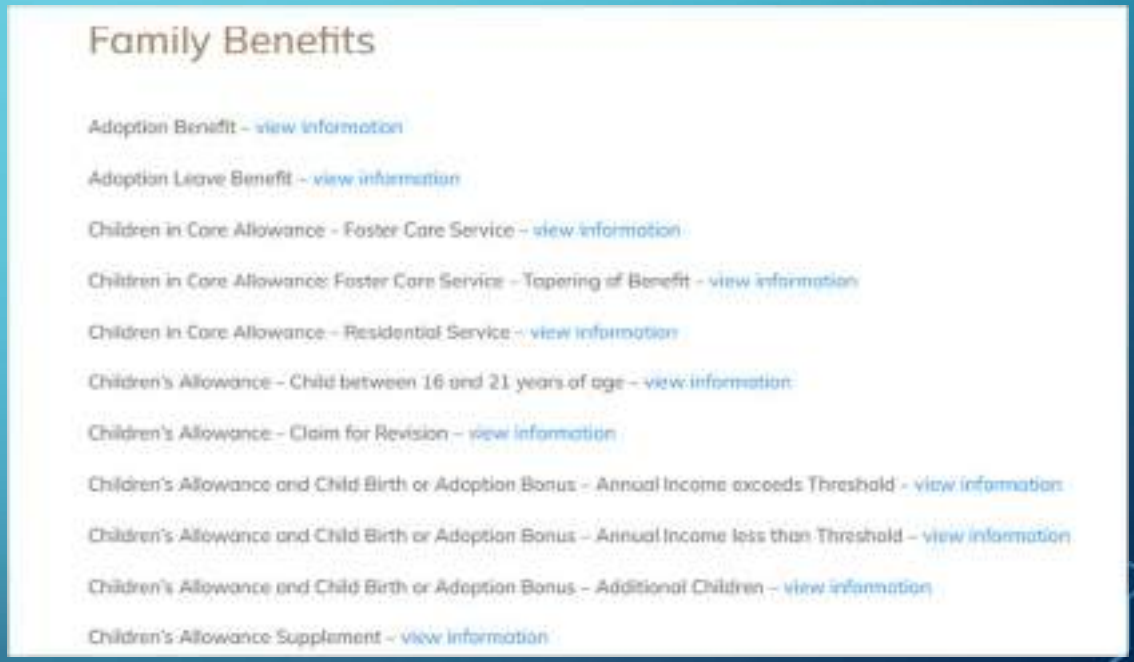
- To make provision for Widows and Children
- Granting of pensions to deceased Public Officers, i.e. their heirs.

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.mt/en/Benefits-and%20Assistance/Pages/Benefits-_Information.aspx



SICKNESS BENEFITS

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

- Daily Married Rate (2025) € 25.19
- Enhanced Sickness Benefit (after 156 days) €31.72

- Daily Single Rate (2025) €16.32
- Enhanced Sickness Benefit (after 156 days) €24.49

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**
- Born on or after 1st January 1976, the pension age is sixty-five (65) years – for employed, self-employed or self-occupied persons, pension will be calculated on **the best ten (10) calendar years out of the full 42 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 during calendar years 1969 to 1975, of which 35 need to be paid contributions (Total number of Social Security Contributions required for this period is 2132)
- Worked for 42 years, paid or credited contributions for a person born on or after 1st January 1976, of which 35 years need to be paid contributions. Total number of Social Security Contributions required for this period is 2184

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

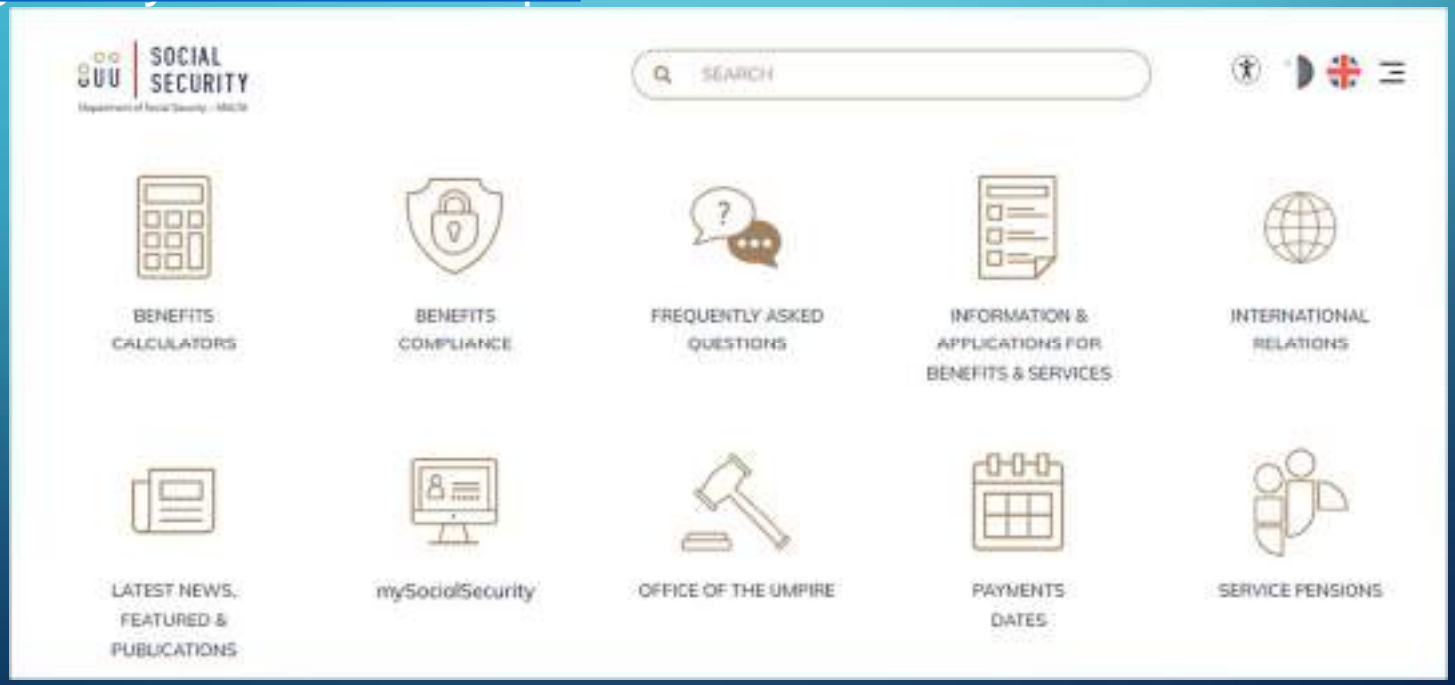
https://socialsecurity.gov.mt/en/Documents/Benefi_ts-and-Assistance/INF%20-%20IncentivespersonsbeyondPensionAgeEN.pdf

Budget 2026 extended these pension top-up opportunities

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

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

mySocialSecurity
Home
Calculators
Online Services
Result
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.
Henceforth, you may be entitled to a payment of €164.12.
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.
Amend
Print

square
CONSULTING LTD.

21
ACADEMY

WELCOME TO OUR EMPLOYEES

QUESTION 10 – SIMPLIFIED VERSION

MONTH	MONTHLY GROSS EARNINGS	CUMULATIVE EARNINGS	MONTH NO	ANNUALISED GROSS EARNINGS	TAX (MARRIED)	TAX PARAMETERS (MARRIED)	TAX DUE ANNUALISED	TAX DUE TO DATE TO MONTH	TAX PAID PER MONTH	CUMULATIVE TAX PAID TO DATE	OVERPAID IN MONTH
JAN	1,500	1,500	1	18,000	15%	2,250	450	38	65	65	28
FEB	1,500	3,000	2	18,000	15%	2,250	450	75	65	130	55
MAR	2,000	5,000	3	20,000	15%	2,250	750	188	58	188	-
APR	2,000	7,000	4	21,000	15%	2,250	900	300	113	300	-
MAY	2,000	9,000	5	21,600	15%	2,250	990	413	113	413	-
JUN	2,000	11,000	6	22,000	15%	2,250	1,050	525	113	525	-
JUL	2,000	13,000	7	22,286	15%	2,250	1,093	638	113	638	-
AUG	2,000	15,000	8	22,500	15%	2,250	1,125	750	113	750	-
SEP	2,000	17,000	9	22,667	15%	2,250	1,150	863	113	863	-
OCT	2,000	19,000	10	22,800	15%	2,250	1,170	975	113	975	-
NOV	2,000	21,000	11	22,909	15%	2,250	1,186	1,088	113	1,088	-
DEC	2,000	23,000	12	23,000	15%	2,250	1,200	1,200	113	1,200	-
ANNUAL	23,000										

QUESTION 10 – REALTIME TAX (BONUS CHARGE)

MONTH	MONTHLY GROSS EARNINGS (incl GOVT BONUS)	MONTHLY GROSS EARNINGS (excl GOVT BONUS)	MONTHLY GROSS GOVT BONUS	CUMULATIVE EARNINGS	MONTH NO	ANNUALISED GROSS EARNINGS	TAX (MARRIED)	TAX PARAMETERS (MARRIED)	TAX DUE ANNUALISED	TAX DUE TO DATE TO MONTH	TAX PAID PER MONTH	CUMULATIVE TAX PAID TO DATE	OVERPAID IN MONTH
JAN	1,500	1,457	-	1,457	1	17,484	15%	2,250	373	31	65	65	34
FEB	1,500	1,457	152	3,066	2	18,396	15%	2,250	509	85	65	130	45
MAR	2,000	1,957	14	5,037	3	20,148	15%	2,250	772	193	63	193	-
APR	2,000	1,957	-	6,994	4	20,982	15%	2,250	897	299	106	299	-
MAY	2,000	1,957	-	8,951	5	21,482	15%	2,250	972	405	106	405	-
JUN	2,000	1,957	90	10,998	6	21,996	15%	2,250	1,049	525	120	525	-
JUL	2,000	1,957	-	12,955	7	22,209	15%	2,250	1,081	631	106	631	-
AUG	2,000	1,957	-	14,912	8	22,368	15%	2,250	1,105	737	106	737	-
SEP	2,000	1,957	121	16,990	9	22,654	15%	2,250	1,148	861	124	861	-
OCT	2,000	1,957	-	18,947	10	22,737	15%	2,250	1,160	967	106	967	-
NOV	2,000	1,957	-	20,904	11	22,805	15%	2,250	1,171	1,073	106	1,073	-
DEC	2,000	1,957	135	22,996	12	22,996	15%	2,250	1,199	1,199	126	1,199	-
ANNUAL	23,000	22,484	512										

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?

€25.19 * 2 = €50.38
Married rate

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 €6,143 till June.
In July we changed her tax to Single Rate.
What should be her total payment for the year?

€5,975
The final tax rate applies
€37,500 x 25% - €3400 = €5,975

QUESTION 25 – BONUS QUESTION

Clarissa' salary is €37,500 per year.
At Single Rate she needs to pay €5,975.
She has already paid €6,143 till June.
When will she start paying tax again?

Not in 2025!!

ASSIGNMENT QUESTIONS

- Choose ONE question from the following TWO questions and include a report of 500 words (Question 3) and 1,500 words (Question 4) besides the tasks being asked for.

QUESTION 3: ROSAMARIA LIMITED

AWARD IN PAYROLL FUNDAMENTALS: INTAKE OCTOBER 2025

ASSIGNEMENT TASK

Choose ONE question from the following TWO questions.

Question 3

RosaMaria Limited has been in operation since 2008. Its PE No. is 667780. It is owned by the Gauci family and has been able to generally maintain its workforce since inception, even during challenging times. Recently, an employee resigned, and a new one was recruited.

Its current workforce is:

Employee Name	Position	Status	Employment Date	Age	Gross Annual Salary (2024) €	Car Cash Allowance (Total Fringe Benefit) €	Other Earnings (Annual) €	Tax Status
Gaetano Gauci	Director & CEO	Full-Time	2008	55	80,000	0	NIL	Single
Paul Chetcuti	Sales Director	Full-Time	2011	49	45,000	6,000	Commission of €12,000	Parental
Joyce Mallia	Sales Executive	Full-Time	2016	35	33,000	2,340	Commission of €6,000	Single
Denise Aquilina	Accountant	Full-Time	2009	40	36,000	0	Telephone Allowance €600	Parental
Michele Xuereb	Secretary	PT 20 hours per week	2015 (NOTE 1)	67	Hourly Rate of €12.00	0	NIL	Single
Charles Zrinzo	Stores Manager	Full-Time	1 May 2025 (NOTE 2)	33	24,000	1,800	NIL	Married
Chris Fenech	Logistics Manager	Full-Time	2009 (NOTE 3)	40	36,000	3,000	NIL	Parental

NOTE 1 – Michele Xuereb is entitled to a state pension of €14,000 per year in 2025.

NOTE 2 – Charles Zrinzo was previously employed elsewhere. His FS3 shows Gross Taxable Earnings of €10,570; and FSS paid to date of €1,734.

NOTE 3 – Chris Fenech left the Company on 31 May 2025.

Vacation Leave Days taken over the 6-month period January to June 2025 were:

Employee Name	Vacation Leave taken – Jan 25	Vacation Leave taken – Feb 25	Vacation Leave taken – Mar 25	Vacation Leave taken – Apr 25	Vacation Leave taken – May 25	Vacation Leave Taken – Jun 25
Gaetano Gauci	2	0	4	0	0	6
Paul Chetcuti	0	4	4	0	3	2
Joyce Mallia	1	0	2	4	2	0
Denise Aquilina	0	1	1	1	1	2
Michele Xuereb	0	0	0	0	0	6
Charles Zrinzo	n/a	n/a	n/a	n/a	0	3
Chris Fenech	8	0	0	1	0	n/a

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

Employee Name	Sick Leave taken – Jan 25	Sick Leave taken – Feb 25	Sick Leave taken – Mar 25	Sick Leave taken – Apr 25	Sick Leave taken – May 25	Sick Leave taken – Jun 25
Gaetano Gauci	0	0	0	0	0	0
Paul Chetcuti	0	2	0	0	3	0
Joyce Mallia	0	1	1	2	0	1
Denise Aquilina	0	0	2	0	0	4
Michele Xuereb	0	0	0	0	0	0
Charles Zrinzo	n/a	n/a	n/a	n/a	0	1
Chris Fenech	0	0	4	2	0	n/a

Task

- Prepare all the Employees' monthly payslips (using Excel and showing the assumptions and workings per employee per month in PDF format) for the period January to June 2025.
- Do NOT upload the Excel schedules, yet organise your work visually.
- You are to use the 2025 calendar to calculate the Social Security contributions, if any, and the Tax Rates applicable during the year.
- Include all the statutory information required 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)

QUESTION 4: SSC AND FSS

Question 4

The different Social Security Contributary Classes and Tax rates applicable to Maltese employees under the current legislation pose a challenge to Payroll professionals. Whilst delving in detail on the different SSC brackets; the types of tax charged and the Maternity Fund Contributions, provide a critique of the various pitfalls encountered by the Employer in deducting the correct amounts and remitting the dues to the Inland Revenue.

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 2025 as the reference year and provide detailed references to the various Acts.

The essay is to be of 1,500 words.