

PAYROLL 2026

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We will cover

- Changes in Salaries
- National Insurance Contributions
- Tax Rates
- Overtime
- Bonuses
- Vacation Leave
- Public Holidays
- Retirement Age
- Sickness and Injury Leave & Benefits
- Other Special Leave types
- Data collection
- New Year Payroll Software roll-over
- Housekeeping



Maltese Legislation Regulating Payroll



Main Legislation



Chapter 452 – Employment and Industrial Relations Act (EIRA)



Chapter 594 – Employment and Training Services Act (ex-Chapter 343 – repealed)



Chapter 267 – Employment Commission Act



Chapter 318 – Social Security Act

EMPLOYMENT AND INDUSTRIAL RELATIONS CAP. 452	
CHAPTER 452	
EMPLOYMENT AND INDUSTRIAL RELATIONS ACT	
<i>In consolidation, with amendments, the Conditions of Employment (Regulation) Act (Cap. 113) and the Industrial Relations Act (Cap. 266)</i>	
2nd December, 2002 27th December, 2002	
<i>ACT XXII of 2002, as amended by Acts IX of 2003, III of 2004 and XIV of 2006; Legal Notice 427 of 2007; Act V of 2008, V of 2011 and XII of 2012; Legal Notice 426 of 2012; and Acts IV of 2013* and XXIII of 2016.</i>	
ARRANGEMENT OF ACT	
	Articles
General	1-2
Title I - Employment Relations	
Part I	Employment Relations Board
Part II	Recognised Conditions of Employment
Part III	Protection of Wages
Part IV	Protection against Discrimination related to Employment
Part V	Termination of Contracts of Service
Part VI	Enforcement and Non-Compliance related to Employment
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

Changes in Salaries – C.O.L.A.

- Cost of Living Adjustment rate for 2026 announced during Budget Speech on 27 October 2024

[LN 290 of 2025]

- Full-timers: **Euro 4.66** per week
- Full-timers: Gross **Euro 242.32** per year
- Hourly Rate increase: **Euro 0.117**

(based on a standard 40-hour week)



Minimum Wage 2026

LN 289 of 2025

Category	Per Week (€)	Per Hour (€)
< 17 years	219.82	5.50
17 years	222.66	5.57
18 years and over	229.44	5.74

Minimum Wage increased by an ADDITIONAL €7.66 per week over last year's Minimum Wage + COLA



National Insurance Contributions - 2026

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	229.44	6.62	€ 6.62	€ 0.20
B	18+ years	229.44	€ 22.94 (or 10%)	€ 22.94	€ 0.69
C	Born <1962	490.38	10%	10%	0.30%
C2	Born 1962+	559.3	10%	10%	0.30%
D	Born <1962	>490.39	€ 49.04	€ 49.04	€ 1.47
D2	Born 1962+	>559.31	€ 55.93	€ 55.93	€ 1.68
E	< 18 years		10% (max. €4.38)	10% (max. €4.38)	0.30% (max. €0.13)
F	18+ years		10% (max. €7.94)	10% (max. €7.94)	0.30% (max. €0.24)

National Insurance Contributions - 2026

Class 2 Self-Occupied Persons 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	€ 11,082.72	€ 31.97	n/a
SA		€ 12,543.72	€36.18**	€ 24.12
SB	Born <1962	€ 25,499.99	15% of net weekly	10% of net weekly
SB2	Born 1962+	€ 29,083.35	15% of net weekly	10% of net weekly
SC	Born <1962	€25,500.01+	€ 73.56	€ 49.04
SC2	Born 1962+	€29,083.36+	€ 83.89	€ 55.93

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

- A part-time self-occupied woman
- A full-time student <24 years working part-time self-occupied
- A pensioner self-occupied with annual net earnings do not exceed €12,543.72



National Insurance - Weeks

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

**52 weeks
in 2026**

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



Tax Rates 2026

- The three 'original' categories still exist:
 - Single
 - Married
 - Parental
- **New** Categories introduced:
 - Married
 - With One Child
 - With Two or more Children
 - Parental
 - With One Child
 - With Two or more Children



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)

- **MARRIED**

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

- **PARENT**

- Married Persons both in employment with dependent children



Tax Rates – 2026 - Single

Tax Rate (Marginal)	SINGLE	
	Chargeable Income up to €	Deduct from Income X Tax Rate
0%	12,000	0
15%	16,000	1,800
25%	60,000	3,400
35%	60,000+	9,400

NO CHANGES FROM PREVIOUS YEAR!!



Tax Rates – 2026 - Married

Tax Rate (Marginal)	MARRIED (No Children)		MARRIED (One Child)		MARRIED (Two + Children)	
	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%	15,000	0	17,500	0	22,500	0
15%	23,000	2,250	26,500	2,625	32,000	3,375
25%	60,000	4,550	60,000	5,275	60,000	6,575
35%	60,000+	10,550	60,000+	11,275	60,000+	12,575

CHANGES FROM PREVIOUS YEAR!!

Tax Rates – 2026 - Parental

Tax Rate (Marginal)	PARENTAL (Do Not Qualify !)		PARENTAL (One Child)		PARENTAL (Two + Children)	
	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%	13,000	0	14,500	0	18,500	0
15%	17,500	1,950	21,000	2,175	25,500	2,775
25%	60,000	3,700	60,000	4,275	60,000	5,325
35%	60,000+	9,700	60,000+	10,275	60,000+	11,325

CHANGES FROM PREVIOUS YEAR!!

Tax Rates – Qualifying Clauses

New Married Rates

- Married couple is Maltese resident
- At least 1 spouse is a Maltese national or from any EU/EEA member state
- At least 1 spouse is a long-term resident of Malta (*Status of Long-Term Residents (TCNs) Regulations – S.L. 217.05*)
- Child is born in Malta
- Child is resident in Malta
- EU/EEA married couple (where 1 spouse is non-resident) at least 90% of worldwide income is derived from Malta



Tax Rates – Qualifying Clauses

New Parental Rates

- Individual is a Maltese resident
- Individual is a Maltese national or from any EU/EEA member state
- Individual is a long-term resident of Malta (*Status of Long-Term Residents (TCNs) Regulations – S.L. 217.05*)
- Child is born in Malta
- Child is resident in Malta
- If individual is NOT the child's parent, to qualify for these new rates must be married, or in a civil union, or entered in a public deed of cohabitation, with child's parent



Married Rates applicable to Single Individuals

- Applicable to:
 - Unmarried
 - Widowed
 - Divorced
 - Separated *de jure* or *de facto*
- Maintain SOLE custody of child
- Child:
 - not older than 18 years, or not older than 23 years in full-time education
 - or is incapacitated by infirmity
 - Does not receive income exceeding €3,400

May use the Married Rates, if more beneficial



Tax Rates Year Basis 2026 (Non-Resident Rates)

Chargeable Income (€) From	Chargeable Income (€) To	Rate	Subtract (€)
0	700	0%	0
701	3,100	20%	140
3,101	7,800	30%	450
7,801	And over	35%	840

NO CHANGES HERE FROM PAST YEARS!!



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 less than €375 per week - €19,500 per annum)
- In a non-managerial post



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



Vacation Leave

- Full-Time Employees are entitled to **192 hours** vacation leave per annum
- 24 Days per year (or pro-rata)

PLUS

- **8 hours** of additional vacation leave for every Public Holiday falling on a weekend
- In 2026: 192 hrs + 24 hrs = **216 hours** (27 days)



Vacation Leave

Shutdowns and Bridge Holidays

- A maximum of **96 hours** (12 days) may be utilised by Employer for Shutdowns and Bridge Holidays
- Employer must notify employees by 31 January of these dates

Part-Timers

- Vacation Leave available pro-rata, based on average hours worked in the previous quarter (13 Weeks):
 - January – March
 - April – June
 - July – September
 - October - December



Public Holidays

Date	Day	Holiday
01-Jan	Thu	New Year's Day
10-Feb	Tue	Feast of St Paul's Shipwreck
19-Mar	Thu	Feast of St Joseph
31-Mar	Tue	Freedom Day
03-Apr	Fri	Good Friday
01-May	Fri	Workers' Day
07-Jun	Sun	Sette Giugno
29-Jun	Mon	Feast of St Peter and St Paul
15-Aug	Sat	Feast of the Assumption
08-Sep	Tue	Victory Day
21-Sep	Mon	Independence Day
08-Dec	Tue	Immaculate Conception
13-Dec	Sun	Republic Day
25-Dec	Fri	Christmas Day

- **3 Public Holidays** falling on a weekend
- To be added to optional vacation leave

SPOILER ALERT !!!

In 2027, there will be **3** PH falling on weekends.



Monthly Vacation Leave Allocation

MONTH	VL	PH ON WEND	TOTAL VL	PUBLIC HOLIDAYS ON WEEKEND
Jan-26	16.00		16.00	
Feb-26	16.00		16.00	
Mar-26	16.00		16.00	
Apr-26	16.00		16.00	
May-26	16.00		16.00	
Jun-26	16.00	8.00	24.00	7 JUN
Jul-26	16.00		16.00	
Aug-26	16.00	8.00	24.00	15 AUG
Sep-26	16.00		16.00	
Oct-26	16.00		16.00	
Nov-26	16.00		16.00	
Dec-26	16.00	8.00	24.00	13 DEC
	192.00	24.00	216.00	



Retirement Age

- Persons born between 1959 and 1961
 - Retirement age = 64 years
- Persons born in 1962 or later
 - Retirement age = 65 years
- Persons reaching 61 years may retire earlier at a lower pension (Must have the minimum number of fully paid NI Contributions)



Retirement Age

- Worked for **35 years**, paid or credited contributions for a person born during calendar years **1952 to 1961** (Total number of SSC 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 SSC 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 SSC 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 SSC required for this period is **2184**



New FS4

- New form applicable from 1 January 2026
- Employees to mark the rate that best applies to them
- Other Schemes rates identified separately
- Full-Timers or MAIN income earners to mark Sections A, B and E
- Part-time work to fill in Section C
- Other emoluments to compile Section D
- Employers to tick the Payer's Confirmation box for each section

The image shows the FS4 Final Settlement System (FSS) form, which is used for reporting employee earnings and deductions. The form is divided into several sections:

- Section A: Employee Details** - Includes fields for Name, Address, Date of Birth, and National Insurance Number.
- Section B: Payer Details** - Includes fields for Payer Name, Payer Address, and Payer Reference.
- Section C: To be filled in where the Income is MAIN** - Includes a table for reporting earnings and deductions for the tax year.
- Section D: To be filled in where the Income is OTHER** - Includes a table for reporting other income and deductions.
- Section E: Declaration** - Includes a declaration box for the Payer's Confirmation.

The form is titled "FS4 FINAL SETTLEMENT SYSTEM (FSS)" and includes a logo for the 21 Academy.

Sick Leave

- Sick Leave is available to all employees as per S.L. 452.101 – Minimum Special Leave Entitlement Regulations
- Sick Leave entitlement varies according to the relevant Wage Regulation Orders
- Where the work activity is not covered by the WRO, the sick leave entitlement amounts to **two working weeks** per year (80 hours; 10 days)
- Use the DIER Resource Pack
- Medical Certificate is ALWAYS required



Injury Leave

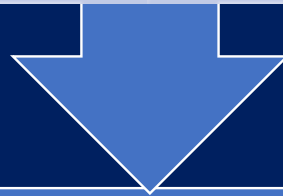
A maximum period of **one year** injury leave on full pay

less the full amount of
any injury benefit
received in terms of
the Social Security Act

if employee is injured
during the actual duty

and not due to
contributory
negligence on their
part

or to any contravention
of safety rules laid
down by the employer



While being on Injury Leave, vacation leave and bonuses accrue whenever an employee is on paid status



Sickness & Injury Benefits - 2026

Daily Benefit	Single Parent Or Married with Spouse not in FT Employment	Any other Person
Sickness Benefit	€25.81	€17.21
Injury Benefit	€38.62	€29.06



Sickness Benefits

- 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.



Maternity Leave

A pregnant employee is entitled to maternity leave for an uninterrupted period of **18 weeks**

First 14 weeks paid by Employer

Last 4 weeks paid by Govt

Min. 4 weeks before



Min. 6 weeks after

The Employer must be informed in writing at least 4 weeks before the start of Maternity Leave
An employee is obliged to work for 6 months upon returning back to work



Paternity Leave

- Paternity leave from work is allowed to all employees who are equivalent second parents, on the occasion of the birth or adoption of a child, for the purposes of providing care
- The paternity leave is of **10 working days**
- To be taken immediately after the birth or the adoption of the child
- No loss of wages
- The right to paternity leave shall not be subject to a period of work qualification or to a length of service qualification



Parental Leave

- All Employees have the individual right to be granted paid parental leave to enable them to take care of that child, upon:
 - Birth
 - Adoption
 - Child fostering
 - Legal custody of a child
- Parental leave entitlement is of a maximum of 4 months per parent until the child reaches the age of 8 years

[LN 201 of 2022]



Parental Leave

- Paid Parental leave per parent for a maximum period of 2 months (8 weeks) at the same rate established for the sickness benefit entitlement and availed of in established periods of at least 2 weeks each.
- The 8 weeks of parental leave shall be taken in accordance to the age of the child, where the child is:
 - < 4 years = 50% of entitlement (4 weeks) will be paid
 - 4 - 6 years = 25% of entitlement (2 weeks) will be paid
 - 6 - 8 years = 25% of entitlement (2 weeks) will be paid



Parental Leave

- For foster parents, the same rate of payment applies, on condition that payment will be given per parent not for each child fostered
- An employee must have at least 12 months continuous service with their employer to be eligible to apply for Parental Leave, unless a shorter period is agreed to
- Every employer shall be bound to keep parental leave records for every worker
- An employee may request such records in writing
- This request may be made even after termination of employment
- The employer should provide a written statement of such leave within 2 weeks of the request



Carers' Leave

- All employees have the right to unpaid carers' leave of **5 working days** per year, to provide personal care or support for a serious medical reason in the following scenarios:
 - to a relative
 - to a person who lives in the same household as the worker
- Medical proof is to be provided by the employee that the supported relative/person is suffering from an illness and is in need of care and support



Working Conditions

- LN 267 of 2022 came into force on **21 October 2022**
- Applies to all employment relationships as from **1 August 2022**
- Sets **minimum** requirements to working conditions
- Information to be provided to Employees
 - Details of Employer
 - Place of Work
 - Description of work to be performed
 - Date of Commencement of Employment
 - Probationary period duration
 - Training entitlement, if any (free of charge and during working hours)
 - All different categories of Leave, and their remuneration



Transparent & Predictable Working Conditions

- Information provided either as part of **employment contract**, or in paper format (record of delivery required)
- Information to be provided by not later than **7th calendar day** from start of work
- Records to be kept by Employer – existing requirements **PLUS** record of **periods of leave** given to employee
- **Prohibition of zero-hour contract:**
 - Exception when employee is providing replacement work and does not constitute their whole-time employment; or
 - Employee is a full-time student



Transparent & Predictable Working Conditions

- **Parallel Employment:** May **not prohibit** employee from taking up employment outside of working schedule, even with competitors
- Employer may prohibit other work if it impacts business confidentiality, health and safety
- **Minimum predictability of work:** Employee entitled to know beforehand of work assignment and timeframe. After probation period, employee may seek **written** confirmation of secure working conditions
- **Remedies to Employee:** Seek redress from DIER
- If terminated due to refusal to comply with any requirement, may be considered as **unfair dismissal**



Payslip Details

Name of Employee	Address of Employee	Employee ID No.
Employee NI No.	Department / Section / Unit	Grade / Occupation
Employer's Name	Employer's Address	PE Number
Pay Date	Payroll Period	

Basic Salary	Other Pre-Tax Additions / Deductions	NI Contributions
Tax (FSS)	Any Post-Tax Additions / Deductions	Net Pay for Period
Gross Pay Totals to Date	NI Totals to Date	FSS Deducted to Date
Overtime Tax Concession	Vacation Leave (Hrs) Taken	Available Vacation Leave Hrs



Fast Track Scheme for specialist TCNs

- Identita` - 'Specialist Employee Initiative' Scheme
- Fast-track process for skilled foreign workers
- Process applications within 15 working days
- Open to university graduates or with equivalent qualifications
- In a managerial or technical role
- Earning a minimum €30,000 per year
- Is an extension of the 'Key Employee Initiative' – Highly paid individuals (5 days)

Check about the transitory TCN requirements and rules in the Malta Labour Migration Policy



Pension Income Exemption

- Income Tax Exemption increased to 100% of pension income for 2026
- Will impact pensioners still working with you
- Realistically will pay less tax – you might need to amend the tax charges for employees not to receive a refund after 11 months next year



Closing off 2025....

Year-end rituals

- Ensuring all terminated employees have been so marked
- All employee data (especially ID No. / Tax No. / NI No.) have been correctly inputted
- If an employee changed their civil status, ensure to include the spouse ID in your system or remove it !
- Generation of FS3s and FS7 (by 15 February 2026)
- Updated list of unutilised Vacation Leave for 2025
- Generation of all Payroll Reports to be used for reconciliation and Accounting
- Record any Special Bonuses, or Overtime hours, not paid during 2025 to include in next pay run



... and opening of 2026 Payroll

After setting up the Payroll process for 2026

- Run the COLA Wage Increase for all existing employees as on 1 January 2026
- Ensure that COLA increase per week is applied to all Full-timers; whilst the hourly increase is applied to Part-Timers only
- **Ensure that no one is below the Minimum Weekly Wage level**
- Check the Payroll Software's updated National Insurance contributions tables
- Check the Software's Tax Rates – **Changes for 2026**
- Update Vacation Leave entitlements and Public Holidays
- Decide on 2025 unutilised Vacation Leave hours: to Write-off; Pay-off; or add to 2026
- Add new Departments / Sections
- Add new Employees
- Update Job Titles



Housekeeping during 2026

- New Employees – Obtain all the necessary documents required before their employment commences
- Update Jobsplus data – dates and Occupations must match – ***within 4 working days!***
- Ensure that previous employer's FS3 is in hand, and Gross Income and Tax Paid are correctly included in your Payroll Employee details
- Keep track of any FS4s required during the year, especially when employees have a new-born; or other change in tax status
- Liaise with other departments, especially when an employee is terminated
- Procedures re: Third Country Nationals (Identita`)





Thank you

