

AWARD IN PAYROLL FUNDAMENTALS

Lecture 01: Introduction to Payroll

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POLL

What do you understand
by

PAYROLL ?





WHAT IS PAYROLL ?

Payroll is the

art

of determining

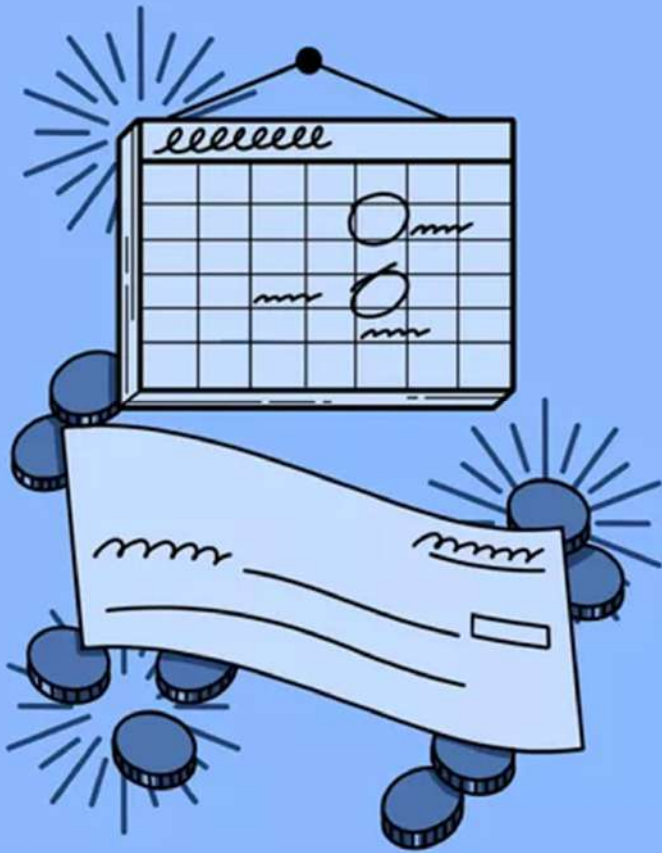
what

and

how much

is due to

whom !



Payroll

['pā-,rōl]

The compensation a business must pay to its employees for a set period or on a given date.

THE PROCESS... AND ITS DILEMMAS

- When does payroll start ?
- Who is responsible ?
HR vs. Finance
- Is it worked in a vacuum ?
- What are the actions needed ?
- Who determines the amounts ?
- What are the obligations ?
- And to whom ?
- Can it be outsourced ?
- How is it to be paid ?



THE IMPACT OF PAYROLL

- **44%** consider Resignation over incorrect pay

- **79%** of Employees with incorrect pay find the error and issues themselves

- Impact of erroneous calculations and settlement:

- Food on the table issues
- Missed Loan payment deadlines
- Unfulfilled commitments
- Stress and Anxiety
- Employee strife

- **TRUST**



TODAY'S AGENDA

- Introduction
- Historical context
- Processing overview
- Payroll systems
- Outsourcing
- Maltese Legislation re: Payroll
- Sources of Information
- Walk through of basic parameters



HISTORICAL CONTEXT

- Payroll dates back to the 14th Century
- Early 20th Century – formalised system and business practice
- Late 20th Century - Automation



Eternal Tug-of-War: Where does Payroll sit in an organisation ?

ACCURATE PAYROLL PROCESSING

- Mandatory records
- Documentation of employee's records
- Recording and inputting data - time-sheets / attendance systems
- Weekly and statutory (government) bonuses
- Statutory deductions - Income tax, social security & maternity fund

ACCURATE PAYROLL PROCESSING

- Processing of terminations
- Processing of changes
- Preparation of payslip
- Gross and Net salaries
- Preparation and submission of FSS statutory forms
- Post Payroll processing
- Access of past data records
- GDPR



MANTRA

- Never accept anything as is - **question** everything
- Seek advice when in doubt – **double-check**
- Never assume anything – seek **clarification** and authorisation
- Never stop **learning**



PAYROLL SYSTEMS



Manual Calculations

Excel; Tabular; Filing Cabinets



Payroll Software

Automated systems installed in-house or shared platforms



Outsourcing Systems

Onsite or offsite



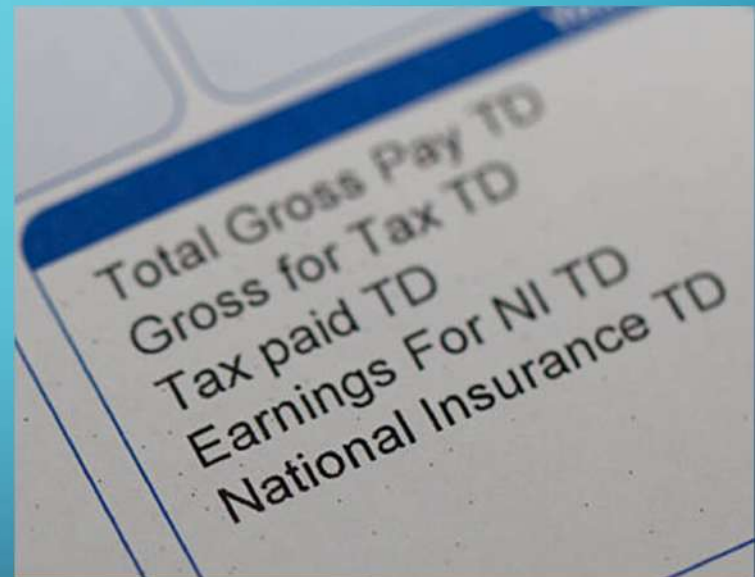
Whichever the system that suits your organisation;
ALWAYS review the outcome **BEFORE** you pay.

MANUAL CALCULATIONS

EMPLOYEE	NAME AND SURNAME			EMPLOYEE ID			01234567M														
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
MONTH NO.	MONTH	GROSS	OVERTIME 1.5		OVERTIME 2.0		FRNG BEN	BONUS	OTHERS	TOTAL	NAT INS	FSS	FRNG BEN	NET PAY	NAT INS	NO. OF	WEEKLY	HOURLY	NI CAT	TAX	
		€	HOURS	€	HOURS	€	TAXABLE			GROSS	(EE)		NON-TAX		(ER)	MONDAYS	RATE	RATE		CLASS	
1	Jan-23	1,459.57	3.00	37.89	-	-	-	-	-	1,497.46	168.41	140.00	-	1,189.05	168.41	5	336.82	8.42	C	S	
2	Feb-23	1,459.57	2.00	25.26	-	-	-	-	-	1,484.83	134.73	136.00	-	1,214.10	134.73	4	336.82	8.42	C	S	
3	Mar-23	1,459.57	-	-	-	-	-	121.13	-	1,580.70	134.73	161.00	-	1,284.97	134.73	4	336.82	8.42	C	S	
4	Apr-23	1,459.57	5.00	63.15	-	-	-	-	-	1,522.72	134.73	146.00	-	1,241.99	134.73	4	336.82	8.42	C	S	
5	May-23	1,916.67	6.50	107.81	-	-	-	-	457.10	2,481.58	221.15	423.00	-	1,837.43	221.15	5	442.31	11.06	C	S	
6	Jun-23	1,916.67	8.50	140.99	-	-	-	135.10	-	2,192.76	176.92	322.00	-	1,693.83	176.92	4	442.31	11.06	C	S	
7	Jul-23	1,916.67	1.00	16.59	-	-	-	-	-	1,933.25	221.15	256.00	-	1,456.10	221.15	5	442.31	11.06	C	S	
8	Aug-23	1,916.67	-	-	-	-	-	-	-	1,916.67	176.92	252.00	-	1,487.74	176.92	4	442.31	11.06	C	S	
9	Sep-23	1,916.67	5.50	91.23	-	-	-	121.13	-	2,129.02	176.92	305.00	-	1,647.10	176.92	4	442.31	11.06	C	S	
10	Oct-23	1,916.67		-	-	-	-	-	-	1,916.67	221.15	252.00	-	1,443.51	221.15	5	442.31	11.06	C	S	
11	Nov-23	1,916.67		-	-	-	-	-	-	1,916.67	176.92	253.00	-	1,486.74	176.92	4	442.31	11.06	C	S	
12	Dec-23	1,916.67		-	-	-	-	135.10	-	2,051.77	176.92	285.00	-	1,589.84	176.92	4	442.31	11.06	C	S	
	JAN - DEC	21,171.61	31.50	482.92	-	-	-	512.46	457.10	22,624.09	2,120.68	2,931.00	-	17,572.42	2,120.68	52					

PAYROLL SOFTWARE

- Usually linked to a wider HR system
- Specialised people handling the data integrity
- Formalised process with set timelines
- Accurate data management
- Automatic calculations based on inbuilt rules
- Generation of payslips – emails
- Submission of Direct Credit settlements
- Generation of FSS documentation



SAMPLE EMPLOYEE RECORD

Employees Employees Basic Pays Pay Items Tax Split Payments Payroll History Leave Entitlement Leave History Previous Employment Apply On Behalf Of Employer VOPS

Code: Surname: Name:

Personal Details

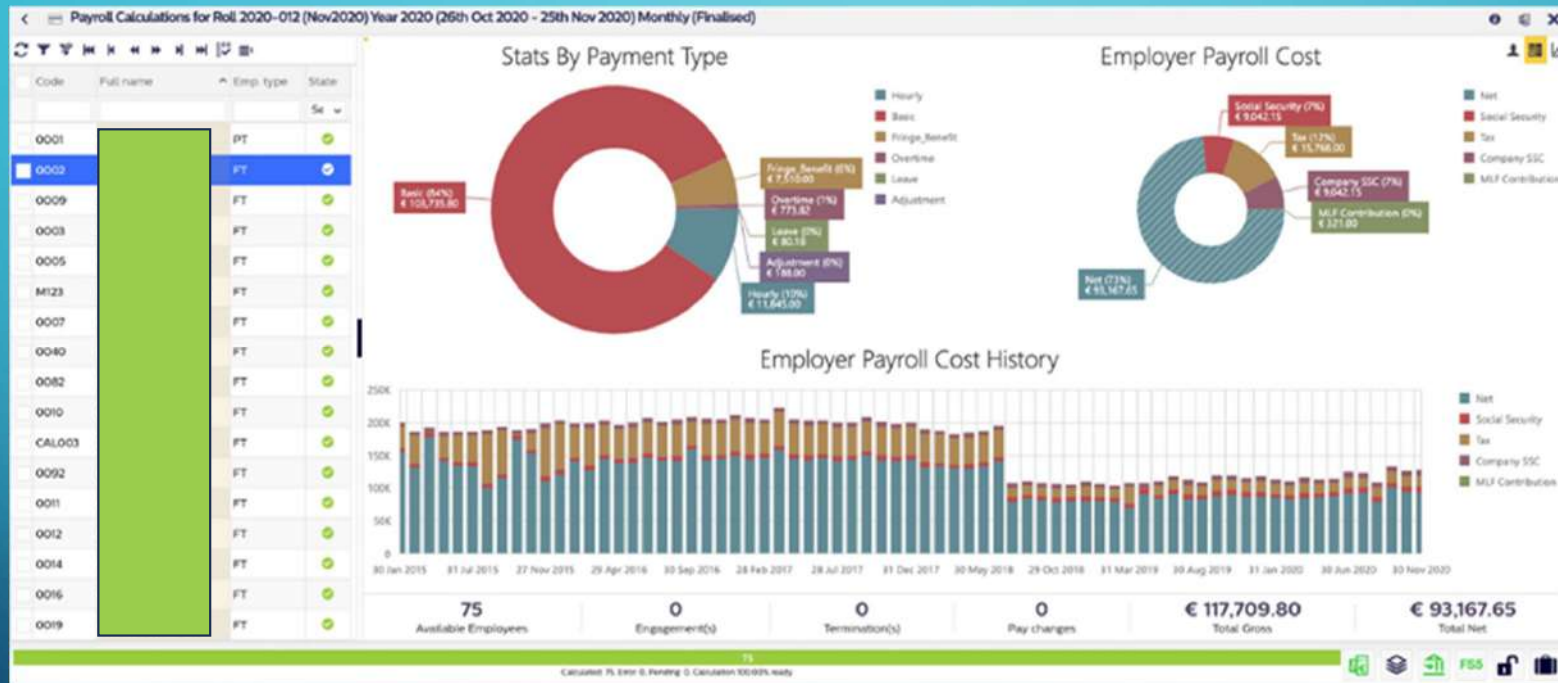
Code	<input type="text"/>	Also known as	<input type="text"/>	Civil status	Single
I.D. no.	<input type="text"/>	Sex	Male	Partner I.D. no.	<input type="text"/>
Title	<input type="text"/>	Date of birth	dd/mm/yyyy	Tax registration no.	<input type="text"/>
Surname	<input type="text"/>	Age	0	Social Security no.	<input type="text"/>
Name	<input type="text"/>	Nationality	<input type="text"/>	Academic Level	None
Middle name	<input type="text"/>	Citizenship	<input type="text"/>		

NO IMAGE AVAILABLE

Employment Details

Employment date	dd/mm/yyyy	Employment type	<input type="text"/>	Short term benefits	<input type="text"/>
Termination date	dd/mm/yyyy	Work schedule	<input type="text"/>	Overtime	☒ Overtime Concession ☐ Opt Out
Termination reason	<input type="text"/>	Tax profile	<input type="text"/>	Default OT pay item	<input type="text"/>
Default employee	<input type="text"/>	Occupation	<input type="text"/>	No maternity leave	☐ SSC disability ☐

SAMPLE PAYROLL CALCULATION REPORT



PAYROLL OUTSOURCING

- What is outsourcing of payroll ?
- How does it work ?
- What options are available?
- It's not just the payslip !
- The Controller and the Processor (GDPR)



MALTESE LEGISLATION REGULATING PAYROLL



Main Legislation



Chapter 452 – Employment and Industrial Relation Act (EIRA)



Chapter 343 – Employment and Training Services Act



Chapter 267 – Employment Commission Act



Chapter 318 – Social Security Act

EMPLOYMENT AND INDUSTRIAL RELATIONS [CAP. 452. 1

CHAPTER 452

EMPLOYMENT AND INDUSTRIAL RELATIONS ACT

To consolidate, with amendments, the Conditions of Employment (Regulation) Act (Cap.135) and the Industrial Relations Act (Cap. 266).

2nd December, 2002
27th December, 2002

ACT XXII of 2002, as amended by Acts IX of 2003, III of 2004 and XIX of 2006; Legal Notice 427 of 2007; Acts V of 2009, V of 2011 and XVI of 2012; Legal Notice 426 of 2012; and Acts IV of 2015¹ and XXXIII of 2016.

ARRANGEMENT OF ACT

	Articles
General	1-2
Title I - Employment Relations	
Part I Employment Relations Board	3
Part II Recognised Conditions of Employment	4-10
Part III Protection of Wages	11-25
Part IV Protection against Discrimination related to Employment	26-32
Part V Termination of Contracts of Service	33-42
Part VI Enforcement and Non-Compliance related to Employment	43-47
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

MALTESE LEGISLATION REGULATING PAYROLL

Subsidiary Legislation

- SL372.14 - FSS Rules
- SL452.78 - Parental Leave Entitlement Regulations
- SL452.87 - Organisation of Working Time Regulations
- SL452.88 - Urgent Family Leave Regulations
- SL452.101 - Minimum Special Leave Entitlement Regulations
- SL452.110 - Overtime Regulations
- SL452.114 - Leave for Medically Assisted Procreation National Standard Order
- SL452.115 - Annual Leave National Standard Order
- SL452.116 – Itemised Payslip Regulations
- LN201/2022 - Work-Life Balance
- LN267/2022 – Transparent & Predictable Working Conditions
- SL217.17 – Temporary permit for TCNs to reside and work for over 6 months

INFORMATION GOLDMINES FOR PAYROLL PROCESSING

- Malta Taxation & Customs Administration
- Department of Industrial and Employment Relations
- Department of Social Security
- Legislation Malta
- Wage Regulation Orders
- Jobsplus
- Identita'
- Malta Employers Association

*Constantly
Updated !*

MALTA TAX & CUSTOMS ADMINISTRATION (MTCA)

<https://mtca.gov.mt>

- Tax and Social Security Registrations
- Tax and NI Rates
- Statutory Employer submissions
- Validation of tax numbers and social security numbers



DEPARTMENT FOR INDUSTRIAL AND EMPLOYMENT RELATIONS

<https://dier.gov.mt>

dier.gov.mt

- Work Conditions
- Work Regulation Orders
- Employee Entitlements
- Dispute resolution
- Change of Conditions
- Transfer of Business Regulations

DEPARTMENT OF SOCIAL SECURITY

<https://socialsecurity.gov.mt>

- Benefit Rates
- Pensions
- Calculation of Social Security Contributions



LEGISLATION MALTA – ONLINE PORTAL

<https://legislation.mt>

- Tax Updates and Legal Notices
- Efficient search engine



JOBSPUS

<https://jobsplus.gov.mt/>

- Employment Registration Agency
- Depository of all employee movements
- Search for Vacancies
- Employer Portal
- Employee Portal
- Forms

The logo for jobsplus, featuring the word "jobsplus" in a white, lowercase, sans-serif font, centered within a green rounded rectangle.

IDENTITA'

<https://identita.gov.mt/>

- Identity Cards management
- E-ID Cards
- Passports
- E-Passports
- Visas
- Residency Documents
- TCNs
- Single Permits



identità

MALTA EMPLOYERS ASSOCIATION

<https://www.maltaemployers.com/>

- Portal of the Malta Employers' Association
- Provides updated legislation , media events and position papers
- HR Handbook
- OHS Regulations
- Whistleblower Act
- Equality



CONDITIONS OF WAGE REGULATION ORDERS (CWROS)

<https://dier.gov.mt/en/Legislation>

- How many WROs are there currently? – 31 + 2 LN
- Updated during 2026 by LN112 to 143
- Who falls under a WRO?



CWROs

- 112 of 2026 – Private Security Services
- 113 of 2026 – Private Schools
- 114 of 2026 – Private Cleaning Services
- 115 of 2026 – Printing and Publishing
- 116 of 2026 – Paper, Plastics, Chemicals and Petroleum
- 117 of 2026 – Leather Goods and Shoes Industries
- 118 of 2026 – Construction
- 119 of 2026 – Clay and Glass Products
- 120 of 2026 – Cargo Clearance and Forwarding Agents Employees
- 121 of 2026 – Canning Industry
- 122 of 2026 – Beverage Industries
- 123 of 2026 – Agriculture and Allied Industries
- 124 of 2026 – Woodworks
- 125 of 2026 – Wholesale and Retail Trades
- 126 of 2026 – Travel and Insurance Agencies
- 127 of 2026 – Transport Equipment, Metal and Allied Industries
- 128 of 2026 – Tobacco Manufacture Industry
- 129 of 2026 – Textiles and Related Industries
- 130 of 2026 – Sextons and Custodians
- 131 of 2026 – Digital Platform Delivery Wages Council Wage Regulation (Amendment) Order, 2026
- 132 of 2026 – Seamen
- 133 of 2026 – Public Transport
- 134 of 2026 – Professional Offices
- 135 of 2026 – Laundries
- 136 of 2026 – Jewellery and Watches
- 137 of 2026 – Hotels and Clubs
- 138 of 2026 – Hospitals and Clinics
- 139 of 2026 – Hire of Cars or Private Buses
- 140 of 2026 – Food Manufacture Industries
- 141 of 2026 – Electronics Industry
- 142 of 2026 – Domestic Service
- 143 of 2026 – Cinemas and Theatres
- 144 of 2026 – Minimum Special Leave Entitlement (Amendment) Regulations, 2026

CWROs

Key Reforms Codified in These 2026 Legal Notices

- **Instant Sick Leave:** Removed varying industry waiting periods, ensuring pro-rata paid sick leave applies from day one of employment.
- **Elimination of Age Gaps:** Struck down lower statutory minimum wage brackets for minors (ages 16–17), equalizing basic pay regardless of employee age.
- **Longer Work-Week Protections:** Shifted calculations so that employees legally working schedules above 40 hours receive a proportionally scaled higher basic weekly wage.
- **Employer-Funded Uniforms:** Mandated that any required uniform must be fully provided by the employer free of charge.

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



From 2026 – sub-categories for Parental and Married rates, depending on number of children

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 – 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

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

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