

# Lecture 9

Hands-On Payroll  
A-Z Practicals



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## Payroll Management Mistakes to Avoid

These payroll errors can be very costly and can also add several days of unnecessary work for the payroll department. Something very important to take into consideration is the potential damage to employee relations and morale.

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## Costly Payroll Management mistakes to avoid

What do you think are the most costly mistakes that one should avoid?



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## Costly Payroll Management mistakes to avoid

### 1. Administration

Many businesses, especially smaller ones, still carry out their payroll process in-house and manually. This is a huge administrative burden. It creates a ton of work and involves a lot of paper work. Errors in data entry are mor common.



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## Costly Payroll Management mistakes to avoid

### 2. Payroll Documents

A common problem is the disorganisation of documents such as employee records. This is usually a matter of work flow: not keeping files and documents in a central location or creating a uniform filing process.

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## Costly Payroll Management mistakes to avoid

### 3. Software and Payroll Setup

Not all programs are compatible. For example T&A and the Payroll software. This leads to mistakes and hours of human intervention

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## Costly Payroll Management mistakes to avoid

### 4. Employee Absences

Manually tracking employees vacation and sick days is a task that has great potential for mistakes. In addition tracking which employees are not available due to various types of absences is critical for effective planning and optimum productivity

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## Costly Payroll Management mistakes to avoid

### 5. Payroll deductions

Errors in Tax and Social security contributions can result in a great deal of grief for both employer and employees.

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## Costly Payroll Management mistakes to avoid

### 6. Overtime Rules

There is very strict WRO & Laws that have to be adhered to with regards to overtime. Various taxes also apply



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## Costly Payroll Management mistakes to avoid

### 7. Court Ordered Garnishees

Though not uncommon, the infrequent occurrence of court orders requirement garnishments from employee's income means the potential for errors. In these situations the employer is required to fulfil the court's terms. Failure to do so, or to do so correctly leaves the company subject to penalties and legal implications.



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## Costly Payroll Management mistakes to avoid

### 8. Regulatory Compliance

As noted earlier, payroll rules and regulations change. These changes do not happen only annually. While we all strive to stay updated with changes that may occur, too often the overwhelming amount of information leads to compliance gaps.

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## Costly Payroll Management mistakes to avoid

### 9. Employee Classification

Most companies make use of different types of workers. This can include permanent & temporary, full-time & Part-Time, freelance contractors etc.

Tax Misclassification can lead to miscalculation of taxes.

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## Costly Payroll Management mistakes to avoid

### 10. Submissions

FS4, FS5 and FS7 submissions are to be done in correct and timely manner. Late or lack of payments and submissions can lead to criminal proceedings for the employer.

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## Employee Queries

What are the most common questions employees ask regarding their payroll?



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## Payroll Issues

What are the most common issues you have to face with your payroll?



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## Information

You have 3 minutes to mention the information that you would need from a new employee when he is enrolled in a company



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## Social Security

What does this mean to you?



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## Social Security

The Aim of Social Security is to provide financial protection for the people of that Nation. Chances that you receive social security benefits are very high or know someone who does are even higher.



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## Social Security

Do you know when social security services in Malta started?



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## 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 took the form of a pension scheme launched in 1885 for police officers, and which a few years later, was extended to civil servants.

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## 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 Minister on the development of effective and dynamic policies for social security

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## Social Security & Covid-19

Did Covid-19 have an impact on how we look at Social Security?

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## 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



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## 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.

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## 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>

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## Social Security Law

### • **Widows' Orphans' and Pensions Act**

- To make provision for granting pensions to Widows and Children of deceased Public Officers.

<https://legislation.mt/eli/cap/58/eng/pdf>

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## 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>



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## Benefits

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

- Daily Married Rate €21.2
- Daily Single Rate €13.73

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



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## Contributory Pensions

The Contributory Retirement Pension may be awarded to a person who reaches retirement age.

There are 3 types of pensions



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## 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



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## Contributory Pensions

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

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

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## 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.

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## Contributory Pensions

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)

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)

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)



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## Contributory Pensions

<https://socialsecurity.gov.mt/en/Pensions/Pages/default.aspx>



More information regarding Pensions

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## Contributory Pensions

<https://socialsecurity.gov.mt/en/Pensions-Reform/Pages/Pensions-Strategy-Working-Group-2015.aspx>

Pension reform of 2015



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## 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-%20Incentivespersons beyond Pension Age EN.pdf>



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## Social Security online

It is important to familiarise with the Social Security online portal.

<https://socialsecurity.gov.mt/en/online%20applications/Pages/MyServicesEN.aspx>



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## Social Security online

Each benefit also has an online calculator



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# Questions?

