

# AWARD IN PAYROLL FUNDAMENTALS

## Lecture 01: Introduction to Payroll

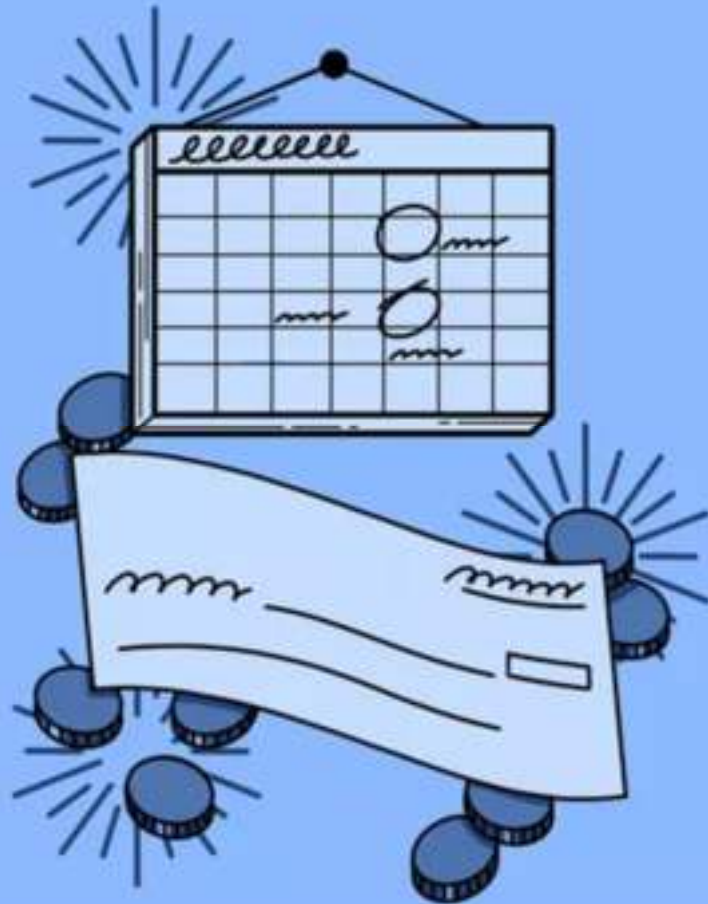
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**Date: Monday, 14 October 2024**



# What is Payroll ?

Payroll is the  
**art**  
of determining  
**what**  
and  
**how much**  
is due to  
**whom**  
by  
**when !**





# 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 14<sup>th</sup> Century
- Early 20<sup>th</sup> Century – formalised system and business practice
- Late 20<sup>th</sup> 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
- Additional income ..... or deductions





# 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

The screenshot shows a web-based employee record form. At the top, there's a navigation bar with tabs: Employees, Basic Pay, Pay Items, Tax, Social Payments, Payroll History, Leave Entitlement, Leave History, Previous Employment, Apply On Behalf Of, and Employer VOMS. Below the navigation bar is a toolbar with various icons for editing and viewing. The form is divided into two main sections: Personal Details and Employment Details. The Personal Details section includes fields for Code, I.D. no., Title, Surname, Name, Middle name, Also known as, Sex, Date of birth, Age, Nationality, Citizenship, Civil status, Partner I.D. no., Tax registration no., Social Security no., and Academic Level. The Employment Details section includes fields for Employment date, Termination date, Termination reason, Employment type, Work schedule, Tax profile, Short term benefits, Overtime, Default OT pay item, No maternity leave, and SSC disability. A circular icon with the text 'NO IMAGE AVAILABLE' is visible next to the I.D. no. field.

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

Employment Details	
Employment date	dd/mm/yyyy
Termination date	dd/mm/yyyy
Termination reason	
Employment type	
Work schedule	
Tax profile	
Short term benefits	
Overtime	<input checked="" type="checkbox"/> Overtime Concession <input type="checkbox"/> Out Out
Default OT pay item	
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. I	
CHAPTER 452	
EMPLOYMENT AND INDUSTRIAL RELATIONS ACT	
<i>In consolidation, with amendments, the Conditions of Employment (Regulations) 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 XIX of 2006; Legal Notice 427 of 2007; Act V of 2009, V of 2011 and XII of 2012; Legal Notice 426 of 2012; and Acts IV of 2015* 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
	Title II - Industrial Relations
Part I	Organisation of Workers and Employers
Sub-Part I	Status, registration and conduct of trade unions and
	49-62

# Maltese Legislation Regulating Payroll

Award in Payroll Fundamentals

## 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
- LN201/2022 - Work-Life Balance
- LN267/2022 – Transparent & Predictable Working Conditions
- LN109/2024 – Employment Agencies Regulations
- LN128/2024 – Temporary Agency Workers Regulations



# Information Goldmines for Payroll Processing

- Office of the Commissioner for Tax and Customs
- Department of Industrial and Employment Relations
- Department of Social Security
- Legislation Malta
- Wage Regulation Orders
- Jobsplus
- Identita'
- Malta Employers Association

*Constantly  
Updated !*



# Commissioner for Revenue

<https://cfr.gov.mt/en/Pages/Home.aspx>

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



OFFICE OF  
THE COMMISSIONER  
FOR REVENUE



# Department for Industrial and Employment Relations

<https://dier.gov.mt/en/Pages/home.aspx>

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

dier.gov.mt



# Department of Social Security

<https://socialsecurity.gov.mt/en>

- Benefit Rates
- Pensions
- Calculation of Social Security Contributions





# Legislation Malta – Online Portal

<https://legislation.mt>

- Tax Updates and Legal Notices
- Efficient search engine



# Wage Regulation Orders (WRO)

<https://dier.gov.mt/en/Legislation/Pages/Wage-Regualtion-Orders.aspx>

- How many WROs are there currently? – 32 + 6 (LN)
- Who falls under a WRO?



# Wage Regulation Orders (WRO)

- » S.L. 452.50 - Agriculture and Allied Industries
- » S.L. 452.60 - Beverage Industries
- » S.L. 452.45 - Canning Industry
- » S.L. 452.41 - Cargo Clearance and Forwarding Agents' (Burdnara) Employees
- » S.L. 452.43 - Cinemas and Theatres
- » S.L. 452.49 - Clay and Glass Products
- » S.L. 452.59 - Construction
- » S.L. 452.40 - Domestic Service
- » S.L. 452.46 - Electronics Industry
- » S.L. 452.67 - Food Manufacture Industries
- » S.L. 452.57 - Hire (Cars or Private Buses)
- » S.L. 452.54 - Hospitals and Clinics
- » S.L. 452.66 - Hotels and Clubs
- » S.L. 452.56 - Jewellery and Watches
- » S.L. 452.53 - Laundries
- » S.L. 452.69 - Leather Goods and Shoes Industries
- » S.L. 452.37 - Paper, Plastics , Chemicals and Petroleum
- » S.L. 452.48 - Printing and Publishing
- » S.L. 452.76 - Private Cleaning Services
- » S.L. 452.47 - Private Schools
- » S.L. 452.75 - Private Security Services
- » S.L. 452.39 - Professional Offices
- » S.L. 452.35 - Public Transport
- » S.L. 452.51 - Seamen
- » S.L. 452.72 - Sextons and Custodians
- » S.L. 452.55 - Textiles and Allied Industries
- » S.L. 452.68 - Tobacco Manufacture Industry
- » S.L. 452.52 - Transport Equipment, Metal and Allied Industries
- » S.L. 452.58 - Travel and Insurance Agencies
- » S.L. 452.63 - Wholesale and Retail Trades
- » S.L. 452.44 - Woodworks
- » L.N. 351 of 2019 – Adaptation of Laws (Wages Council Wage Regulation Orders) Order (Amendment No.2),2019
- » L.N. 335 of 2022 – Adaptation of Laws (Wages Council Wage Regulation Orders) Order,2022
- » L.N. 268 of 2022 – Digital Platform Delivery Wages Council Wage Regulation Order, 2022



# Jobsplus

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

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



# Identita'

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

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



# Malta Employers Association

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

- Portal of the Association of Maltese Employers
- Provides updated legislation , media events and position papers
- HR Handbook



# 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.

