TAX & CUSTOMS ADMINISTRATION
MALTA

Manual

Final Settlement System (FSS)

a. What is the Final Settlement System (FSS)

The Final Settlement System was introduced in 1998 and is commonly referred to as the FSS system. The Final Settlement System provides periodical deductions from gross emoluments and was created to regulate the collection of tax on gross emoluments as prescribed in Articles 4(1)(b) and 4(1)(d) of the Income Tax Act. The provisions bring to charge any income in respect of:

- Gains or profits from any employment or office, including the value of any benefit provided by reason of any employment or office; and
- Any pension, charge annuity or annual payment.

Gross emoluments shall include fringe benefits (see Fringe Benefit Tax guide for further information) and payments made in respect of part-time work to which the provisions of article 90A of the Income Tax Act and of the Part-time Work Rules (S.L. 123.39) apply.

The tax deductions noted above reflect tax deductions in lieu of final tax payment on gross emoluments received by an employee for the respective basis year in which they are earned. Through regular tax deductions from gross emoluments, the Final Settlement System reflects a proportion of the expected total tax due on gross emoluments and thus reduces the incidence of refunds or tax liabilities arising from end of year tax assessments.

2. How to register for FSS

Any individual, corporate or other body of persons who seeks to employ an individual on a full or part-time basis must register for a Permission to Employee number, commonly referred to as a PE number. The registration process is completely automated with eforms available depending on the particular circumstances of the applicant. The different categories of eforms include:

a. PE Registration for Individuals and Sole Proprietors: Applicants will be issued a PE number depending on the details of the Person login to the application,
b. PE Registration for Companies and Other Body of Persons: Authorised persons may log in to register a PE Number on behalf of a Company or any Other Entity,
c. PE Registration by Tax Practitioners: Registration of a PE number on behalf of an individual, Company or Other Entity by a Registered Tax Practitioner,
d. Applications where both a VAT and PE number are required.

Links for the above eforms are available on the following link or by accessing the MTCA website on https://cfr.gov.mt/en/eServices/Pages/Register-for-PE-Only.aspx. In addition, a power point presentation on how to submit FSS data is also available on the following link or by accessing the MTCA website on https://cfr.gov.mt/en/eServices/Documents/FSS%20Submission%20and%20Payment.pdf

2. Employers Obligations under the FSS Rule

Once a PE number has been issued by the MTCA, any person may than employ an individual on a full or part-time basis. Employers must ensure that they fully comply with all the requirements of the Final Settlement System Rules (S.L.372.14). The obligations outlined in this subsidiary legislation include:

a. Completion and submission of payee status declaration form for each and every individual to be employed,
b. Periodic deductions of FSS tax and Social Security Contributions from an employees' salaries and wages,
c. Regular payments and submission of FS5 declaration forms to the Commissioner on a monthly basis of all deductions outlined in (b) above,
d. Submission of end-of-year FS3 reconciliation, submitted by no later than 15th of February of the following year to which the income refers,
e. Submission of FS7 annual reconciliation statement of all employee earnings for the previous basis year in which the income was earned.

See Section 4 below for further details on completion of the above-mentioned prescribed forms.

3. Contribution Rates

The Social Security Act provides an outline of the Social Security Contribution that must be made by taxpayers whether in employment or self-occupied. The rates applicable are available and are published on a yearly basis and are based on taxpayers being classified under one of two categories: Class 1, representing those in employment, and Class 2, those who derive an income but who are not in employment.

Social security contributions must be paid on a regular basis, and in the case of Class 1 payments, must be deducted from gross monthly emoluments, based on basic minimum wages of the employee, by all employers. All social security contributions must be remitted to the Malta Tax and Customs on a monthly basis.

The first table below outlines different categories of contributions under Class 1 whilst the second table outlines weekly contributions for 2024. The said categories affect the applicable rate of contributions required.

Class 1 Contributions	
Category	Description
A	Persons under 18 years of age earning not more than the amount indicated below
B	Persons aged 18 and over, earning not more than the amount indicated below
C	All persons whose basic weekly wage is between the amounts indicated below
D	All persons whose basic weekly wage is equal to or exceeds the amount indicated below
E	Students* under 18 years of age
F	Students* 18 years old and over

**Students who are following a full-time course of studies or instruction under the Student-Worker Scheme, or other similar schemes (including the Extended Skills Training Schemes, but excluding the Worker-Student Schemes) involving distinct work and study periods for which they are receiving remuneration.*

2024						
	Basic Weekly Wage[1] €			Weekly Rate Payable[2] €		
Category	From	To	by Employee	by Employer	Total	Maternity
A	0.10	213.54	6.62	6.62	13.24	0.20
B	0.10	213.54	21.35*	21.35	42.70	0.64
Persons born up to 31st December 1961						
C	213.55	423.07	10%	10%	n/a	0.30%
D	423.08	n/a	42.31	42.31	84.62	1.27
Persons born from 1st January 1962 onwards						
C	213.55	532.28	10%	10%	n/a	0.30%
D	532.29	n/a	53.23	53.23	106.46	1.60
E	n/a	n/a	10% Max 4.38	10% Max 4.38	n/a	0.3% Max 0.13
F	n/a	n/a	10% Max 7.94	10% Max 7.94	n/a	0.3% Max 0.24

[1] Basic Weekly Wage or the weekly equivalent of the basic monthly salary
[2] For percentage rates, the weekly rate payable is calculated to the nearest cent
* Or if the employee chooses, 10% of the basic weekly wage. This rate of contribution entitles the contributor to pro-rata contributory benefits

The rates of contributions for other years can be found on the following link or or by accessing the MTCA website on https://cfr.gov.mt/en/rates/Pages/SSC1/SSC1-2024.aspx.

4. The FSS Forms

Employers are required to submit a number of forms to comply with the FSS requirements. These obligations also extend to employees who must ensure that they are not only registered as receiving emoluments but also are required to ensure that their tax status is correct and updated if necessary.

4.1. FS4 - Payee Status Declaration

All payees (full-time, part-time and other employees) are required to complete an FS4 form for each source of local emolument income. The FS4 form is an important and integral part of ensuring that an individual pays the correct amount of taxation. Taxpayers are required to outline the appropriate rate of tax to be deducted by indicating their tax status including whether they are single, married or whether they qualify for parental status at the period of time in which the application is made. Furthermore, taxpayers are required to indicate if their employment is on a part-time or full-time basis, which also affects the applicable tax rate. A completed FS4 form must be submitted to the MTCA within 7 days of commencement of employment. The Commissioner for MTCA must also be informed of any changes whether or not this affects their tax status. It is important that all taxpayers provide the correct details to ensure that their FSS deductions are correctly linked to them. A full explanation of how to complete this form, both in English and Maltese, is provided with the form.

4.2. FS3 - Payee Statement of Earnings

The FS3 form summarises the payees' earnings for over the period of time that they were in gainful employment with the employer during the previous basis year. Multiple FS3 forms may apply where an individual changes jobs during a particular year. The FS3 statement provides information on both gross emoluments as well as Fringe Benefits received by the taxpayer. Also included in the FS3 statement are tax deductions and details of social security contributions which clearly outlines the category under which deductions were made. Notwithstanding that the FS3 statement summaries all payments received by an individual during a year, giving taxpayers the opportunity to correct their payments before the FS3 statement is provided, taxpayers should immediately inform their employers of any errors in their personal status. Under or overpayment of taxes are however only adjusted when the taxpayer submits their individual tax return. The FS3 form must be attached to the return to ensure that the correct amount of tax is paid or refunded.

4.4. FS5 - Payer's Monthly Payment Advice

The FS5 form provides a summary of all payments due by the employer to the MTCA. Employers are obliged to pay FSS and social society payments on a month basis. The FS5 form reflects a summary all payments made to employees during the period including number of employees, gross emoluments, and tax deductions for FSS and SSC. The form provides an important means by which monthly FSS payments may be reconciled with total annual payments due by the employer on behalf of the employee to the MTCA. In order to avoid penalties and interest, payments must reach the MTCA within 15 days of the end of the following month to which they refer.

4.5. FS7- Payer's Annual Reconciliation Statement

The FS7 form provides an annual reconciliation of all payments made by the employer to MTCA. The form is similar to the FS5 form, however it provides an annua total rather than a monthly statement. Any discrepancies noted during completion of the FS7 form should be addressed when submitting the form. This may include under or overpayment of FSS or SCC payments which are noted during the year end reconciliation. Those employers with 10 employees or more are obliged to submit their end-of-year FSS documents online. Those with less than 10 can submit the documents manually.

4.6. FB1 - Fringe Benefits Personal History Sheet

Individuals may be taxable on fringe benefits received during their employment. The Fringe Benefit Tax Guide provides employers and employees with guidance on what is a considered a fringe benefit and how to calculate the taxable value of such fringe benefit. The Fringe Benefit Personal History sheet provides a summary useful both for taxpayers and MTCA, particularly where individuals change employment during a particular basis year.

No fringe benefit arises where a vehicle is used for point-to-point service. In this case an reduced rate of tax is available upon completing the following - Fringe Benefits - Application for a Reduced Rate for Point to Point Service or Delivery.

5. Deadlines for Submissions

The following deadlines are applicable:

a. FS5 – deadline for submission is by the end of the following month to which the declaration is being made,
b. FS7 – deadline is 15th February of the following year to which the income being reported is earned,
c. FS3 – deadline is 15th February of the following year to which the income being reported is earned.

6. Penalties for non-Compliance

Reference to S.L. 372.14, Final Settlement System (FSS) Rules should be made to ensure that all compliance obligations are fulfilled. Additional Tax for non-compliance with FSS rules are outlined in S.L. 372.14.

7. PE Deactivation and Reactivation Services

The deactivation of a PE number is only possible after all FS7 and FS3 forms have been submitted to the MTCA.

Deactivation of a PE number can be carried out online. The process is quick and simple and online confirmation is sent for all submissions.

Manual submissions for the deactivation of a PE number is possible. Manual submissions are available when an issue arises during the online submission process or where an employer does not have an e-id account.

Reactivation of a PE number is required immediately upon the employment of any individual. Reactivation may also be carried out online or manually where taxpayers are unable to make an online submission or where they do not have an e-id account.

8. Online Payment Process

Employers can honour all their tax obligations using the MTCA online portal. Monthly payments of Social Security Contributions and FSS Tax payments, as well as the filing of all forms can be submitted online. This includes submission of end of year employees' statements of earnings (FS3's and FS7). All employers are required to complete and submit the FS5 online with the respective payment. The MTCA offers a range of online payment options. Payments may be done online or through direct credit.

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