

FSS Section Block 3 Floriana
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2385, 2390, 2391, 2392, 2395, 2396, 2397, 2743, 2765, 2766, 2767, 2769

Final Settlement System (FSS) Circular

SUBMISSION OF FS7 and FS3 FORMS FOR 2004

To ALL Employers who employ ten or more employees

During January 2004 the Inland Revenue Department launched On-line FSS services over the Internet for employers who employ thirty (30) or more employees and are obliged to submit FSS End of year records electronically. Due to the positive feedback received from employers who used this service and by general demand the Inland Revenue is extending this service to employers who employ ten (10) or more employees.

Furthermore the Department will improve the services available on-line as follows:

- Payments for years 2004 onwards are always available for viewing not just after the submission of the FS7 and FS3 data
- Employers may test the FSS files for 2004 against all validations through their authenticated access
- A spreadsheet will be provided that will serve as an interface between the payroll and the Inland Revenue website. The spreadsheet will have additional facilities that enable the employer to:
 - *log on securely (through the use of the digital certificate) to the Inland Revenue website*
 - *personalize the spreadsheet with the registration information (PE Number, Name, address etc)*
 - *load the FSS and SSC files generated by the payroll for viewing and possibly modification of the data. If a PE Number has more than one file these can be merged using the spreadsheet.*
 - *Test and submit the end of year information with the Inland Revenue website*
 - *receive the appropriate feedback (Errors, acknowledgements, payments information) back into the Spreadsheet.*

The Inland Revenue encourages employers who employ ten (10) or more employees to use the on-line service to benefit from the following advantages:

1. Do not need to call personally at the department or send by post the diskette with the files
2. On-Line validations will ensure that the data submitted is error free
3. Correct submissions are acknowledged on-line
4. Improved security and confidentiality in the submission of the information to the Inland Revenue

Those employers who have already applied and have been provided with digital certificates are encouraged to access the system and test the end of year files to avoid problems towards the submission date.

Employers who intend to use this on-line service will be provided with a digital certificate for authentication purposes and can apply for this service on IRWEB 06 by **15 January 2005**. **Employers who already have a login name do not need to submit a fresh IRWEB 06.** Employers may also authorise tax practitioners to submit FSS end of year documents on their behalf using form IR WEB 02. These forms can be downloaded from the Inland Revenue website at www.ird.gov.mt. Employers are required to state the number of employees on the application.

FS 7 Forms, Acknowledgements and Feedback

New

As from this year, employers who do not file over the Internet must submit a personalised and barcoded FS7 together with the diskette or the paper format FS3's. The Inland Revenue will issue barcoded FS7's after the

15 January 2005 to those employers who do not apply to use the Internet Service. This procedure applies to employers who submit data on both diskette and in paper format.

Employers who do not submit over the Internet will be issued with a receipt for the documents submitted. It is important to note that this receipt does not mean that the information received is correct. When the information is processed by the FSS Section, any resulting errors, omissions and discrepancies will render the submission of the information invalid unless employers provide feedback to the response received from the Department within a week. Penalties will be applied for submissions that are received after the due dates.

Validation of FS3 Documents

It is very important that personal and accounting data be filled correctly. All required fields must be completed. Particular attention has to be provided to the Social Security Contribution (SSC) information where the basic wage and the number of weeks worked together with the contribution paid by both the employer and employee must be completed. The contribution paid must relate to the category of the applicable contribution that is derived from the basic wage and age of the employee. More information on the calculation of Social Security Contributions and an on-line calculator are available at the Inland Revenue website at www.ird.gov.mt.

It is important to note that any FS3's modified by the employers must be accompanied by a covering letter explaining the change from the original submitted documents. Employers are being informed that such changes may lead to a more in-depth audit.

As from this year the validation of personal data will be carried out directly with the Taxpayer Registration Systems. This means that the Identity Card Numbers and Income Tax Registration Numbers provided must exist and the surname information matches with that of the Inland Revenue System and not only conform to the defined numeric structure. Furthermore the department will be verifying the completeness of the information received with the Employment and Training Corporation information.

During the information sessions held earlier this year a number of issues were raised by employers. The main issues are being summarised below:

- q **Basic Wage** must be reported up to the first two decimal figures, for example: basic wage of 115.639 should be reported as 115.63. This figure will be the basis for the workings of SSC
- q **Gross Emolument and Tax Deduction values** should be reported as whole numbers without any decimal figures for example: 12 and not 12.00.
- q **Part-timers** as defined under the Income Tax Act, are those who perform part-time work and have a main employment with a different employer. These taxpayers should not pay any SSC as this is paid by the employer who provides full time employment. Part-timers who do not have a main employment should pay SSC and do not benefit from the Part-Time 15% tax deduction rate. This category of part-timers should have a basic wage upon which the rate of SSC has to be determined. If no basic wage exists, SSC Class two should be paid personally by the taxpayer.
- q **Pensioners** – Pensioners over 65 years of age should not pay SSC no matter what their earnings are. Such earnings will only be subject to FSS tax.

More detailed information on the End of Year FS7 and FS3 reporting requirements is available on the Inland Revenue website at www.ird.gov.mt.

Please remember that FS7's and FS3's on diskette or paper format should reach the FSS section by not later than **15 February 2005**.

The Inland Revenue would like to thank you for your co-operation and encourages you to use the services provided over the Internet in **IR Services On-Line**



Commissioner of Inland Revenue
November 2004