

Final Settlement System (FSS) Notice

SUBMISSION OF ANNUAL RECONCILIATION DATA FOR 2009
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Manual Documents

The end of year reconciliation information (FS7 & FS3s) for basis year 2009, is due for filing by not later than 15 February 2010.

The Inland Revenue Department is continuing the initiative whereby it identifies taxpayers who are not required to file their annual income tax return. This scheme affects positively those taxpayers who derive their income from employment. The success of this initiative is fully dependent upon employers' compliance both as regards timely filing as well as correctness of the end of year documentations. Compliance will benefit your own employees who will avoid the inconvenience of filling and filing their income tax return.

It is important that employers sending manual documents should use the FS7 sent by the department. This is important as the bar coded document enables a more efficient and correct processing of data .

Late submissions are subject to the penalties contemplated by the FSS rules.

Online Service

As in previous years, the Department will not accept manual documents that exceed 29 FS3's. Employers having more than 29 employees are requested to use the online service provided by the Department by using the spreadsheet facility which may be downloaded from <http://www.ird.gov.mt/fss/fssonline.aspx>

The application for this service may be effected through the IRWEB06 form, which may be downloaded from <http://www.ird.gov.mt/download/irweb06.doc>

It is important that users should apply for the Electronic ID in order to have access to this service. One may need to register for an Electronic ID at the Identity Management Office, (e-ID Section), Evans Buildings, Merchants Street, Valletta or at the Passports Office, Ministry for Gozo, St Francis Square Victoria.

It is important that you should present your ID card when applying.

This service, together with the spreadsheet facilities, offers several advantages mainly:

1. A secure access to the Department's website;
2. A personalised spreadsheet with the registration information (PE Number, name, address etc);

3. FSS and SSC information generated from the payroll that can be corrected if the need arises;
4. If the PE number has more than one file, these files may be merged by means of the spreadsheet;
5. Checks and sends information from the Department's website;
6. Real time error reporting on spreadsheet by IRD, posting of acknowledgment and access to information with regards to payments.

Data Validation

It is important to include all FS3s of each PE number in a single submission. Employers who have two sets of information for the same PE number should merge the files using the spreadsheet indicated above.

Personal and accounting data must be filled correctly and all required fields should be completed. Particular attention should be given 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 rate of the applicable category 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, www.ird.gov.mt.

All information submitted will be verified. An acknowledgement will be issued to employers who file correct data, however, incorrect or incomplete documents will be rejected and would be considered as defaulter.

Some important validations to remember:

- a. Whenever a female employee notifies the employer regarding changes of her civil status (e.g. marriage, etc.....), two FS3s must be compiled for the same year, with the data split accordingly. The FS3 of a married female (prior to husband's death or after marriage), should have her spouse's ID reported in the allocated field.
Example: In the case of a woman marrying in September, two FS3s should be prepared to cover the periods:
 1. from January to September as a single person (with spouse ID left blank), and
 2. from October to December as a married person (with spouse ID quoted in the allocated field).
- b. The Department will not accept duplicate FS3s pertaining to the same individual under a particular PE number for the same year (except for cases explained above). That is one line for each employee in the 'F3' file. However, whenever the basic weekly wage or category change, these must all be reported in separate lines in the 'SS' file.
- c. Whenever part time emoluments exceed the €7000 threshold, the surplus amount should be reported in the same FS3 as main emoluments. The relative 15% withholding tax must be split just the same (maximum of € 1050) part time tax).
- d. The whole list of all the validations is available on the Department's website.

Separated Couples

As from 2009, in cases of separation, one FS3 is to be issued to each individual covering the year as from 1st January to 31st December. Single tax rates are to be applied on such employees.

Income derived from part time employment

As from 1 January 2005, there was a major change in the part time rules (Legal Notice 105/2005). This change affects those married persons, where one of the spouses has a full time employment income, and the other is employed on a part time basis. In order for part time employees to benefit from the new rules, the 15% withholding tax should be deducted from the total yearly emoluments. These payments should reach the Department through the employer by the end of January 2010 (attached to the December 2009 monthly remittance). If the employer fails to effect the payment, the employee is still eligible for this benefit by paying personally the 15% withholding tax by not later than the 15 February 2010 using the prescribed form TA23.

Share Options (LN 147/07):- As from basis year 2006

When an employee exercises the option to acquire shares in the company in which he/she is employed the taxable value of the fringe benefit is calculated at 42.85% of the excess, if any, of the market value of the shares on the date of the exercise of the option over the option price of the same shares.

Childcare Facilities (Rule 39 (2) (r) of the Fringe Benefits Rules)

Employers will be asked to indicate on Form FS7 whether they have paid or reimbursed the cost of childcare facilities for the benefit of their employees. If a 'yes' is indicated, the aggregate amount paid or reimbursed by the employer and the total number of employees enjoying the benefit have to be indicated.

The payment or reimbursement of the cost of childcare facilities for the benefit of the employee is not considered as fringe benefits as long as the employee receiving the benefit does not claim a deduction against his income. If an employee elects to claim the deduction for childcare services under Article 14C of the Income Tax Act, then the payment or reimbursement by the employer constitutes a taxable fringe benefit and must be reported on form FS3.

C. Conti
Commissioner of Inland Revenue