

Final Settlement System (FSS) Notice

FS3 and FS7 Forms for 2022

You are kindly being reminded to submit the end-of-year documents for 2022 (FS3 and FS7) to the Department. It is important that the FS3 and FS7 forms should be correctly filled and should reach the Department by not later than the 15th February 2023. Late submissions are subject to penalties as contemplated in the FSS rules.

It is salient to point out that a timely submission of these documents will benefit your employees by exempting them from filing their annual income tax return. We thank you for your co-operation in this regard.

Submission of documents

If you submit more than 9 FS3 forms, you are requested to make use of our online service. For more information you may access the department's website: www.cfr.gov.mt or go directly to the link <https://cfr.gov.mt/en/eServices/Pages/IRD-Services-Online-Employers.aspx>. You may also call on 144 (Business First) if you want to ask questions about this service.

In the case that the number of FS3 forms is less than 10, you may submit the information manually by using the appropriate forms. In such instance a bar-coded FS7 is needed as this will facilitate the processing of the information in a more efficient and correct way.

Verification of data submitted

All information submitted will be verified and incorrect or incomplete documents will be rejected, and you will be considered as a defaulter until these are re-submitted in the correct manner.

More information on how to calculate the Social Security Contributions may be found on our website www.cfr.gov.mt.

Submission of FS3s in cases of marriage or civil union

Whenever an employee notifies the employer regarding changes of his/her civil status (e.g. marriage or civil union), and that employee opts not to be the 'responsible spouse' for the purpose of the Income Tax Acts, two FS3s must be compiled for the same year, with the data split accordingly.

If for example the spouse not being 'the responsible spouse' married 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). On the other hand, the FS3 pertaining to the responsible spouse should remain as one document.

The Commissioner will not accept duplicate FS3s pertaining to the same individual under a particular PE number for the same year (except for cases explained above). This applies also when data is

submitted electronically, 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.

Whenever part time emoluments exceed the €10,000 threshold, the surplus amount should be reported in the same FS3 as main emoluments. The relative 10% withholding tax must be split just the same (maximum of €1,000 part-time tax).

In the case where a couple has separated, one FS3 is to be issued to each individual covering the year as from 1st January to 31st December and single tax rates or Parent tax rates are to be applied for such employees.

Income derived from part time employment

May we remind you that in the case of a married couple where one of the spouses has a main employment and the other spouse is employed on a part-time basis, the 10% withholding tax should be paid on the part-time work in order for the employee to profit from this benefit.

You should affect these payments by the end of January 2023 (attached to the December 2022 monthly remittance).

Also, please note that an important requisite found in the Part-Time Rules states that the employer is to register his part-time employee/s with the Jobs-plus. Employees cannot benefit from this option if they are employed concurrently with the same employer on a full and part time basis.

Furthermore, fees and other similar payments made to members of the Board of Directors of companies or to members on boards of public corporations established by law are not eligible to the 10% tax on part-time work.

Deregistering your PE number

If during the year you have ceased employing personnel, you are required to inform the Commissioner in order for your P.E number to be de-registered. In order to do so you are requested to comply with the following:

- a. furnish a statement of earnings (FS3) to all your employees;
- b. remit to the Commissioner all outstanding tax deductions and forward the relative monthly payment advice (FS5);
- c. submit to the Commissioner the end-of-year documents of all employees up to the date of termination;
- d. submit the De-registration form duly filled and signed.

FS3 and FS7 forms are to be sent well stapled, (not loose or attached with a paper clip). Any additional payments are not to be sent with the FS3/7 forms but to be sent either with the respective FS5 form or else if a balance due transpires when completing the FS3/7 with an additional FS5 form for December.

Reporting of part time and overtime in FSS documents as from 01/01/2022

Following the Government Budget for 2022, employers are to make sure to conform with the changes announced concerning the emoluments and tax of part time qualifying income and overtime.

Tax on part time qualifying income is to be updated to 10%, where the part time tax to be reported on such emoluments cannot be more than €1,000. Any additional emoluments and tax are to be reported as 'main'.

The maximum qualifying overtime emoluments cannot be more than €10,000 with the relative maximum 15% tax on overtime being €1,500. Any non-qualifying overtime or amounts, in excess of the €10,000 threshold must be reported and brought to charge under the Main Deduction Method.

The reporting of the qualifying overtime hours in FS3 forms is to stand. However, as from 01/01/2022, the current limit of 100 hours was removed.

Employers must ensure that they are using the latest FSS documents and not outdated forms. The Electronic Lodgement Specifications have been updated as well to reflect the afore-mentioned changes.

For more information you may contact us on telephone number 144 or by e-mail: fss.cfr@gov.mt

Commissioner for Revenue.