

## Social Security Contributions

### Insurable Employment

Under the Social Security Act ([Cap. 318.](#)), any contract of service or apprenticeship, written or oral, whether expressed or implied, by or under the Government of Malta, is insurable employment. The term “gainfully occupied” also refers to persons who are employed in insurable employment or are self-occupied.

There can only be one insurable employment at the same time, and in case of more than one concurrent employment, the insurable employment will be that which provides the highest income or earnings.

Insurable employments are classified into 2 categories:

- Employed Persons (employed with a provider of employment or employer)
- Self-Occupied Persons (earning income from a Trade or Skill)

Under specific cases as prescribed by the Social Security Act (Cap. 318.) persons can also be insured as:

- Self-Employed Persons (earning income from rents, interests, and investments)

### Social Security Contributions

All persons who are over the age of 16 and who have not yet attained retirement age of 65 years, and who are in insurable employment, are liable to pay Social Security Contributions. Social Security Contributions are paid in weekly rates, and each year of gainful occupation will carry 52 or 53 Social Security Contributions (depending on the annual number of Mondays) on the payee’s contribution record.

Persons can also obtain a Social Security Contributions History Sheet from the Department of Social Security. The history sheet will be divided into Contributions and also Credits Class.

There are 3 Class types:

- Class 1 – paid by employed persons
- Class 2 – paid by self-occupied persons
- Class 3 – paid by Self Employed Persons (with income just from rents, interests, and investments – i.e. not from a Jobsplus considered occupation or trade), and under certain conditions i.e. either:
  - Must have paid Class 2 Contributions before 2004
  - Partook in Government recognised Early Retirement Schemes
  - Are Single Persons
  - Paid arrears Contributions by Retrospective Scheme (Budget 2015)
  - Paid arrears of Contributions by Libya Scheme (Budget 2019)

There are 3 Social Security Contributions types:

- UN – Under Age (for contributions paid before 18 years of age)
- ST – Standard (for contributions paid after 18 years of age)
- 5C – Paid by clients who were working abroad and applied with the Department of Social Security to issue permit to be able to pay Social Security Contributions as Class 1

## Employed Persons

Employed Persons who are not accepted under Part II of the First Schedule of the Social Security Act (Cap. 318.) shall be liable to pay Class 1 Social Security Contributions with applicable contribution rates according to Part I of the Tenth Schedule of the Social Security Act (Cap. 318.). Class 1 Social Security Contributions are divided in Category A (for persons under 18 years), Category B, C and D depending on the income declared and the year of birth. Part-time employees who are employed for less than 8 hours with the same employer in any 1 calendar week are not considered as being in insurable employment for Social Security Contribution purposes, however if their annual earnings from employment exceeds €910, a self-occupied contribution will be due.

Social Security Contributions paid by employed persons are called Class 1 Contributions and are paid by direct deductions from the same employees' wages/salary. In a normal case scenario, an equivalent rate paid or deducted from the employee's wage/salary, is also paid by the employer.

The Social Security Contribution rate due is based on earning derived from the Basic Weekly Wage. The basic weekly wage does not include allowances, bonuses, and/or overtime earned in a particular week. Part-time employees who earn less than the National Minimum (weekly) Wage can opt to have their share on Social Security Contributions, paid at the rate of 10% of their basic weekly wage. This contribution rate is called the Pro-rata rate and does not apply to the employer's share, who has to pay the full applicable weekly rate. One should also consider that when paying Social Security Contributions by 10% pro-rata, these will not be considered as 1 contribution per week for records purposes, but carry a lesser albeit proportional weight against the applicable full weekly rate.

Both employer and employee's share of **Class 1** Social Security Contributions are paid to the Commissioner of Inland Revenue in monthly payments by the employer.

## Self-Occupied Persons

A self-occupied person is one who:

- is not an employed person
- is excepted under Part II of the First Schedule of the Social Security Act (Cap. 318.)
- is engaged in any activity through which earnings exceeding €910 per annum are being derived

Social Security Contributions due by Self-Occupied persons are referred to as **Class 2** Social Security Contributions. Class 2 Contributions are divided into categories SA, SB and SC depending on the income declared and the year of birth.

The Social Security Contribution rate due is based on income derived from the net annual income from trade or profession; earned during the previous calendar year of that of payment.

Part-time Self-Occupied Females, students and pensioners, who earn less than €10,666 per annum (2020 threshold), can opt to have their share on Social Security Contributions, paid at the rate of 15% of their

basic weekly income. This contribution rate is called the pro-rata rate. One should also consider that when paying Social Security Contributions by 15% pro-rata, these will not be considered as 1 contribution per week for records purposes, but carry a lesser albeit proportional weight against the applicable full weekly rate.

Self-occupied persons' Social Security Contributions are paid to the Commissioner of Inland Revenue every 4 months; namely in April, August and December respectively.

### **Self-Employed Persons**

A self-employed person means a person who has not yet passed his 65<sup>th</sup> birthday, is ordinarily resident in Malta, and is not an employed person or a self-occupied person, whose income is derived from rents, investments, capital gains or other income

Social Security Contributions due by self-employed persons are referred to as **Class 2** Social Security Contributions. The difference in weight between Class 2 Self-Occupied contributions and Self-Employed contributions is that Self-Employed contributions are valid only for Pension purposes, while Self-Occupied contributions are valid for both Pension and Short-Term Benefit eligibility purposes. The Department of Social Security list these contributions as Class 3 in the Social Security Contribution History Sheet.

The Social Security Contribution rate due is based on the net annual income derived from rents, bank interests or financial investments; received during the previous calendar year of that of payment. Rates are identical to those of Self-Occupied persons with the exception of the Class 2 SP rate which is applicable only to Single persons deriving an annual income that exceeds €1,006 but less than €9,205. With effect from 5<sup>th</sup> January 2004, a married person who is not legally separated cannot be considered as a self-employed person and therefore cannot pay social security contributions unless earnings are derived from a gainful occupation. This condition does not apply to single persons.

However, any married person who is not legally separated and who terminates employment to partake in an early retirement scheme, as recognised by the Director - DSS, such a person can choose to be deemed as a self-employed person. Thus, such a person can pay the applicable Class 2 contributions for pension purposes only.

Self-employed persons' Social Security Contributions are paid to the Commissioner of Inland Revenue every 4 months; namely in April, August and December respectively.

### **Persons Employed Abroad**

Article 13(i) of the Social Security Act (Cap. 318.) provides for persons employed under a contract of service outside Malta, but who retain their ordinary residence in Malta, may request the Director – DSS to pay **Class 1** (Employed person) contributions instead of Class 2 contributions. For this purpose, Article 13(1) provides that no social security contribution shall be payable by or on behalf of the employer.

Although equivalent to Class 1 contributions, Social Security Contributions under Article 13(1) are paid in the same manner as Self-Occupied Class 2 contributions. That is, to the Commissioner of Inland Revenue every 4 months; namely in April, August and December respectively, or until the same employment conditions continue to apply.

The provisions of Article 13 (i) are also applicable in the case of a person partaking in a traineeship scheme with a European Institution where a grant is paid in lieu of a salary.