

Manual for Apprenticeship Employers

MCAST Apprenticeships in Malta/Gozo

Focus: Payment Obligations, Social Security Contributions, Tax Incentives, and Apprentice Entitlements

Introduction

This manual is intended to support employers who engage apprentices through MCAST under Malta's national apprenticeship system. It provides practical guidance on your responsibilities as an apprenticeship employer, specifically regarding:

- Payment of wages and entitlements
- Social security contributions
- Tax obligations and incentives
- Regulatory processes related to third-country nationals

The information presented here is aligned with:

- The Work-Based Learning and Apprenticeship Act (Chapter 576 of the Laws of Malta)
- The Employment and Industrial Relations Act (Chapter 452)
- Standards and requirements from Jobsplus, the Commissioner for Revenue, the Department of Social Security, and MCAST

It is intended to simplify compliance, reduce administrative burden, and help you benefit from financial incentives tied to apprenticeships.

Note: Certain matters, such as the issue of employment licences for third-country nationals, are not the responsibility of MCAST. These processes involve external entities (such as Jobsplus, Identity Malta, and the Department of Social Security) and may be subject to delays despite ongoing communication and follow-up reminders with Jobsplus.

Section 1: Apprentice Payment Obligations

1.1 Definition of an Apprentice

An apprentice is a student engaged in structured work-based training under an approved MCAST programme, combining classroom education with on-the-job learning. Apprentices must be formally registered with Jobsplus.

For third-country nationals (TCNs), employers must apply with Jobsplus for the necessary employment licence before commencement of employment. The processing of such licences is outside MCAST's remit and involves several external authorities.

1.2 Employment Status

- Apprentices are employees and fall under a Contract of Apprenticeship, which must be in line with the Employment and Industrial Relations Act.
- They are entitled to remuneration and employment rights (on a pro-rata basis) such as vacation, sick leave, public and national holidays, statutory bonuses, and payment of Social Security Contributions (SSC).

1.3 Wages, Allowances, and Entitlements

- Under the MCAST Apprenticeship Training Agreement, the apprentice is entitled to a minimum wage, the payment of which is shared between the employer and the Government of Malta.
- The applicable wage rates and respective contributions are specified in the training agreement signed by all parties.
- An Academic Year runs from **1st October to 30th September** of the following year.
- Employers are required to pay their portion of the wage as indicated in the agreement. Failure to do so may result in non-compliance.
- Wage payments must still comply with the national minimum wage requirements under Maltese law.
- Employers may pay above the agreed rate and sign a side agreement with the student for this purpose.

Public/National Holidays

- Any Public/National holidays falling on a work-day must be remunerated at the full **€5.54/hour (2025 rate)**, since no top-up stipend is paid for those hours.
- Apprentices are also entitled to a pro-rata allocation of public holidays falling on non-working days, as applicable to all employees (full-time or part-time).
- When a Public/National Holiday falls on the apprentice's **day-release** from MCAST, or during school holidays (summer, Christmas, Easter) when the apprentice should be on duty, the apprentice must be paid in full for the normal hours of work (usually 8 hours/day).

Statutory Bonuses and Allowances

- Apprentices are eligible for statutory bonuses and weekly allowances (March, June, September, December) on a pro-rata basis.

1.4 Working Hours & Overtime

- Standard working hours should not exceed 40 hours per week.
- Apprentices should not exceed maximum weekly hours, including training, unless overtime is agreed upon and paid accordingly.
- Employers must comply with the Working Time Regulations (S.L. 452.87).

1.5 Payslips and Records

Employers must issue monthly payslips showing:

- Gross pay
- Deductions (NI, tax, SSC)
- Net pay

Records must be kept for at least 6 years in case of audits or inspections.

Section 2: Social Security Contributions

2.1 Registration for Social Security

- Employers must ensure that apprentices are registered with Jobsplus and the Department of Social Security.
- The employer must submit an Engagement Form via Jobsplus and ensure SSC deductions start from day one.

2.2 National Contribution Rates

- Apprentices fall under **Class 1 Contributions (Category E or F, age dependent)** under the Social Security Act (Chapter 318).
- NI contributions are calculated on the **full remuneration**, i.e. the **Employer's Hourly Rate + Government Top-Up (currently €5.54/hour)**.
- NI is payable by both the employer and the apprentice.
- Employers may also be required to contribute towards the **Maternity Leave Fund**.

2.3 Payment and Submission

- Social Security Contributions are to be paid monthly via the Commissioner for Revenue portal.
- Employers must submit FS5 forms monthly, detailing SSC and tax withheld.
- Late payments may incur penalties.
- Contributions of both the employer and the apprentice need to be calculated on the total gross income, including the Government stipend (top-up).

2.4 Payroll Software Adjustments

- Standard payroll software calculates NI based only on gross wages.
- To ensure compliance:
 - Input the apprentice's hourly rate as the full **€5.54/hour** (employer + government portion).

- Then introduce a deduction for the Government Top-Up portion, so that the net reflects the actual employer's share but NI is still calculated correctly.

Section 3: Taxation Rules for Apprentices

3.1 Taxable Status

- Apprentices are considered employees and are therefore subject to income tax.
- However, due to low income, many apprentices may fall below the taxable threshold.

3.2 Registration and Deductions

- Employers must register apprentices with the Commissioner for Revenue.
- Tax is withheld at source under the Final Settlement System (FSS).
- Employers submit:
 - FS3 (end-of-year certificate) to the apprentice
 - FS7 (annual employer declaration) to the Commissioner for Revenue

Section 4: Tax Deduction for Apprenticeship Contracts

Employers may benefit from a tax deduction for each apprenticeship contract that lasts for at least 6 months of continuous duration.

Conditions for the Deduction:

- €600 deduction for each paid work placement
- €1,200 deduction for each apprenticeship
- Duration must be at least 6 continuous months
- Unused deductions may be carried forward
- Cannot be claimed if other government support is received for the same cost

Procedure to Claim the Deduction:

- **Companies:** Use the TRA 84 attachment when submitting the tax return (S.L. 123.158).

- **Self-Employed:** Report the deduction in your annual return and list apprenticeship expenses in the Profit and Loss statement.
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Section 5: Record-Keeping and Compliance

5.1 Required Documents

- Apprenticeship agreement
- Engagement/termination forms (Jobsplus)
- FS5, FS3, FS7 forms
- Payslips and timesheets

5.2 Retention Period

Keep all employment and payroll records for a minimum of 6 years.

5.3 Inspections

Employers may be subject to inspections by:

- Jobsplus
- Social Security Department
- Commissioner for Revenue
- Occupational Health and Safety Authority

Non-compliance may result in administrative penalties or loss of tax benefits.
