

~~Ever since the introduction of the jury system by Maitland in 814 after our ancestors voluntarily petitioned for trial by jury, we Maltese have rightly been proud of the successful way in which his system has functioned. I submit that the jury system has unique advantages which outweigh its inconveniences and thus our way of administering justice in the criminal courts should not be changed without conclusive demonstration that it has ceased to work well. Everybody wants legal procedure to be just and I believe that the existing jury system has done great justice and should only be replaced when a more ideal system of administering justice emerges.~~

PAY AS YOU EARN - AN ADMINISTRATIVE OUTLOOK

C. A. FENECH

THE legislation which introduced Pay As You Earn in Malta came into effect in January of 1973 which is the basis year for year of assessment 1974.

It is not my task to explain the merits and demerits of the system as that is the province of the economist and politician. My chief concern is with laying down in simple terms its administrative aspects from the standpoints of the three parties involved, namely the CIR, the employer and the tax payer.

PAYE is a system of deduction of tax at the source whereby the employer deducts the appropriate Income Tax from the wages, salaries and other emoluments paid by him to his employees at the time of payment and accounts for the tax so deducted to the Inland Revenue Department. Late in 1972 all employers were asked to submit a list of their employees to include details of their current rate of pay. From these figures, or from the last assessment raised where available, the department computed each individual's estimated tax liability for the year of assessment 1974, expressed the result as a percentage of his annual pay and notified the rate so computed, to the employers.

As from the end of the first week of January 1973 the employer applied these various rates to his employees' remuneration, deducted the tax, paid out the balance to the employees, and re-

tained the tax so deducted for subsequent remittance to the CIR. An extract from the books will explain the accounting procedure involved.

DEDUCTORS LTD.

Wages Sheet W. E. Friday 5th Jan.

NAME	CLOCK NO.	I. T. REG. NO.	ORDINARY TIME	OVERTIME	GROSS
C. Borg	A 256	P.29913	£M10.00	£M10.00	£M20.00
A. Vella	A 257	P.28430	£M10.00	£M 10.00	£M 5.00
	PAYE RATE	TAX	N. I. S.	NET	
C. Borg	8%	£M1.60	£M0.60	£M17.80	
A. Vella	5%	£M0.75	£M0.60	£M13.63	

A PAYE account is kept to which is credited the tax deducted during the month. On remittance the cash amount is debited.

PAYE ACCOUNT

31.1 To Balance c/d	£M8.60	5.1 By wages	£M2.35
		12.1 By wages	2.95
		19.1 By wages	1.50
		26.1 By wages	2.00
	<u>£M8.60</u>		<u>£M8.60</u>
10.2 To Cash	8.60	1.2 By balance b/d	8.60
		2.2 By wages	2.50
		9.2 By wages	1.50

Not later than the 10th day of every month, the employer is requested to submit to the Inland Revenue Department a return of all his employees' gross emoluments and deductions of tax made during the previous month. A specimen follows:

DEDUCTORS LTD.

Return for month of February

C. Borg 1050, High Street, Qormi	I. T. No. P.29913	£M70.00	8%	£M5.60
A. Vella 902, Tower Road, Mosta	P.28430	60.00	5%	3.00
				<u>8.60</u>

Payment of the total tax accrued to the CIR will of course accompany the return.

The employer is also required to keep a TAX DEDUCTION CARD in triplicate for each employee. In it are entered details of gross remuneration, tax deducted and balance for each week (or month for salaries) of the year. The original is returned to the Inland Re-

venue Department early in the following year, one copy is given to the employee and the other retained.

The employer is further obliged to furnish his employees with details of tax deducted from each emolument paid. The tax payer i.e. employee is well advised to conserve these TAX DEDUCTION SLIPS for they may have to be produced on request.

All the above mentioned and any other necessary forms are supplied free by the department. In the case of a newly employed person who has not been 'rated' the employer is required to send in a REQUEST FOR RATE form containing the person's particulars and annual pay. The department normally takes the necessary steps to send for the employee, and after verifying his total income and applying his personal reliefs, the appropriate deduction rate is fixed and advised to the employer. If, at pay day, a rate will not have been advised the employer is bound to apply a flat rate of 10% after applying the test laid down in Rule 4 of L.N. 70/1972.

Therefore, in the case of persons who have never been taxed before and who are newly employed and whose tax liability is substantially lower than ten per cent of their yearly emoluments, it would be in their interest to apply beforehand personally to the Inland Revenue Department for a rate.

During January of every year every person is required to submit a return of income earned during the previous calendar year. Any PAYE deducted during that year is then set off against his assessment and any underpaid or overpaid tax is paid to and refunded by the DIR and the rate revised accordingly. Speed is of the main essence here and the practical results of this section of the system remain to be seen. The rest of the system seems to be working very smoothly and has been accepted generally.

The EMPLOYEE has come to regard PAYE as an escape from the past terror of being suddenly faced with the unexpected demand for a lump payment of tax.

To the EMPLOYER the administrative cost per employee is considered trivial and only a mere addition to an already existing series of statutory statistical returns.

The INLAND REVENUE DEPARTMENT receives the full benefits

1. Faster flowing revenue
2. Elimination of arrears
3. Practically total eradication of tax evasion by wage and salary earners
4. The shifting of a sizeable portion of a massive administrative burden on to the employer.