

# **READING THE PAY SLIP**

Studio Massimo Cavallari

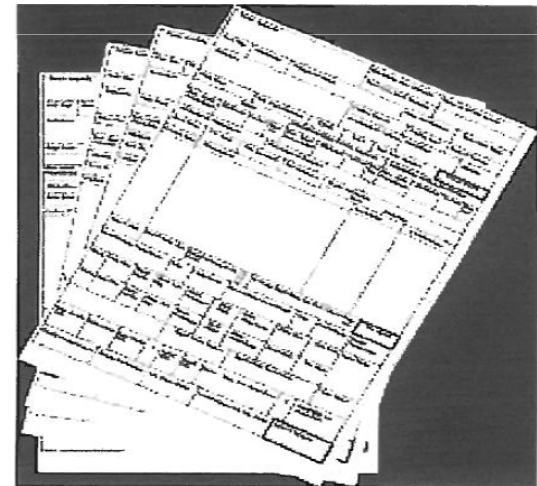
Via 4 Novembre 6c int.12 - Padova - 35010 Limena - tel. 049 613584

[www.studiocavallari.it](http://www.studiocavallari.it)

# Work Schedule

## *The Pay slip:*

- **What it is**
- **What it's for**
- **The sections of the pay slip**
- **The amounts specified therein**
- **Examples of how it is calculated**



# **The Pay slip**

***What is the pay slip?***

## **The Pay slip: what it is**

It is a statement indicating all the elements that make up a person's pay and the individual amounts withheld by the employer to ensure compliance with legal obligations

## **The Pay slip : form**

The Law (L.4/1953) obliges the employer to deliver a pay statement. It indicates the content that must be included but does not provide a model, so each company may use its own form and a customized layout.

# **The Pay slip**

***What is the pay slip for?***

# The Pay slip : purposes

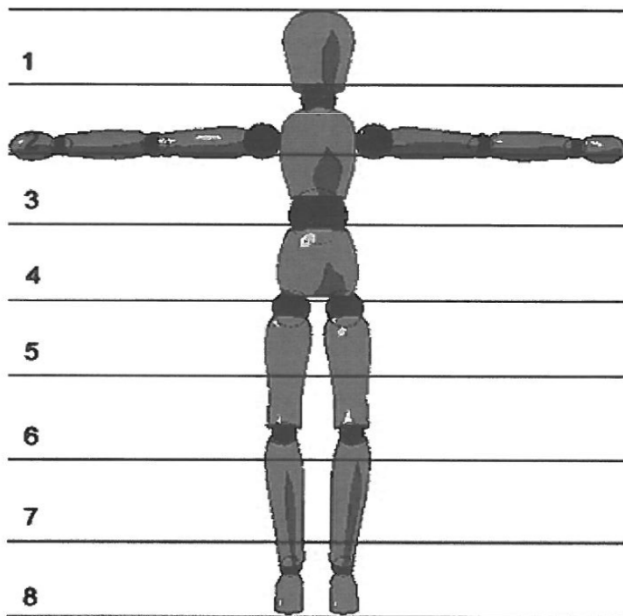
To quantify the payment due to the worker for the period of work carried out

- To correct differences with the application of the National Labour Contract
- To apply for a bank mortgage
- To apply for a loan
- As proof of pension contributions when there are discrepancies on the Social Security (INPS) contributions accredited.

It is therefore very important to keep the pay slips received from our employer on file.

# The Pay slip : layout

## How the Pay slip is laid out



**HEADER**

**BODY**

**FOOTER**



## **The Pay slip : header**

In the header of the pay slip (also called "pay packet" we can find:

- The company's name and details
- The employee's name and details

# The Pay slip : header

- Company details
  - INPS code
  - INAIL code
- (National Institute for Insurance against Accidents at Work)

Company name				Company INPS Code				Payment Month			
				Company INAIL Code							
Employee Code		Mat. No.		Surname First Name				Date Employment		Date end Employ.	
Address				Tax Code		INPS Code		Place of work			
				Work Contract		Position		Level			
Basic Pay		Cost of Living index		COLA	Prod. Bonus	Sect & Terr. Indicator		BASIC PAY			
HOLIDAYS				PERMITS FOR REDUCTION OF HOURS				EXTRA PERMITS PUBLIC HOLIDAYS			
Res. Prev. Years	Accrued	Used	Res. Tot.	Res. Prev. Years	Accrued	Used	Res. Tot.	Res. Prev. Years	Accrued	Used	Res. Tot.
Method of Payment				Bank details							
Payment Sector		Payment Days		Days worked		Hours worked		Long service bonus no.      Date      Next Inc.			
Heading code		Description						Amounts Withheld		Amounts Due	

# The Pay slip : INPS



NATIONAL SOCIAL SECURITY INSTITUTE

Pays out pensions

Provides the main forms of income support

- Sick pay
- Maternity pay
- Family support cheques
- Blood donation
- Marriage Leave
- Layoff benefit
- Redundancy pay
- Unemployment benefit

## **The Pay slip : INPS**

Where does the INPS get the money to pay for these benefits?

From the contributions that are paid each month by:

- Employers
- Workers

# The Pay slip : INPS



NATIONAL SOCIAL SECURITY INSTITUTE

Pays out pensions

Financed by contributions paid by

- Employers
- Employees

Provides the main forms of income support

- Sick pay
- Maternity pay
- Family support cheques
- Blood donation
- Marriage Leave
- Layoff benefit
- Redundancy pay
- Unemployment benefit

Financed by contributions paid only by Employers

Layoff Benefits → employers + employees

# The Pay slip : header

## *The employee's data*

- Type of Contract
- Payment Month
- Date of Employment
- Work Contract
- Level – Position
- Place of Work
- Salary Terms and Conditions
- Holidays, public holidays, and paid leave
- Method of payment

Company name				Company INPS Code				Payment Month			
				Company INAIL Code							
Employee Code		Mat. No.		Surname First Name				Date Employment		Date end Employ.	
Address				Tax Code		INPS Code		Place of work			
				Work Contract		Position		Level			
Basic Pay				Cost of Living index		COLA	Prod. Bonus	Sect & Terr. Indicator		BASIC PAY	
HOLIDAYS				PERMITS FOR REDUCTION OF HOURS				EXTRA PERMITS PUBLIC HOLIDAYS			
Res. Prev. Years	Accrued	Used	Res. Tot.	Res. Prev. Years	Accrued	Used	Res. Tot.	Res. Prev. Years	Accrued	Used	Res. Tot.
Method of Payment				Bank details							
Payment Sector		Payment Days		Days worked		Hours worked		Long service bonus no.      Date      Next Inc.			
Heading code		Description						Amounts Withheld		Amounts Due	

# The Pay slip : body

Pay week	Pay Days	Days worked	Hours Worked	Long service bonus Next Inc.	no.	Date
Heading Code	Description				Amounts withheld	Amounts due
Amt. Contr.	Amt. Prev. Contr.	Payment for calcul. Leaving Indemnity	Family Support Cheque	no. Child.- Lev. Inc. Days. Amt. Cheque		Total Due
Description Contribution	Amount	Contribution	Description Contribution	Amount	Contribution	Total Contributions

## The Pay slip : body

In the body of the footer you will find all the elements used to make up the total payment:

- The elements to be accredited go in the column *amounts due*
- The elements to be debited go in the column *amounts withheld*
- There are also several indicative headings (elements that are shown to highlight certain values but which are not used to calculate the amount of the pay slip)



# The Pay slip : Footer

- Social Security data
- Tax data
- Data re leaving indemnity

Amt. Contr.	Amt. Prev. Contr.	Payment for calcul. Severance Indemnity		Family Support Cheque	no. Child.- Lev. Inc. Days. Amt. Cheque			Total Due	
Description Contribution		Amount	Contribution	Description Contribution		Amount	Contribution	Total Contributions	
Month	Taxable. Inc.	Gross personal Income tax	Deductions Employment Income	Deductions dependent spouse	Deductions dependent children	Deductions other fam. members	Other deductions	Total deductions	Net Personal Income tax
Year	Taxable. Inc.	Gross personal Income tax	Deductions Employment Income	Deductions dependent spouse	Deductions dependent children	Deductions other fam. members	Other deductions	Total deductions	
				Annual Net Income Tax		Net Income Tax withheld		Cong. Income Tax	
Gross Tax. total for Leaving indemnity	Reduction	Net Tax. total for Leaving Indemnity	%	Income Tax Leaving Indemnity	Income Tax Leaving Indemnity	Advance Amt rounded up Prev. Years		%	Income tax Leaving Indemn. rounded up for Prev. Years
Total amounts due		Total Amounts withheld		Prev. Rounded-up tot.		Net rounded-up total		PAY IN HAND	

# The Pay slip : calculation

SOCIAL SECURITY TAXABLE BASE	-
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INPS CONTRIBUTIONS due from employee	=
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TAXABLE INCOME	-
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Application of Personal Income Tax brackets

GROSS TAX	-
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Deductions	=
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NET TAX	+
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FAMILY INCOME SUPPORT (if applicable)	=
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NET PAY IN HAND	
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# **The Pay slip : calculation**

## ***Social Security Taxable Base***

The social security taxable base is the amount used to calculate the contributions (money paid both by the employer and the employee to finance the INPS).

The social security taxable base is the result of the sum of the headings in the Amounts Due column.

N.B. although they are in the Amounts Due column, the following elements, in addition to the indicative elements, are not used to determine the social security taxable base:

- Sick pay INPS
- Maternity pay INPS
- Blood donation
- Family Income Support

This is because these are amounts that are paid directly by INPS and therefore INPS does not require any contributions to be paid.

# The Pay slip : calculation

## *Social Security Taxable Base*

Amt. Contr.	Amt. Prev. Contr.	Payment for calcul. Severance Indemnity		Family Support Cheque	no. Child.- Lev. Inc. Days. Amt. Cheque			Total Due	
Description Contribution		Amount	Contribution	Description Contribution		Amount	Contribution	Total Contributions	
Month	Taxable. Inc.	Gross personal Income tax	Deductions Employment Income	Deductions dependent spouse	Deductions dependent children	Deductions other fam. members	Other deductions	Total deductions	Net Personal Income tax
Year	Taxable. Inc.	Gross personal Income tax	Deductions Employment Income	Deductions dependent spouse	Deductions dependent children	Deductions other fam. members	Other deductions	Total deductions	
				Annual Net Income Tax		Net Income Tax withheld		Cong. Income Tax	
Gross Tax. total for Leaving indemnity	Reduction	Net Tax. total for Leaving Indemnity	%	Income Tax Leaving Indemnity	Income Tax Leaving Indemnity	Advance Amt rounded up Prev. Years		%	Income tax Leaving Indemn. rounded up for Prev. Years
Total amounts due		Total Amounts withheld		Prev. Rounded-up tot.		Net rounded-up total		PAY IN HAND	

# The Pay slip : calculation

## *Social Security Taxable Base*

Sample calculation:

Description	Hours days months	Base data	Amounts due	Amounts withheld
Daily pay	168	8.26	1387.28	
Overtime 15%	15	9.5	142.44	
<i>Holidays used</i>	16	8.26		
Canteen	20	2.5		50
Family Support Cheque			10.33	
<b>Social Security Taxable base</b>				<b>1479.72</b>

# **The Pay slip : calculation**

## ***Contributions due from employee***

Contributions are money that is paid every month both by the employer and the employee to finance the INPS.

The contributions paid by the employer are NOT visible in the pay slip.

The contributions paid by the employee are indicated in the pay slip in the box “contributions”.

They are calculated as a percentage of the social security taxable base: for apprentices this percentage is equal to 5.84% (for the other workers it is 9.19%, and for other still it is 9.49%).

CONTRIBUTIONS to be paid by the EMPLOYEE = 5.84% X SOCIAL  
SECURITY TAXABLE BASE

# The Pay slip : calculation

## *Contributions due from employee*

Sample calculation:

Description	Hours days months	Base data	Amounts due	Amounts withheld
Daily pay	168	8.26	1387.28	
Overtime 15%	15	9.5	142.44	
<i>Holidays used</i>	16	8.26		
Canteen	20	2.5		50
Family Support Cheque			10.33	
<b>Social Security Taxable base</b>				<b>1479.72</b>

Rate for apprentice	5.84%
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Contributions due from employee	<b>86.42</b>
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## **The Pay slip : calculation**

### ***Taxable total***

The taxable total is the reference amount on which taxes are calculated.

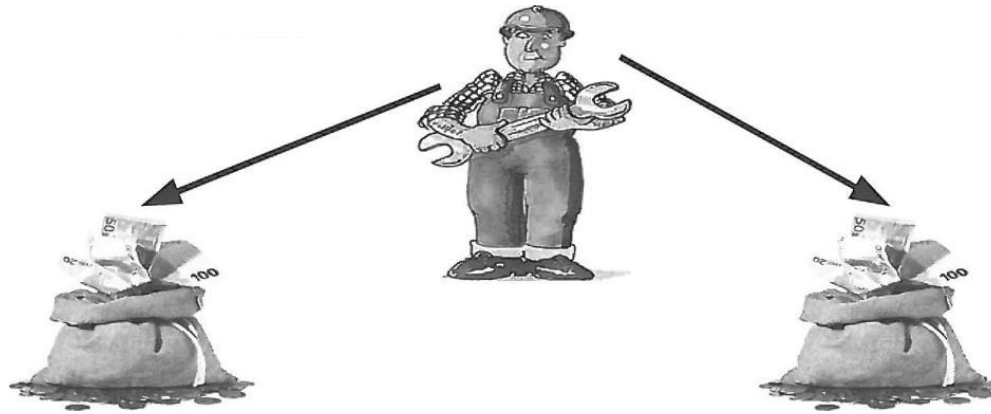
In the pay slip we only pay one tax : the personal income tax (IRPEF)



# The Pay slip : withholdings

At this point we can say that two amounts are withheld from the worker who receives a pay slip

- The contributions that finance the INPS
- IRPEF (personal income tax) that goes to the State



Contributions

IRPEF



# **The Pay slip : calculation**

## ***Taxable income***

**The taxable total is determined by subtracting the contributions to be paid by the employee from the social security taxable base**

**SOCIAL SECURITY TAXABLE BASE— CONTRIBUTIONS DUE FROM  
EMPLOYEE= TAXABLE INCOME**

# The Pay slip : calculation

## *Taxable income*

Sample calculation:

Description	Hours days months	Base data	Amounts due	Amounts withheld
Daily pay	168	8.26	1387.28	
Overtime 15%	15	9.5	142.44	
<i>Holidays used</i>	16	8.26		
Canteen	20	2.5		50
Family Support Cheque			10.33	
<b>Social Security Taxable base</b>				<b>1479.72</b>
Rate for apprentice				5.84%
Contributions due from employee				86.42
<b>Taxable Income</b>				<b>1393.31</b>

# The Pay slip : calculation

## *Gross personal income tax*

Calculating an employee's personal income tax is not as easy as calculating his contributions: indeed there is no one percentage to be multiplied by the taxable income. Instead there are many percentages to be applied to the taxable income depending on which bracket it lies within.

By "bracket" we are referring to a range of income.

TAXABLE INCOME	RATE	(GROSS) PERSONAL INCOME TAX
Up to 15,000 euro	23%	23% of the income
Between 15,000 and 28,000 euro	27%	3,450 + 27% of the part in excess of 15,000 euro
Between 28,000 and 55,000 euro	38%	6,960 + 38% of the part in excess of 28,000 euro
Between 55,000 and 75,000 euro	41%	17,220 + 41% of the part in excess of 55,000 euro
Over 75,000 euro	43%	25,420 + 43% of the part in excess of 75,000 euro

# The Pay slip : calculation

## *Gross personal income tax*

The personal income tax brackets are annual but we need a monthly bracket to calculate the relative amount withheld in our pay slip each month!

So we must divide the annual bracket by 12:

TAXABLE INCOME	RATE	(GROSS) PERSONAL INCOME TAX
Up to 1250 euro	23%	23% of the income
Between 1250 and 2333 euro	27%	287.5 + 27% of the part in excess of 15,000 euro
Between 2333 and 4583 euro	38%	292.5+ 38% of the part in excess of 28,000 euro
Between 4583 and 6250 euro	41%	855 + 41% of the part in excess of 55,000 euro
Over 6250 euro	43%	683.3 + 43% of the part in excess of 75,000 euro

# The Pay slip : calculation

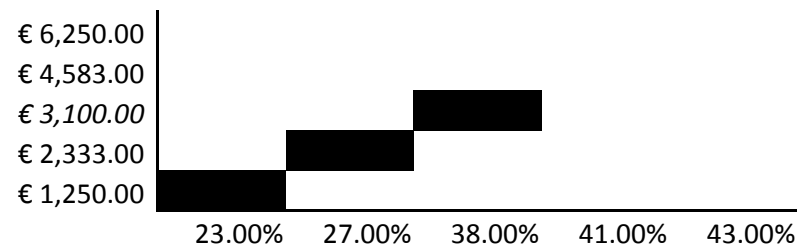
## *Gross personal income tax*

In order to calculate our gross personal income tax we must:

- "fill" the first bracket and apply 23%
- "fill" the second bracket and apply 27%
- and so on

If a bracket is not filled, we apply the rate to the difference.

Example: **Taxable Income €3,100.00**



1250	2333	3100
x		
23.00%	1250	2333
<b>287.5</b>	1083	767
	x	x
	27.00%	38.00%
	<b>292.41</b>	<b>291.46</b>

Gross tax      (287.5 + 292.46)      **871.37**

# The Pay slip : calculation

## *Gross personal income tax*

Sample calculation:

Description	Hours days months	Base data	Amounts due	Amounts withheld
Daily pay	168	8.26	1387.28	
Overtime 15%	15	9.5	142.44	
<i>Holidays used</i>	16	8.26		
Canteen	20	2.5		50
Family Support Cheque			10.33	
<b>Social Security Taxable base</b>				<b>1479.72</b>

Rate for apprentice	5.84%
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Contributions due from employee	86.42
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Taxable Income	1393.31
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<b>Gross personal income tax</b>	<b>326.19</b>
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# **The Pay slip : calculation**

## ***Deductions***

However, the gross personal income tax is not the amount we actually pay.

In fact, the Law establishes certain "discounts" in relation to the worker's status:

- Employed worker —————> deduction for employment income.
- Married worker —————> deduction for dependent spouse.
- Worker with children —————> deduction for dependent children.

N.B. A family member is considered to be dependent if during the tax period (calendar year) he or she earns less than €2840.51



# The Pay slip : calculation

## *Deductions for dependent spouse*

The deduction for a dependent spouse is recalculated based on the months of dependence (e.g. marriage that took place in May: months of dependency 8)

Gross Income	Deduction due
Up to €15,000 euro	$800 - 110 \times (GI / 15,000)$
Between €15.000 and €29.000 euro	690
Between €29.000 and €29.200 euro	690+10
Between €29.200 and €34.700 euro	690+20
Between €34.700 and €35.000 euro	690+30
Between €35.000 and €35.100 euro	690+20
Between €35.100 and €35.200 euro	690+10
Between €35.200 and €40.000 euro	690
Between €40.000 and €80.000 euro	$690 \times (80,000 - (gi / 40,000))$

# The Pay slip : calculation

## *Deductions for dependent children*

The deduction for children is calculated in relation to the number of months a child has (completed from the month in which the required conditions became valid to that in which they ceased to exist). Eg. child born in November : months of dependence 2.

TAXPAYERS WITH ONE DEPENDENT CHILD	
1 CHILD > 3 years	$800 \times (95,000 - GI) / 95,000$
1 CHILD < 3 years	$900 \times (95,000 - GI) / 95,000$
1 CHILD with disability	$1020 \times (95,000 - GI) / 95,000$
1 CHILD with disability < 3 years	$1120 \times (95,000 - GI) / 95,000$

In the presence of children, the amount of 95,000 is increased by 15,000 for each child after the firstborn.

For tax payers with more than 3 dependent children, the deductions are increased by €200 for each child starting from the first born.

The deductions for dependent children are 50% for each family member or 100% per dependent party with a higher tax income.

# The Pay slip : calculation

## *Deductions for employment income*

The amount of the deduction due is recalculated based on the duration of the contract in days (divide by 365 and multiply by the no. of days, including Saturdays and Sundays)

Gross Income	Annual Amount
Up to €8,000 euro	1840*
Between €8.000 and €15.000 euro	$1338 + (502 \times ((15000 - GI) / 7000))$
Between €15.000 and €23.000 euro	$1338 \times ((5000 - GI) / 40000)$
Between €23.000 and €24.000 euro	$1338 \times ((5000 - GI) / 40000) + 10$
Between €24.000 and €25.000 euro	$1338 \times ((5000 - GI) / 40000) + 20$
Between €25.000 and €26.000 euro	$1338 \times ((5000 - GI) / 40000) + 30$
Between €26.000 and €27.700 euro	$1338 \times ((5000 - GI) / 40000) + 40$
Between €27.700 and €28.000 euro	$1338 \times ((5000 - GI) / 40000) + 25$
Between €28.000 and €55.000 euro	$1338 \times ((5000 - GI) / 40000)$

\* The amount of the deduction that is actually due, recalculated in proportion with the period worked in the year in question , cannot be less than €690. For fixed term contracts the minimum amount is equal to €1380.

# **The Pay slip : calculation**

## ***Deductions for employment income***

The Annual Gross Income(GI) is calculated by multiplying the monthly taxable income by the number of monthly payments envisaged by the contract (13 or 14)

$$\mathbf{GI = TAXABLE TOTAL \times 13 (or 14)}$$

$$\text{Example: } \text{€}1393.31 \times 13 = 18113.03$$

# The Pay slip : calculation

## *Deductions for employment income*

Our gross income comes under the bracket between €15000 and €23000 so the formula will be as follows:

Gross Income	Annual Amount
Between €15.000 and €23.000 euro	$1338 \times ((5000 - GI) / 40000)$

$$\begin{aligned} & \mathbf{1338 \times ((55000 - 18133.09) / 40000) =} \\ & \mathbf{1338 \times (36866.91 / 40000) =} \\ & \mathbf{1338 \times 0.9216 =} \\ & \mathbf{1233.10} \end{aligned}$$

We have thus calculated the annual deduction.

In order to find the monthly deduction we must divide this by 12:

$$1233.10 / 12 = \mathbf{102.75}$$

# **The Pay slip : calculation**

## ***Net Personal Income Tax***

The net personal income tax is found by subtracting all the deductions due from the gross personal income.

**NET PERSONAL INCOME TAX = GROSS PERSONAL INCOME TAX –  
(Deduction for employment income+ Deduction for dependent  
spouse + Deduction for dependent children)**

# The Pay slip : calculation

## *Net Personal Income Tax*

### Sample calculation:

Description	Hours days months	Base data	Amounts due	Amounts withheld
Daily pay	168	8.26	1387.28	
Overtime 15%	15	9.5	142.44	
<i>Holidays used</i>	16	8.26		
Canteen	20	2.5		50
Family Support Cheque			10.33	
<b>Social Security Taxable base</b>				<b>1479.72</b>

Rate for apprentice	5.84%
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Contributions due from employee	86.42
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Taxable Income	1393.31
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Gross personal income tax	326.19
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Deduction for employment income	102.75
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Net tax	<b>223.44</b>
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# **The Pay slip : calculation**

## ***Pay in Hand***

The amount of pay in hand can be calculated by subtracting the amount of tax due from the taxable total.

$$\text{PAY IN HAND} = \text{TAXABLE TOTAL} - \text{NET TAX}$$



# The Pay slip : calculation

## *Pay in Hand*

Sample calculation:

Description	Hours days months	Base data	Amounts due	Amounts withheld
Daily pay	168	8.26	1387.28	
Overtime 15%	15	9.5	142.44	
Holidays used	16	8.26		
Canteen	20	2.5		50
Family Support Cheque			10.33	
<b>Social Security Taxable base</b>				<b>1479.72</b>
Rate for apprentice				5.84%
Contributions due from employee				86.42
Taxable Income				1393.31
Gross personal income tax				326.19
Deduction for employment income				102.75
Net tax				223.44
<b>PAY IN HAND</b>				<b>1169.87</b>

# **The Pay slip : calculation**

## ***Family Support***

The Family Income Support cheque is a benefit provided by the INPS (financed only by the contributions paid by employers).

We can see it as a “gift” that the INPS gives families to help them pay their monthly bills: therefore it is an amount that is added to the net amount due to the worker in the pay slip.

The cheque is awarded following an application to be completed by the worker in July on a specific INPS form (SR65) and delivered to his employer.

It is calculated by cross-checking data regarding:

- Composition of the family unit (e.g. two spouses, both parents and children, one parent and children)
- Number of family members
- Personal Income Tax statement for the previous year (for example a cheque received from July 2010 to June 2011 is based on the worker’s income during 2009.)

# The Pay slip : calculation

## *Family Support Income*

### Sample Family Income Support Table

**TAB. 21°**

FAMILY UNITS (\*) WITHOUT CHILDREN

(IN WHICH DISABLED PERSONS ARE NOT PRESENT)

Total monthly amount of the cheque by level of income and number of family members

***Annual family income of reference valid from 1° July 2010***

Annual Family Income (euro)		Amount of the cheque per number of family members						
		1	2	3	4	5	6	7 and more
up to	12,485.63		46.48	82.63	118.79	154.94	191.09	227.24
12,485.64	- 15,606.37		36.15	72.30	103.29	144.61	185.92	216.91
15,606.38	- 18,727.09		25.82	56.81	87.80	129.11	180.76	206.58
18,727.10	- 21,846.59		10.33	41.32	72.30	113.62	170.43	196.25
21,846.60	- 24,966.70		-	25.82	56.81	103.29	165.27	185.92
24,966.71	- 28,088.03		-	10.33	41.32	87.80	154.94	175.60
28,088.04	- 31,208.15		-	-	25.82	61.97	139.44	160.10
31,208.16	- 34,327.65		-	-	10.33	36.15	123.95	144.61
34,327.66	- 37,447.15		-	-	-	10.33	108.46	134.28
37,447.16	- 40,567.87		-	-	-	-	51.65	118.79
40,567.88	- 43,688.61		-	-	-	-	-	51.65

(\*) only spouses or both spouses and at least a brother, sister or nephew

# **The Pay slip : calculation**

## ***Pay in Hand with Family Support***

If any family income support is due,  
this is directly added to the pay in  
hand total.

**Net Pay in Hand with Family income Support = NET + CHEQUE**

# The Pay slip : calculation

## *Pay in Hand with Family Support*

### Sample calculation:

Description	Hours days months	Base data	Amounts due	Amounts withheld
Daily pay	168	8.26	1387.28	
Overtime 15%	15	9.5	142.44	
Holidays used	16	8.26		
Canteen	20	2.5		50
Family Support Cheque			10.33	
<b>Social Security Taxable base</b>				<b>1479.72</b>

Rate for apprentice	5.84%
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Contributions due from employee	86.42
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Taxable Income	1393.31
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Gross personal income tax	326.19
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Deduction for employment income	102.75
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Net tax	223.44
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<b>PAY IN HAND</b>	<b>1169.87</b>
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Family Income Support	10.33
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<b>PAY IN HAND</b>	<b>1180.20</b>
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