



Striving for Social Justice

St. Christopher and Nevis Social Security Board



Employer's Guide

The St. Christopher and Nevis Social Security Board

St. Christopher and Nevis Social Security Act, 1977 No. 13 of 1977

An Act to repeal the National Provident Fund Act and to establish a system of social security providing pecuniary payments by way of various benefits to insured persons and social assistance by way of non-contributory old age pensions to insured and other persons not qualifying for benefit and for connected purposes.

EMPLOYER'S GUIDE

Important Advice

This booklet has been made available to assist employers registered with the Social Security Fund as well as prospective employers. It is a guide only, and must not be treated as a complete or authoritative statement of the law in relation to any particular case.

Any questions to further clarify any matter should be directed to the Social Security Offices at Bay Road, Basseterre, St. Kitts and Chapel Street, Charlestown, Nevis. Persons may also contact the Social Security Inspector for their area, by calling the Social Security Office at 465-2535/6 on St. Kitts or 469-0204/5245 on Nevis or by visiting our offices in Basseterre or Charlestown.

Social Security officers sometimes speak at town hall meetings and when visiting with community civic groups and other organizations. These occasions provide additional opportunities to clarify any issues or to get answers to questions.

Introduction

Basic Information about Social Security

St. Christopher (St. Kitts) and Nevis Social Security Fund is a compulsory insurance fund established by an Act of Parliament, in 1977. It began operations on February 1, 1978, taking over from the National Provident Fund, which was basically a retirement savings scheme with limited other benefits. Social Security provides a wide range of benefits of the following types: sickness, maternity, employment injury, invalidity, disablement, contributory old age, survivors, assistance pensions, death benefits and funeral grants.

Monetary contributions are payable on behalf of all insured persons primarily in respect of periods of work, but also in some cases where persons can elect to pay voluntary contributions. In the case of persons who are working for an employer, their contributions are payable by their employer. In order for the Fund to be properly functional, all employers among other persons are under some measure of obligation to carry out certain responsibilities.

Responsibilities of an Employer

Whenever a person or entity employs another person, the **employer** is required to register with the Social Security Board and to make payments of contributions to the Social Security Fund on behalf of the employee. It is also the responsibility of the employer to make sure that the employee is registered.

The law gives the employer the authority to deduct a portion of the contributions from the wages of certain employees. It then requires the employer to make the total contributions to the Fund. This clearly means that after deducting the employee's portion, the employer must add his/her own portion to the contributions. The total contributions must then be paid into Social Security within a given time along with supporting records.

Accordingly, the law requires the employer to keep adequate records in relation to all persons who may be employed. Special Social Security officers who are designated as Inspectors, can inspect such records to ensure full and accurate compliance with the law.

Special Note

The material in the following pages is presented in a manner to reflect an employer briefing himself about the things that are of relevance and importance to all employers. This style of presentation offers the opportunity for the employer to immediately personalize and internalize the important elements of Social Security that would help such an employer to contribute to the smooth functioning of the Social Security system.

What do I need to know as an employer?

Registration

From the very first day that I employ my first worker, I become obliged to register with the Social Security Board as an employer. It is true that the law provides a reasonable seven-day period within which I can organize myself and get registered.

If, for some reason, I am employing persons and I am not yet registered and I am asked to do so by an Inspector authorized by the Board, I will be given a two-week period to comply. By that time I should register with the Fund or I can be taken to court.

Registration is done by completing and submitting a designated registration form. When doing so, I should submit supporting evidence about my status; e.g. in the case of a company, a Certificate of Incorporation. The registration form carries a full list of supporting documents that apply depending on my status.

MY REGISTRATION NUMBER

When I register with the Social Security Fund I will be allocated an EMPLOYER'S REGISTRATION NUMBER. This will consist of six digits and it will be important that I use this number on all letters, forms, etc, that I send in to the Social Security Office.

If I am a businessman and have more than one business that are operated separately, I can register in relation to each business and obtain a registration number in respect of each one. If I operate as **one** business enterprise that offers more than one or more services, I will only need one registration number.

Responsibility of ensuring that Employees are Registered

It is my responsibility as an employer, to ensure that every person in my employment is registered with Social Security. Every employee should have a valid Social Security Identification Card, bearing that person's full name, date of birth, registration number and signature.

When someone starts working for me, I must satisfy myself that he/she is registered as an insured person with Social Security. The first thing for me to do is to ask the employee if he/she is registered. If this is the case, I must ask to see the Social Security card of the employee.

This is the first sure way of verifying that the employee is registered. I should of course examine the card carefully to ensure that all particulars are clearly visible. If I have any reason to believe that the card is not in good condition, I should contact the nearest Social Security office for advice. If all is well, I must take note of the registration particulars by entering the information in my records to be used when reporting information to the Social Security office on behalf of the employee.

If the employee does not produce a Social Security card, I would not be in a position to verify that he/she is registered. I must therefore take steps to ensure that the employee is registered. I can do this by sending the employee to the Social Security Office to be registered.

The Social Security Office will make sure that the employee does what is necessary to obtain a registration number and or a registration card. When I finally see evidence that the person is registered, I will be in a position to honour this important part of my statutory obligation to Social Security.

It is important to make sure that I deal with the matter of registration of the employee as soon as the person starts working. In this way I will not have a situation where I have to pay contributions on behalf of any person before having the registration number of that person for my records; and for use on the Social Security payment form.

Who is my Employee?

Anyone who I engage to work for me under a *contract of service* (whether written or not) is an employee for whom I must make contributions to Social Security. This covers a vast spectrum of common situations; too numerous to mention. However, the following special scenarios are also included:

- If I employ someone to work (whether within the Federation or outside of the Federation) as a master or member of the crew of a ship or vessel, or as a pilot, commander, navigator or member of the crew of an aircraft; and I as owner or managing owner, or the manager of the business, live in the Federation; or if the main place of business is in the Federation; or if I employ someone in any other capacity related to such ship, vessel or aircraft or to the crew, or to any passenger or cargo or mails carried on the ship, vessel or aircraft
- If I give someone my vehicle to run as a taxi or a passenger bus under a *contract of bailment*
- If I run a hospital and I employ a doctor or a dentist in whole-time service in that hospital or in a position where the doctor or dentist is wholly or mainly engaged and is paid a salary
- If I employ someone from the Federation in a job where he/she has diplomatic or equivalent status; or where he/she is in service as a member of the armed forces of any country other than the Federation; or where he/she is a member (other than a domestic worker) of an international governmental organization which is recognized by the Government of the Federation

- If I employ anyone under any Council established by an Act dealing with local government.
- If the employment of someone is of a casual nature for my trade or business; or as a pilot of a ship or vessel; or for purposes of recreation as in the case of a club where the person employed is engaged or paid through a club.

Contribution Rates

(See Appendix)

If I have any employee who is ***under the age of 16 years, or over the age of 62 years***, I am not allowed to deduct any portion of that person's wages for Social Security. Actually, I am only required to pay an amount equal to 1% of that person's wage as **my own** (*employer's*) contribution to Social Security on behalf of that person. This is a contribution to ensure employment injury coverage for such a person. Persons under 16 and over 62 are not covered for any other benefits for employment within those age ranges.

If I have any employee who is between the ages of 16 and 62 years, I am entitled to deduct a portion of that person's wage as his/her Social Security contribution. The amount is equal to 5% of the person's wage. As employer, I must pay an amount equal to 11% of that person's wage as the **total contribution** to Social Security on behalf of that person. This means that if I exercised my entitlement to deduct the 5%, I would need to add an amount equal to 6% as **my portion** of the total contribution. If (for some reason) I decided not to exercise my entitlement to deduct the employee's portion of the contribution, I will still be liable to Social Security for the full contribution of 11 % of wages or salaries.

Employees reaching Age 16 and Age 62

There is a very important rule to be applied when an employee who is under 16 years reaches age 16, and when an employee reaches age 62, while working for me. I can begin to deduct the employee's contribution of 5% from wages paid for the whole of that week in which a person reaches the age of 16 years, regardless of the day of the week on which the birthday falls. For the person reaching age 62, the final deduction of the employee's 5% contribution may be taken from wages for the week in which that person reaches age 62, unless the birthday falls on the **Monday**.

If the 62nd birthday falls on any other day of the week, the whole of that week will be the last week for which the 5% deduction will be made. However, if the birthday falls on a Monday, this will be the first week for which **no deduction** of the 5% will be made from the wages of the employee.

Payment Of Contributions

Wages/Salaries on which I should pay Contributions

Wages/salaries include all of the employee's gross earnings in cash, such as:

- *overtime payment*
- *cost of living payment, (including any house allowance)*
- *additional payments in respect of dependents*
- *supplements for long service in industry or efficiency,*
- *commission or profits on sales*
- *payments for night or shift work*
- *production bonus*
- *danger or dirt money or similar payments*
- *service charges*
- *gratuities paid by the employer (excluding lump sums paid on retirement and any bonus paid in the month of December)*
- *any employed person's liabilities (including tax) paid on behalf of the employee*
- *holiday pay or other amounts set aside out of the employee's remuneration throughout the year or part of the year, to be paid to him periodically.*

Time of Deduction of Contributions

As employer I am entitled to deduct the employee's portion of the contributions **before** delivering the wages to the employee. If I pay wages in advance for any period of time, I may deduct contributions in advance for that period, before the payment of the wages to the employee.

Contribution Liability

Immediately upon payment of any wage or salary to an employee, I become liable to pay the relevant contribution to Social Security. However, the law provides basic guidelines regarding the time for payment of contributions. Contributions are payable on a monthly basis. The contributions for wages paid in the month of (say) January become due and payable at the end of January, but may be paid no later than the end of February, The contributions for wages paid in the month of February become due and payable at the end of February, but may be paid no later than the end of March, and so on.

Fines

Whenever the *grace period* runs out, the contributions become '*outstanding*'. An outstanding contribution for any month attracts a fine of 5% for every month or part of a month that the outstanding amount remains unpaid.

Other Contributions

In addition to Social Security contributions, I am also obliged to pay other contributions on a monthly basis at the Social Security Office. These are *Severance Payment Contribution* and *Housing and Social Development Levy*. Social Security acts as an agent to collect these contributions on behalf of the Government of St. Kitts and Nevis.

The Severance Payment Contribution is a payment equal to 1% of the total wages of each of my employees. However, this is not an amount that I can deduct from the wages of the employee. This is strictly **my own** responsibility as an employer.

This contribution is really a payment to the Accountant General who maintains a **Severance Payment Fund** on behalf of the Labour Commissioner under the Protection of Employment Act. It ensures that if and when any employee is made redundant or experiences *severance* as prescribed, such an employee is able to receive severance payment from the Labour Commissioner's office.

The Housing and Social Development Levy is also a payment to the Accountant General who receives it on behalf of the Comptroller of Inland Revenue. It is a governmental measure geared towards assisting in the advancement of housing and social development programs.

Under normal circumstances, the total levy contribution is equal to 6.5% of the total wages of each of my employees. The law gives me the right to deduct 3.5% from the employee's wage, and I must pay the full 6.5% to the Social Security Office. This means that if I exercise my entitlement to deduct the 3.5% from the employee's wage, then I must add my own 3% contribution to arrive at the total 6.5% levy.

However, only my 3% portion will be payable in the case of certain exemptions that are granted to employees who receive less than a certain specified level of wages. Employees who are receiving less than \$18,720 per annum are exempt from payment of the levy. I must take note that I, as employer, am not entitled to the exemption. I can refer to the notes on the back page of the Statement of Wages and Contributions form. The notes provide more detailed information on the exemptions.

Special rates of Levy deduction apply to persons receiving wages beyond the Social Security ceiling. Levy deduction from any portion of wages between \$6,500.01 and \$8,000.00 will be at the rate of 10%, while Levy deduction from the portion of wages above \$8,000.00 will be at the rate of 12%.

Penalties

If I pay Levy and Severance Payment Contribution late, I will have to pay *penalties* calculated at the rate of 10% for the first month of default; with an additional 1% for each additional month that the contribution for any month remains unpaid. Late payment of Levy and Severance Payment contributions is determined in the same way as for Social Security contributions.

Maximum Contributions

Social Security

In the case of Social Security payments, there is a monthly ceiling on contributions payable on behalf of *any one employee*. The ceiling is based on earnings of the employee up to \$6,500 per month. Therefore, no Social Security contributions are payable on earnings above that amount.

Severance Payment Contribution and HSD Levy

As far as Severance Payment Contributions and Housing and Social Development Levy are concerned, there is **no ceiling** on contributions. Indeed, in the case of the Housing and Social Development Levy, earnings above \$6,500 per month are subject to a higher level of contributions payable by employees. The **portion** of earnings above \$6,500 up to \$8,000 attracts a deduction of 10%, while the portion of wages over \$8,000 attracts a deduction of 12%.

Special Provisions

N. B. For an employee whose average wage during the year is \$1,500 or more per month, bonus paid in December will be subject to Housing and Social Development Levy at the rate of 8% payable by the employee. If the average wage per month during the year less than \$1500, no Levy will be payable from the bonus. As employer, I am exempt from payment of Levy on the bonus.

Paying Contributions and Submitting Payment Form

Whenever I am making any payment to Social Security, I must support the payment by submitting a *Statement of Wages and Contributions* (Form C3). I am expected to fully complete, sign and submit this form along with the total contributions due to the Social Security Office within 30 days after the end of each month. The form must be fully prepared with all relevant details from my records of employees for the month in question.

Full instructions are given on the back of the form to help me to provide the correct information. However, I should pay special attention to the columns on the form that call for the record of weeks worked in the month. I must always remember that contribution weeks begin on a Monday. Therefore, **the number of weeks in any month is determined by the number of Mondays in the month.**

There will be times when the wages for the last contribution week or two in a month will be paid at some point early in the following month. This may be true for employees who are paid weekly or fortnightly. At most times when this occurs, the wage information should still be entered as for the last week or two in the month. I should contact the Social Security office, or the Inspector for my area, if I have any doubts about how to treat this type of situation.

Submitting the Statement of Wages and Contributions on time

If (for some reason) I am not in a position to make my monthly payment on time, I must still submit the form on time. In this way my employee will not suffer any delays in processing any claim.

I will still remain under obligation to make my payment as quickly as possible as fines will have already started to build up and I may also be taken to court for the failure to make the payment. Also, if my employee makes a claim, and there are outstanding contributions, I may be called upon by the court to pay the amount of the benefit as well as any outstanding contributions.

Omission of the Name of an Employee from the Form

Omitting the name of any employee from the Statement of Wages and Contributions (Form C 3) has serious consequences. The employee stands to lose valuable benefits, should such an employee file a claim.

Errors in Calculating Contributions on the Form C3

At the point of submission of the form (by hand), the cashier has a special form with a list of discrepancies. If an error is detected, this *discrepancy note* is completed and handed back to the person submitting the form. In other cases I, as employer, would be contacted by Social Security and informed about the error and encouraged to collect the form and make the necessary changes within the shortest possible time.

Records

It is mandatory that I keep records concerning my employees. Among other reasons, it helps me to keep track of important elements of the relationship between my employees and myself. Under Social Security and other laws, it is also vital that records be kept to clearly show any deductions that I make from the wages of employees.

The basic records on the employee include the following:

- The full and accurate name
- The certified date of birth
- The verified Social Security registration number
- The date on which the employee started working for me
- The date on which the employee ceases to work as my employee

However there are some other vital bits of information pertaining to the wages earned by the employee. They are as follows:

- A record of the periods of work (from first day and onwards on a weekly, or monthly basis as the case may be)
- The date of each payment of wages
- The gross pay amount of wages payable for the relevant period
- The amount deductible as the employee's contribution to Social Security
- The amount deductible as the employee's contribution to the Housing and Social Development Levy
- The net pay amount of wages payable after deductions

All of my records are subject to inspection by Social Security Inspectors to ensure that there is accurate compliance with what the law stipulates. For this reason an Inspector can call on me at any reasonable time to make an inspection of my records, and can give me any appropriate instructions for correcting any short-comings that I may have. An Inspector can also conduct any investigation by asking any relevant questions of my employee, and, or myself, or any other person who may be in a position to have any information regarding my employee.

Completion of the Statement of Wages and Contributions form

For completing the Statement of Wages and Contributions, I would realize that if I simply follow the form in a step-by-step manner, I should have little difficulty. However, the revised version of the notes that appear at the back of the form could help me to complete it properly. Here is an adapted version for my reference:

1. SUBMISSION OF FORM. Forms must be completed and forwarded to the Social Security Office, even if the payment is not made. Submission must be made at the end of the month in which wages/salaries were paid or within one calendar month thereafter.

2. PAYMENT. If payment is being made by cheque, I have the option of submitting two separate cheques: one cheque (to the Director of Social Security) for the amount in respect of Social Security; and another cheque (to the Accountant General) for the amount in respect of Housing and Social Development Levy and Severance Payment Contribution. Alternatively, I may submit a single cheque (to the Director of Social Security) for the combined amounts payable.

3. TIME OF PAYMENT: All contributions are payable at the end of the month in which wages are paid or within one calendar month thereafter.

4. Wages include all gross earnings received including salary, overtime payment, production bonus, all other bonuses, house allowance ...etc. in accordance with the Social Security Act, the Housing and Social Development Levy Act and the Protection of Employment Act. Bonuses paid in December are not subject to Social Security Contributions, but are subject to Housing and Social Development Levy and Severance Payment Contributions. In such cases, the Levy payable in respect of the bonus will be subject to an additional 5% deduction, if the average wages of the employee **during the year** is one thousand, five hundred dollars (\$1500.00) per month or more. If the said average wages of the employee are **less than** \$1500 per month, no levy deduction will be made **from the bonus**.

5. Column Five (5) on the form relates to my schedule or frequency of paying wages. The symbols are as follows:

W wages paid *weekly*
E2/W wages paid *every two weeks*
M wages paid *once per month*
2/M wages paid *twice per month*

These symbols are to be used for each employee I report on the form.

6. The numbers at the top of the boxes in 6a and 6b represent the weeks (Mondays) in the month. In column 6a, place an 'X' to indicate each week during which the employee worked. In respect of all employees, enter the wages/salaries paid in the appropriate box/boxes in column 6b. The boxes represent the corresponding weeks in which wages/salaries were paid during the month. In the event that the worker is given holiday pay, place an 'X' in the appropriate boxes in column 6a which correspond to the holiday weeks for which wages apply. The wages for the holiday period that apply to this particular month must be recorded in this month. In column 10, the specific period of the holiday must be entered. Column 10 may also be used to explain any other special payment.

7. The Social Security Contribution ceiling is based on wages up to \$6,500 per month. All wages above that amount must still be recorded, but Social Security contributions must only be paid up to the ceiling. **The maximum Social Security contribution on behalf of any single employee in any month is:** \$65 for an employee under 16 or over 62 years; and \$715 for an employee between the ages of 16 to 62 years.

8. Rates of contribution for Social Security:-

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
<i>Main Scheme:</i>			
Employed person 16 - 62 years of age	5%	5%	10% of wages
<i>Employment Injury Branch:</i>			
Employed person regardless of age	1%	Nil	1% of wages
Total	6%	5%	11% of wages

9. The Housing and Social Development Levy contributions are payable on all wages, except in cases where employees earning not more than \$1560.00 per month are exempt. The portion of wages / salaries in excess of \$6,500 but less than \$8000 per month will be subject to 10% deduction of Housing and Social Development Levy. The portion of wages/salaries above \$8000 per month will be subject to 12% deduction of Levy. The employers' contribution to the Levy remains at 3% of the total wage / salary.

Rates of contribution for Housing and Social Development Levy and Severance Payments Contribution.

	Employer	Employee
Housing and Social Development Levy		
(a) If earning \$1560.00 or less per month	3%	Nil
(b) In respect of Earnings: \$1560.01 to \$6500 per month	3%	3.5%
(c) Portion of Earnings from \$6500.01 to \$8000.00 per month	3%	10%
(d) Portion of Earnings above \$8000 per month	3%	12%
Severance Payments Contributions (All earnings)	1%	Nil

10. WAGE RECORD: The wage record that I keep of individual employees should have columns for recording the Social Security deductions and the Housing and Social Development Levy deductions.

11. FINES AND PENALTIES: If I fail or neglect to pay contributions in accordance with the Social Security Act, the Housing and Social Development Levy Act or the Protection of Employment Act, I will be liable to pay the fines/penalties prescribed. In the case of the Social Security Act, '*finer*' are chargeable at 5% of the contribution due, for each month late. Under the Housing and Social Development Levy Act, and the Protection of Employment Act, '*penalty*' is charged at 10% for the first month late, and an additional 1% each month thereafter.

12. POWER OF THE DIRECTOR, SOCIAL SECURITY; COMPTROLLER OF INLAND REVENUE AND THE LABOUR COMMISSIONER TO VARY CONTRIBUTIONS:

Application for refunds or variation of any contribution under the Social Security Act, 1977, the Housing and Social Development Levy Act 1997 and the Protection of Employment Act 1986, should be made to the Director (in respect of Social Security), the Comptroller of Inland Revenue (in respect of Housing and Social Development Levy) and the Labour Commissioner (in respect of Severance Payment Contributions).

Payment On Directors' Fees

I must note that directors' fees paid to persons who are employees are subject to Social Security contributions, as is applicable to all wages. Such fees are also subject to Housing and Social Development Levy but not to Severance Payment Contribution.

Directors' fees paid to persons who are **not** employees of my company are not subject to Social Security contributions but are subject to a deduction of 8% Housing and Social Development Levy. Such Directors' Fees should be reported on a separate Statement of Wages and Contributions, Form C 3.

Important Notes

When An Employee Gets Injured On The Job

Where possible, my employee should promptly report any case of accidental injury or disease that occurs to him/her; arising out of and in the course of employment. I am required to make a written record of any such developments, conduct an investigation and report the full details of all occurrences to the Social Security Office within three days of the injury.

Offences

- It is an offence if I obstruct an authorized officer of the Social Security Board, or refuse to answer questions or to provide information or documents.
- It is an offence if I fail to pay any contribution which must be paid or if I deduct any part of my portion of the contribution from an employee's wages.
- It is an offence if I report incorrect wage/salary for any employee.

Reminder

- I must always remember to use my employer's registration number on all correspondence and other documents that I send to the Social Security Office.
- The Social Security Offices are situated at:
 1. Bay Road, Basseterre, St. Kitts
 2. Chapel Street, Charlestown, Nevis

APPENDIX

Social Security Contribution Guide

(Using Round Figures only)

N.B. This applies to persons between the ages of 16 and 62 years

Wage	Employee's 5% deduction	Employer's 5% contribution	Employer's 1% (Injury)	Total Contribution
\$100	\$ 5	\$ 5	\$1	\$11
\$200	\$10	\$10	\$2	\$22
\$300	\$15	\$15	\$3	\$33
\$400	\$20	\$20	\$4	\$44
\$500	\$25	\$25	\$5	\$55
\$600	\$30	\$30	\$6	\$66
\$700	\$35	\$35	\$7	\$77
\$800	\$40	\$40	\$8	\$88
\$900	\$45	\$45	\$9	\$99
\$1,000	\$50	\$50	\$10	\$110
\$2,000	\$100	\$100	\$20	\$220
\$3,000	\$150	\$150	\$30	\$330
\$4,000	\$200	\$200	\$40	\$440
\$5,000	\$250	\$250	\$50	\$550
\$6,000	\$300	\$300	\$60	\$660
\$6,500	\$325	\$325	\$65	\$715

Note:

Although round figures have been used to simplify the fore-going calculations, I must be aware that contributions are payable on all wage and salary amounts up to the ceiling of \$6500 per month.

Examples:

1. If my worker earns \$44.33 in a contribution week the total calculation will be 11% of \$44.33 which amounts to \$4.88
2. If my worker earns \$2125 in a contribution month, the total calculation will be 11% of \$2125 which amounts to \$233.75