



CYPRUS PAYROLL GUIDE 2024

1. Applicable Laws

There are several laws applicable in Cyprus covering many aspects of the Employment and Insurance Sections. The most commonly used ones include Social Insurance, Annual Paid Leave and Termination of Employment Legislation as well as the Social Pension Legislation.

2. Social Insurance Foundation

The Social Insurance Contribution is compulsory in Cyprus and covers everyone employed in the Republic.

As from 1 January 2024, an additional rate of contribution to the Social Insurance Funds was increased by 0.5 percentage points both by the employer and by the employee, effectively raising the rate from 8.3% to 8.8%. Further increases as detailed below will be applied in future years:

Contribution Rates:

- from 1.1.2024: 8.8% will be deducted from employer and 8.8% from employee
- from 1.1.2029: 9.3% will be deducted from employer and 9.3% from employee
- from 1.1.2034: 9.8% will be deducted from employer and 9.8% from employee
- from 1.1.2039: 10.3% will be deducted from employer and 10.3% from employee

	Social Insurance Contribution	Contribution Redundancy Fund	Contribution Industrial Training Fund	Contribution Social Cohesion Fund
Self-Employed	16.6%	-	-	-
Employee	8.8%	-	-	-
Employer	8.8%	1.2%	0.5%	2%

Social Cohesion Fund

As from January 1, 2003, every employer is liable to pay a 2% contribution to a special fund called “cohesion fund” on salaries of all employees, both locals and expatriates.

Industrial Fund

As from February 1, 1968, every employer is liable to pay a 1.2% contribution to a special fund called “Industrial fund” on salaries of all employees, both locals and expatriates.

Redundancy Fund

As from 1974, every employer is liable to pay a 0.5% contribution to a special fund called “Redundancy fund” on salaries of all employees, both locals and expatriates.

Introduction of General Health System (GHS)

The implementation of the national health insurance system started on 1 March 2019.

The current contribution rates for GHS are as follows:

	From 01/06/2020
Employees	2.65%
Employers	2.90%
Self - employed	4.00%
Pensioners	2.65%

Maximum insurable earnings

The maximum level of insurable emoluments for 2024 is €62,868. For employees paid monthly it is €5,239 and weekly it is €1,209

3. Personal Income Tax

Resident individuals are subject to tax on their worldwide income. In order to be classified as a resident individual, one must reside in the Republic of Cyprus for a period exceeding 183 days in a calendar year. Tax is charged on income from any trade, business, profession, or vocation or from any office or employment, including pensions, dividends, interest, rents, annuities, royalties and salaries. In the case of salaried individuals' "income" also includes benefits in kind.

The personal tax rates applicable are as follows:

Taxable Income EUR	Tax Rate %
0 – 19,500	0
19,501 – 28,000	20
28,001 – 36,300	25
36,301 - 60,000	30
60,001 and over	35

4. Employment Procedure

The employer must be legally registered with the Social Insurance Services and have a registration number in order to be able to employ another person. An In-Country Legal Entity is required in case the employer is a foreign company. Furthermore, a hiring document/contract is completed by the employer containing full personal details of the employee. The document must be signed by both employer and employee. The agreement must also state the nature of the employee's work, the working hours and the way that payments will be made. A probation period of up to 2 years may also be added to the agreement.

5. Protection of Employment

Holidays: Employees who work five days per week have the right to 21 days of annual leave, Employees who work six days per week are entitled to 24 days per year and 25 days per year after one year of employment. The said paid leave can be reduced if the employee has worked less than 48 weeks during the year. In case the employee worked less than 13 weeks within the previous year, there is no leave entitlement.

The maximum number of days of leave that an employee can carry forward is the number of days of leave that the employee is entitled to for a period of 2 years (40 to 48 working days). The limitation of carryover depends on the employment agreement between the employer and the employee. In case the employer will not pay the unused vacation days, it can be requested by employees to take leave in a certain period.

Public holidays, maternity leave, leave due to accidents or inability to work are not calculated as annual leave.

Each employer is liable to pay contribution (of 6-9% of the employee's salary depending on the type of work) to the Annual Leave Fund from which the employees are paid for their annual leave, unless the employer obtains an exemption from the Social Insurance Department, pays the employees directly for their leave, and in this case the employer must add at least one more day to their annual leave. This is the most common practice in Cyprus.

Sick Leave: In case of illness, the employee is obligated to visit a doctor, who will decide how many days of sick leave the employee will require. The salary and insurance for this leave are covered exclusively by the Social Insurance Fund. The first three days of the sick leave are unpaid. In order to receive this benefit, the employee must complete a request form online and submit it to the Social Insurance Authorities. The form must be submitted within twenty-one days from the date on which the benefit is claimed.

Maternity leave: Maternity allowance is 18 consecutive weeks (can start two-six weeks prior to estimated birth date). The salary and insurance contributions of the new mother are usually paid by the Social Insurance Fund in amount of 72% of the salary (if the mother is the head of the family, then the allowance is 80%, or 90% if the mother has more than one dependent).

Furthermore, after the mother goes back to work, she is entitled to a shift reduction of one hour per day for the first nine months after the date of birth.

In case of delivery of a second child, the duration of maternity leave extends for 4 more weeks. In case of delivery of more than two children it is extended for another 4 weeks.

Paternity Leave: The Paternity Leave Act was passed by the Plenary Assembly under the Protection of Paternity Law in 2017 (No. 117(I)/2017) and allows for a total of 18 weeks of leave, 2 of which are paid by the Social Insurance Fund in the amount of 72% of the salary. This is to be taken leave between the week of the birth or adoption and up to two weeks from the expiration of maternity leave.

This decision of the Parliament establishes granting a paternity leave for two consecutive weeks (during a period which expires after 18 weeks) also to a father whose wife gave birth or acquired a child through a surrogacy arrangement or in cases where he and his wife have adopted a child up to 12 years of age.

Parental Leave: The Parental Leave Act was passed in Cyprus in 2022 and allows all working parents the right to parental leave with a total duration of eighteen 18 weeks unpaid, after the end of maternity/paternity leave, for each child up to the age of 8. This is for the purpose of taking care/raising their children. In case of adoption, a disabled child, single parents or widows, the time frame differs.

Parents are eligible for parental leave allowance providing they have completed 6 months of continuous employment with the same employer and have been employed for at least 12 months within the period of 24 months prior to the date of applying for parental leave. An allowance for a total of 6 weeks until 01/08/2024 and 8 weeks from 02/08/2024 for each parent/child. For disabled children, it is 4-6 weeks until the age of 18 years.

The allowance can be provided for a minimum period of 1 day and a maximum period of 2 weeks per year until 31/12/2023, 4 weeks per year from 01/01/2024 until 31/11/2024 and 5 weeks per year after 01/01/2025.

6. Termination of Employment

If the employer decides to terminate an employee, the employer is obligated to give a minimum period of notice depending on the length of service. The minimum notice is follows:

From 26 to 52 weeks	1 week
From 52 to 103 weeks	2 weeks
From 104 to 155 weeks	4 weeks
From 156 to 207 weeks	5 weeks
From 208 to 259 weeks	6 weeks
From 260 to 311 weeks	7 weeks
From 312 and over	8 weeks

A termination of employment document is signed by both parties.

The employer is obliged to pay the employee for the period in service, as well as to provide the employee with the benefits he/she is entitled to for the period worked (such as 13th salary) and all days of leave due to the employee.

If the duration of the agreement is a defined one and it comes to an end, the employee is obliged to leave without any additional compensation after getting paid for the period in service. If there is intention from both parties to continue the cooperation, the agreement may automatically continue for an indefinite time of employment.

For an employee who is absent from work due to sickness, the 12 months is the period of prohibition provision warning to termination of employment to an employee. In addition, the law protects the employee from dismissal after the return to work for a period equal to $\frac{1}{4}$ of the total the period of absence.

Incorporated into the law is the right of the employer to replace the temporary employee who is absent due to illness based the Law on Employees with fixed-term work.

REDUNDANCY

Compensation to redundant employees is calculated on the basis of the employee's length of service

- for up to four years of service, severance pay is two weeks for every 52 weeks of continuous employment;
- 5–10 years of service, two and a half weeks for every 52 weeks of continuous employment;
- 11–15 years of service, three weeks for every 52 weeks of continuous employment;
- 16–20 years of service, three and a half weeks for every 52 weeks of continuous employment;
- 21–25 years of service, four weeks for every 52 weeks of continuous employment.

An employee is entitled to payment from the Social Insurance Redundancy Fund when his employment is terminated under certain conditions.

7. Contact details

Address: Cypress Centre, 5, Chytron Str., P.O Box 248851075, Nicosia

Tel: +357 22 699 000 Fax: +357 22 699 004

E-mail: nicosia@eurofast.eu