



CYPRUS

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 2019, an additional rate of contribution to the Social Insurance Funds will be increased by 0.5 percentage points both by the employer and by the employee, effectively raising the rate from 7.8% to 8.3%. Further increases as detailed below will be applied in future years:

Contribution Rates:

- 21.5% from 1.1.2019: 8.3% will be deducted from employer and 8.3% from employee
- 22.8% from 1.1.2024: 8.8% will be deducted from employer and 8.8% from employee
- 24.1% from 1.1.2029: 9.3% will be deducted from employer and 9.3% from employee
- 25.4% from 1.1.2034: 9.8% will be deducted from employer and 9.8% from employee
- 26.7% 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	15.6%	-	-	-
Employee	8.3%	-	-	-
Employer	8.3%	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.

However, an exemption from the contribution to the social cohesion fund is granted in cases of foreign employees employed by an International Business Company, a foreign government, a ship management company or a company owning a Cyprus ship.

Introduction of National Health Insurance System (NHIS)

The implementation of the national health insurance system is projected to start on 1 March 2019, initially covering only outpatient care, with full implementation expected to be finalized by June 1, 2020.

As of 01/03/2019: employers will contribute 1.85% on the employee’s earnings, and the employees will contribute 1.70%. The employer is responsible for paying both their own and their employees’ contributions through Social Insurance services.

Maximum insurable earnings

As from January 1, 2019, social insurance maximum insurable earnings have increased from EUR 54,396 to EUR 54,648 per year and from EUR 4,533 to EUR 4,554 per month.

Employer’s statement TD7(IR7)

The employer’s statement TD7 (IR7) used to be submitted every year. As from January 1, 2019, TD7 (IR7) employer’s statement for year 2019 will be submitted monthly, until the end of the following month.

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

A special contribution on emoluments of employees, self-employed and pensioners in the private sector has been introduced. The special contribution qualifies as deduction from income and is calculated on gross monthly earnings as follows:

Special Contribution rate:

Taxable Income EUR	Tax Rate %
0 – 1,500	0
1,501-2,500	2.5
2,501-3,500	3
3,501-over	3.5

In the case of individuals employed in the private sector, the recipient of the remuneration shall be liable for half the Special Contribution and their employer for the other half.

On 1 January 2017, the Cypriot Special Contribution was abolished. The Special Contribution applied in the period between 1 January 2014 and 31 December 2016 as an anti-crisis measure. It was levied at progressive rates with the top one being 3.5% (for income exceeding EUR 3,501) on a tax base equal to the gross monthly salary or pension.

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. 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.

5. Protection of Employment

Holidays: Employees who work five days per week have the right of 20 days of annual leave. Employees who work six days per week are entitled to 24 days per year. The said paid leave can be reduced if the employee has worked less than 48 weeks during the year.

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

Every 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 pays the employees directly for their leave.

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 salary, the employee must complete a request form and submit it to the Social Insurance Authorities. The form must be submitted within twenty-one days from the date 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 and it equals to 75% of the salary (if the mother is the head of the family the allowance is 80%, or 90% if the mother has more than one dependent).

The employer is not allowed to dismiss the new mother for at least one year after she has given birth.

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 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 16 weeks of leave.

This decision of the Parliament establishes granting a paternity leave for two consecutive weeks (during a period which expires after 16 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.

It is prohibited for an employer to terminate the employment of a father or to give any termination notice during the period commencing from the date of the written decision by the father of his intention to exercise his right on paternity leave.

Recently, the Cyprus House of Representatives introduced an amending Law which entitles all fathers (regardless of marital status) to paid paternity leave.

6. Payroll Calculation Procedure

The payment of an employee's salary is made usually at the end of each month. The amount to be paid is calculated according to the employment agreement. If the employee has been absent on a non-paid leave, the employer has the right to deduct an amount proportional to the absence from the employee's salary.

7. 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. If the service is terminated by the employer, after the closing of the two years of service the employee may be entitled to the payment of two monthly salaries.

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.

8. Contact details

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