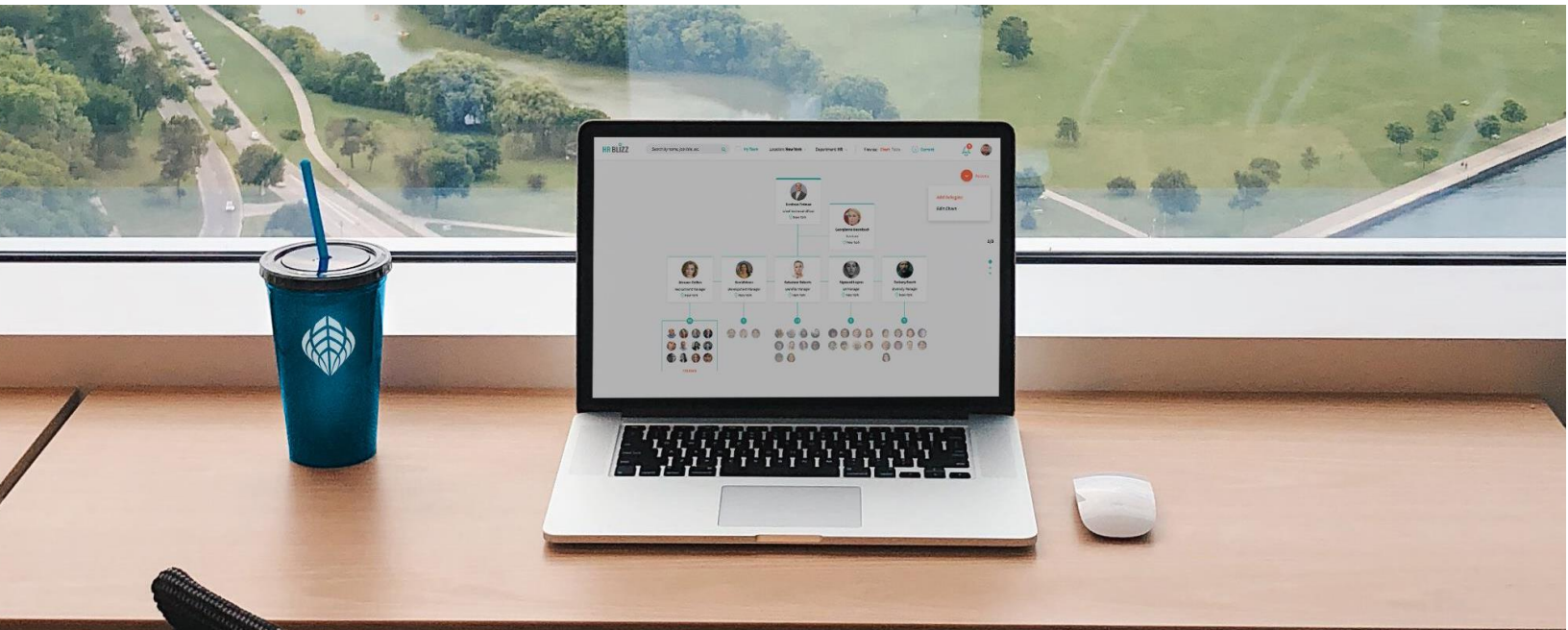




Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2021 Global Payroll Country Guide for Cyprus



CYPRUS



15 February 2021



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Global Payroll Solutions – Boost your HR brand and employee satisfaction

Rationalize your HR budgets, monitor your data, and optimize your global payroll tasks in real-time. Systematize processes and streamline HRM lifecycles with HR Blizz™, our unified SaaS platform, to ensure your employees are paid accurately and on time.



PEO/GEO Services – Easily hire, deploy and manage your workforce abroad

A reliable Professional Employer Organization (PEO), Mercans is your trusted employer of record to globally select, engage, and manage highly-qualified personnel on your behalf, through integrated Global Employment Outsourcing (GEO).



Global Talent Acquisition – Quickly fill vacancies with only the best candidates

Mercans supports you in designing/deploying long-term HR strategies and processing full-cycle recruitment. Our ATS Suite Mesaar™ and our hiring experts help to screen, select, attract the right candidates for your organization, and populate your pipeline of prequalified talents.



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Mercans seasoned HR advisory team are compliance experts specialized in local cultures, business protocols, and tax and legal specificities. They are committed to ensure quick go-to-market abroad and achieve a compliant global expansion, risk-free from A to Z.



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Mercans at a Glance

160+

Countries

20

Years of Success

800+

Specialists

5k+

Customers Worldwide

97%

Client Retention Rate

1.5X

Annual Revenue Growth

25k+

Largest Single Payroll

2.5M+

Pay Slips per Annum

0

Security Breaches

Number one for outsourced payroll services, we are endorsed by international authorities.



Mercans has the highest industry quality and IT security certifications.





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Cyprus – growth on the horizon.

The economy of Cyprus is a high-income economy as classified by the World Bank, and was included by the International Monetary Fund in its list of advanced economies in 2001. Cyprus adopted the euro as its official currency on 1 January 2008, replacing the Cypriot pound at an irrevocable fixed exchange rate of CYP 0.585274 per €1.

Cyprus promotes its geographical location as a "bridge" between East and West, along with its educated English-speaking population, moderate local costs, good airline connections, and telecommunications.

Cyprus has had a record of successful economic performance, reflected in strong growth, full employment conditions and relative stability.

The underdeveloped agrarian economy inherited from colonial rule has been transformed into a modern economy, with dynamic services, industrial and agricultural sectors and an advanced physical and social infrastructure.

It gained great popularity as a portal for investment from the West into Russia and Eastern Europe, becoming for companies of that origin the most common tax haven. More recently, there have been increasing investment flows from the West through Cyprus into Asia, particularly China and India, South America and the Middle East. In addition, businesses from outside the EU use Cyprus as their entry-point for investment into Europe.

The business services sector remains the fastest growing sector of the economy, and had overtaken all other sectors in importance.

Another important factor of the island state's economy, culture, and overall brand development is tourism. With over 2 million tourist arrivals per year, it is the 40th most popular destination in the world.

With regards to the open markets -the total value of exports and imports of goods and services equals 130.3 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Facilitated by openness to investment, efforts to restructure the banking sector have enabled a relatively rapid return to international credit markets.

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Doing Business in Cyprus

Cyprus is widely seen as one of the most attractive investment locations not only in Europe, but globally. Nicosia, Kyrenia, Limasol, Farmagusta, Larnaca, Paphos are the key locations which companies choose worldwide for outsourcing purposes with highly qualified labor force and competitive employment costs.

Moreover Cyprus is a gorgeous destination to visit all year round, its most beautiful touristic towns, cities, and villages in Cyprus being: Pano Lefkara/ Πάνω Λεύκαρα, Omodos/ Όμοδος, Paphos/ Πάφος, Platres/ Πλάτρες, Limassol/ Λεμεσός, Chirokoitia/ Χιροκοιτία, Inia/ Ινεία/ Ίνια, Lofou/ Λόφου.

Cyprus is an open, free-market economy, mainly based on services. After a contraction in the 2012-2014 period (with a peak drop in GDP of -2.5% in 2014) due to the financial crisis and the exposure of the national banking system, the country's economy has recovered in recent years, thanks to domestic demand and tourism. The growth rate was 4.1% in 2018 while that estimated for 2019 was 3.2% (IMF). The external situation that slowed down the economy in 2019 – namely a weaker global demand coupled with the country's heavy reliance on foreign investments – should continue this year and in 2021. The banking sector, which is a key sector of the country's economy, was strongly exposed to the Greek and Russian crises.

Cyprus is truly open for international business and the government supports in such initiative to attract new investors.



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Basic Facts

Official State Name	Cyprus
Population	1,207,359 million
Capital	Nicosia
Major Languages	English/Greek
Currency	Euro (EUR)
Main Industries	Tourism, Agriculture, Services,
GDP Growth	-4.4% (Q3 2020 est., year-on-year) -4.1% (2018) 3.2% (2019) -6.4% (2020 est.) 4.7% (2021 est.)
Internet Domain	.cy
International Dialing Code	+357
Dates & Numbers	DD/MM/YY or YY/MM/DD. A full stop (period) is used for the decimal comma, and long numbers are written with a point (999,999,999.00)



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Entity Registration & Incorporation Requirements

The company is required to have a legal entity established in order to process a payroll. To set up entity the company:

- identify the most beneficial legal form of business presence in Cyprus, both from business and tax perspective;
- set up a fully operational Cypriot entity;
- operational permits;
- open a bank account;
- understand and address Cypriot tax implications (income taxes, Vat, customs, etc.);
- obtain work and stay permits for your staff (if required).

Income Tax (CIT)

All companies that are tax residents of Cyprus are taxed on their income accrued or derived from all sources in Cyprus and abroad. A non-Cyprus tax resident company is taxed on income accrued or derived from business activity that is carried out through a PE in Cyprus and on certain other income arising from sources in Cyprus.

The standard CIT rate in Cyprus is 12.5%.

As of 1 January 2019, CFC rules apply, i.e. non-distributed profits of CFCs directly or indirectly controlled by a Cyprus tax resident company may become subject to tax in Cyprus (certain exceptions may apply).

Social Insurance Scheme

Social Insurance Services is a governmental body under the control and supervision of the Ministry of Labor and Social Insurance which oversees the administration of all social risks.

It is responsible for:

- implementing government policy in the field of social insurance by means of specific schemes and measures;
- submitting proposals concerning government policy with the aim of constantly improving social security in response to international events and the current socioeconomic climate in Cyprus;
- drawing up a list of the socio-economic needs which can be met through social security measures;
- continually studying and assessing the schemes and measures introduced by these Services to meet the objectives set. The Social Insurance Scheme covers every person gainfully occupied in Cyprus, either as an employed or as a self-employed person, persons called up



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for military service, and every other person who is considered to be a voluntarily insured person.

For any period of incapacity or unemployment, earnings are credited based on the insurable earnings of the person on which the payment is calculated. Also, insurable earnings are credited for any period between the dates of death/incapacity up to the pensionable age for the purpose of increasing the rate of a widow's and/or an invalidity pension. Furthermore, insurable earnings up to basic insurable earnings are credited for periods of education.

Since 1 April 2009, for employed persons, the contribution is 17.9% of their "insurable earnings", which is shared between the employer, the employee and the State in the proportion of 6.8%, 6.8% and 4.3% respectively. "Insurable earnings" are earnings based on which contributions and benefits are calculated and include any remuneration derived from employment, excluding ex-gratia payments and occasional bonuses, but including contributions payable in respect of that person to the Central Holiday Fund.

The legislation defines a maximum amount of insurable earnings for Employment, Social Affairs & Inclusion Your social security rights in Cyprus July 2013 8 contribution purposes which is revised every year. This ceiling currently stands at € 1,046 per week or € 4,533 per month. No contribution is paid on amounts exceeding the ceiling for "insurable earnings".

For self-employed persons, the contribution rate is 16.9%, of which 12.6% is paid by the self-employed person and 4.3% by the State. A minimum compulsory insurable income is fixed by regulations for each occupational category of self-employed worker. He/she has an obligation to pay contributions on the basis of this minimum but has the right to opt for a higher income up to the maximum insurable earnings. If a self-employed person proves that his/her actual income is lower than the minimum insurable income of his/her occupational category, he/she is entitled to pay contributions calculated on the basis of this income.

For voluntary contributors, the contribution is 14.8% of either the amount of the basic insurable earnings or the amount of their earnings in the previous years. From the total percentage of 14.8%, 11% is paid by the voluntary contributor and 3.8% by the State. Voluntary contributors working abroad in the service of Cypriot employers pay contributions of 13.6% on their earnings as defined in the contract of employment up to the maximum insurable earnings. An additional contribution of 4.3% is paid by the State.



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National Health Insurance System (NHIS) or General Health Care System (GHS)

Below an overview on the general health related information:

- The Employer must be registered with both the Social Insurance Department (SID) and Tax Department of Cyprus.
- The Employer must deduct a percentage (2.65%) from Employees Gross Salary per month and pay to the Tax Department through the monthly Social Insurance Contributions, as contributions towards GHS.
- 2.90% of Employees' Gross Salary should also be paid to the Tax Department through the monthly Social Insurance Contributions, as the Employers contributions towards the GHS
- GHS contributions along with Social Insurance Contributions should be paid to the SID monthly by the last day of the following month. If the last day is weekend or Public Holiday then pay on the following working day.

Health Care (GESY) Contributions

Contributors	3/1/2019	3/1/2020	4/1/2020	7/1/2020
Categories	2/28/2020	3/31/2020	6/30/2020	and onwards
Employees (Public and Private Sector)	1,70%	2,65%	1,70%	2,65%
Employers (Including the State as an Employer)	1,85%	2,90%	1,85%	2,90%
Government Officials	1,70%	2,65%	1,70%	2,65%
Pensioners	1,70%	2,65%	1,70%	2,65%
Self-employed	2,55%	4,00%	2,55%	4,00%
Income earners (e.g. rent, interest, dividends)	1,70%	2,65%	1,70%	2,65%
State	1,65%	4,70%	1,65%	4,70%



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Banking

Usually, payments and doing banking in Cyprus is easy – just each bank may have its schedule and conditions and this need to be checked prior to the visit. Generally, the banks are open from Monday to Thursday with a generous lunch break during the day and on Friday from the morning until 14:00.

With regards to the payment of the Cypriot taxes an in-country bank account is mandatory to process the statutory payments in Cyprus. Payments can be made from a Cypriot or a foreign bank account number by SEPA banking file (euro).

Starting COVID-19 crisis, to provide safety to their customers many banks have added the rule of prior booking.

Working Week

In Cyprus the five-day week has been enshrined in law, both for the private and for the public sector, with the exception of retail sales, where there is a six-day week due to the nature of the trade. The 'standard time norm' of the working week in Cyprus is a 38-hour, 5-day week.

The working day varies from one sector of economic activity to another. In the public sector the 07:30/08:00 – 14:30/15:00 working day applies, except for Thursdays when employees work 2 hours longer.

In construction and industry, the working day is 07:30 – 15:30/16:00, and in the private sector and services it is 08:00/09:00 – 17:00/18:00.

According to the EU Labor Force Survey, a slight decrease has been noted in employees' working time in the 2000-2006 period. However, working time in Cyprus is handled by each individual sector, and there are few cases where working time is not regulated by some law or agreement. Working time in sectors of economic activity where collective bargaining takes place is set via collective agreements at 38 hours per week. In retail sales the weekly working hours are usually 38 and are stipulated in the 2006 Law on regulation of shop opening hours and retail employees' terms and conditions of employment. For employees in public and semi-state organizations, weekly working hours are set at 37.7 hours in an agreement signed between the Pancyprian Public Employees Trade Union (Παγκύπρια Συντεχνία Δημοσίων Υπαλλήλων, PASYDY) and the government.

The Framework Agreement signed in 1993 between the employers' and trade union organizations, which provides for a gradual reduction in weekly working hours from 40 to 38 by 1998, is deemed to be of importance.

Restrictions or Limitations on Working hours



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Restrictions:

- Number of working hours should not exceed 48 per week, including overtime.
- In certain sectors (such as the hotel industry) different limitations may apply.
- Employees are generally entitled to a minimum of 11 continuous hours of rest per day, 24 continuous hours of rest per week and either two rest periods of 24 continuous hours each or a minimum of 48 continuous hours within every 14-day period.
- Employees may opt out of the above rules if they freely consent.
- Managerial members of staff are also exempt from the statutory restrictions on working hours.
- Night workers should not, on average, exceed eight working hours per day, within a period of one month or within any other period specified in a contract.
- Night workers whose work is hazardous or physically or mentally demanding should not exceed eight hours of night work.

Overtime:

- Overtime pay is generally not regulated by law in Cyprus, but it is a matter of individual or collective agreement, except for shops, hotels, and leisure centers (restaurants, bars, clubs etc.), as well as civil servants and persons working for public law bodies, where there is specific law and/or regulations regulating the matter.
- If there are neither a specific law or regulations nor a collective or individual agreement regulating this matter, regularly the employer should obtain the consent of the employee for overtime work and pay at least at a rate of 1:1 or equivalent time off, to ensure that this temporary amendment to the terms of employment is duly considered for, and there should be no adverse impact on the employee if s/he refuses to work overtime.



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Labor Law and Employment in Cyprus

Standards Employment Types

There are two alternative contracting mechanisms available to employers:

- Employment agreement basis - the provisions of Cypriot Labor Code and other acts concerning labor law apply only to persons employed with employment agreements.
- Collective bargaining agreements basis

By establishing an employment relationship, an employee undertakes to perform work of a specified type for the benefit of an employer and under his supervision, in a place and at the time specified by the employer.

Employer Responsibilities

Employers are responsible for the following HR processes:

- Coordination of medical checkup for new employees in order to confirm that the employee is allowed to perform his work on an appropriate position – before the start of the employment, then periodical and controlling
- Coordination Safety trainings for new employees
- Creating and maintaining personal files for each of employee in accordance with Cypriot Labor Law in paper or digital form after completing requirements
- Employment contract signed on the first day of employment but before admitting to work and acquaintance with internal regulations



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Tax & Social Security

The personal income tax year runs from 1st January to 31st December.

Personal Income Tax

The personal income tax year runs from 1st January to 31st December.

All taxes deducted must be paid over to the Republic of Cyprus - Ministry of Finance – Tax Department and can only be

done once the entity and individual is registered with the Tax Department and has a TIC (Tax Identification Code).

All companies must have a physical business address and local bank account.

To obtain a TIC the form TD2001 must be completed and submitted to the Tax Department.

Tax deducted from Employees should be paid to the Tax Department on Monthly basis by last working day of the relevant month. This is called PAYE (Pay-As-You-Earn) and can be paid online.

Taxable Income and monthly PAYE contributions is calculated using the annual Form TD 59A_2021 which must be filled out by all Employees at the beginning of each year, duly signed and handed to Employer in order to complete estimation of Annual calculation.

Below are the Tax Rates on Taxable Income

Taxable Income	Tax Rate	Cumulative Tax
€	%	€
0 – 19,500	0	0
19,500 – 28,000	20	1,700
28,000 – 36,300	25	3,775
36,300 – 60,000	30	10,885
60,001 and over	35	

Tax Method and Example Calculation for the Complete Year.

Individuals must file their income tax returns (IR1) electronically via the TAXISnet system, no later than 31 July following the end of the tax year (31 December), in the instance where their gross income exceeds the tax-free threshold of 19,500 Eur.

Electronic personal income tax returns electronic submission and payment of self-assessment tax are submitted ONLY through TAXISnet system after registering and receiving login codes.

Deadline for submission and payment is 31st July of the following year of income.



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A self-assessment computation should be completed on the tax return.

In the instance where a tax liability arises from the self-assessment computation, the tax should be paid by 31 July following the end of the tax year (e.g. by 31 July 2020 for the 2019 tax year).

A self-assessment computation should be completed on the tax return.

In the instance where a tax liability arises from the self-assessment computation, the tax should be paid by 31 July following the end of the tax year (e.g. by 31 July 2020 for the 2019 tax year).

After receiving the completed return, the tax office will proceed to issue an assessment of the tax payable and will give credit for the tax deducted from remuneration during the year under the (PAYE) system operated by the employer and for any tax paid by the individual through self-assessment. If the tax assessment is correct, any tax due should be paid by the end of the month following the month in which the assessment is raised. If the tax assessment is not correct, a notice of objection must be lodged not later than the end of the month following the month in which the assessment is raised.



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Special Defense Contribution

The Special Defense Contribution is assessed on income from dividends, interest and rents paid to Cyprus tax residents whose home residence is in Cyprus. Persons who are not Cyprus tax residents are exempt from contribution' payment.

Interest receivable from Cyprus or abroad	30%
Interest receivable on government development bonds, corporate debentures and government savings certificates and interest acquired by approved provident funds	3%
Gross rents from immovable property (reduced by 25%)	3%
Interest acquired by persons whose total annual income does not exceed EUR 12 000 (including the interest)	3%
Dividends receivable from companies in Cyprus or abroad	17%

Individuals following to the below categories are considered Cypriot tax residents and their personal income tax liability is determined as follows:

- Cypriot residents are taxed on their worldwide income.

Typical taxable pay elements may include:

- base salary
- payments for overtime
- various allowances (some only over a certain limit)
- awards and bonuses
- cash equivalents for holiday leave not used
- monetary performance made on behalf of employee
- value for other benefits-in-kind (non-monetary performance)
- housing provided by the employer
- payments made by the employer for the benefit of an expatriate in his/her home country, either to provide retirement benefits tailored to the individual employee or to all / the majority of employees.

Annual Tax Returns

Separate returns must be filed by each individual on a calendar-year basis. Submission deadlines vary depending on the individual taxpayer's profile.



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Electronic Submissions

All individuals should be registered online and submit their income tax returns and payments of income tax electronically. In this respect, the electronic submission deadlines for the 2019 income tax return and for settlement via self-assessment on income tax due will be as follows:

For employees and pensioners: 31 July 2020.

For self-employed individuals whose annual turnover does not exceed EUR 70,000 and who do not have an obligation to prepare audited financial statements: 30 September 2020 and 30 June 2020, respectively.

For self-employed individuals whose annual turnover exceeds EUR 70,000: 31 March 2021 and 1 August 2020, respectively.

There is an obligation for PIT withholding on salaries under the pay-as-you-earn (PAYE) system. If a taxpayer has other income not subject to withholding tax (WHT), payments of estimated tax must be generally paid in two equal instalments on 31 July and 31 December within the same tax year.



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Social Security

The social security contributions payable by employer and employee are pre-tax deductions. The below percentages do not change depending on the salary and are applicable to all employees.

Contribution Type	Employer Contribution Rate	Employees Contribution Rate	Total Contribution
Social Insurance Fund	8.3%	8.3%	16.6%
Redundancy Fund	1.2%	-	1.2%
Human Resource Development Fund	-	0.5%	0.5%
GHS (NHIS)	2.90%	2.65%	5.55%
Social Cohesion Fund	2%	-	2%
Central Holiday Fund	ONLY IF EMPLOYER HAS NOT BEEN EXEMPTED FROM THE OBLIGATION TO CONTRIBUTE TO THE HOLIDAY FUND: i. The rate of contribution to the Central Holiday Fund varies according to the length of annual leave, to which the employee is entitled. ii. The contribution to the Central Holiday Fund is entirely payable by the employer.	ONLY IF EMPLOYER HAS NOT BEEN EXEMPTED FROM THE OBLIGATION TO CONTRIBUTE TO THE HOLIDAY FUND: i. The rate of contribution to the Central Holiday Fund varies according to the length of annual leave, to which the employee is entitled. ii. The contribution to the Central Holiday Fund is entirely payable by the employer.	ONLY IF EMPLOYER HAS NOT BEEN EXEMPTED FROM THE OBLIGATION TO CONTRIBUTE TO THE HOLIDAY FUND: i. The rate of contribution to the Central Holiday Fund varies according to the length of annual leave, to which the employee is entitled. ii. The contribution to the Central Holiday Fund is entirely payable by the employer.



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The maximum annual remuneration, which is the basis for calculating the contributions to retirement and disability insurance funds, is limited to 30 times the national average monthly salary. The above rates apply to salaries below the cap of PLN 156,810 in 2020. The cap is changing every year. After exceeding this cap, the salary is subject to a contribution rate of 3.22% to 6.41% payable by the employer and 2.45% payable by the employee.

Employers must make contributions of 2.45% to the Labor Fund and 0.10% to guarantee the salaries of employees of bankrupt companies (for employers from abroad with no Polish address, the contributions towards the guarantee of salaries are not required).

Central Holiday Fund

The employee could choose to contribute or not.

The condition to handle the paid vacation holidays internally and to be exempted would be to offer the employees 21 or 22 yearly holidays more than the standard days – 20 days.

Note that if employer has been exempted, then they are obliged to provide employee with paid annual leave on better terms than those provided by the Annual Holiday and Pay Law and is NOT obliged to contribute to the Central Holiday Fund.

An employer, who has not been exempted from the obligation to contribute to the Annual Holiday Fund, is obliged to pay the contributions monthly. In this case the payment of annual leave of employees is made from the Central Holiday Fund.

The employer's contribution to the Central Holiday Fund depends on the duration of leave the employee is entitled to. If five-day working week = for 20 working days leave, if six-day working week = 24 working days, the contribution payable by the employer is 8% on the earnings of the employee subject to a maximum amount which is normally fixed every year. The earnings include the basic salary, the cost-of-living allowance, commissions, the 13th/14th salary or 53rd/56th week, overtime pay, shift allowance, service allowance and in general any remuneration the employee receives. Contribution is assessed on gross earnings, before deduction of any taxation, contributions etc. If the employee is entitled to annual leave of more than four weeks, the contribution of the employer increases accordingly.

Social Insurance Contributions and Introduction of NHS System

The General Healthcare System (GHS) is an independent insurance fund through which clinics, private doctors, pharmacists, laboratories, microbiological laboratories, and physiotherapists will be paid so that they can offer medical care to permanent residents of Cyprus who will be paying contributions to this fund.



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Already, as of 1st June 2019, the first phase of the project has been implemented with the provision of coverage for out-patient care expenses [medicines, laboratory tests, imaging tests (Scans, x-rays, CTs, MRIs)].

The second phase will be fully implemented in 2020 with the provision of inpatient coverage and rehabilitation treatment (operations, pre-operative expenses, medicines, physiotherapies). According to the latest announcements of the ministry of health, physiotherapists and dentists are expected to enter the system in January 2021.

GHS contributions along with Social Insurance Contributions should be paid to the SID monthly by the last day of the following month. If the last day is weekend or Public Holiday then pay on the following working day.

Non-domiciled individuals are not exempt from GHS contributions. Non-Cyprus tax residents are subject to GHS contributions only in case they receive rental income from properties situated in Cyprus, or if they get profits or other benefits from any office or employment exercised in the Republic. Contributions to the GHS are deductible from the employer's taxable income and of the individual's taxable income (maximum annual deduction for individuals was increased from 1/6th to 1/5th of their taxable income effective from 01/01/2019)

The rates have increases on 1st March 2020 as per the table below:

Ref	Category	Applied On	From 1/3/2019	From 1/3/2020
(i)	Employees	Emoluments	1,7%	2,65%
(ii)	Employers	Employees' emoluments	1,85%	2,90%
(iii)	Self-Employed	Own Income	2,55%	4,00%
(iv)	Pensioners	Pension	1,70%	2,65%
(v)	Persons Holding an office	Officers' Remuneration	1,70%	2,65%
(vi)	Republic of Cyprus or Natural/Legal person responsible for the remuneration of persons holding an office	Officers' Remuneration	1,85%	2,90%
(vii)	Persons earning rental, interest, dividend and other income	Rental, Interest, Dividend Income etc	1,70%	2,65%
(viii)	Republic's Consolidated Fund	Emoluments/Pensions of persons (i), (iii), (iv) & (v)	1,65%	4,70%



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Provident Fund

Provident (Pension) Fund is an employer sponsored scheme for private sector employees, similar to a pension fund (created in a payment institution i.e. bank).

Employee and Employer Contributions will be calculated as percentage on employees' gross salary and are tax deductible.

A funds' charter sets the minimum and maximum contribution amounts. Employees' part = "Account A" and Employer's part = "Account B". If Employee stays with Employer for a fixed number of years which is specified by the fund's charter (usually between 3 and 7), on their departure they can take as a tax-free lump sum the cumulative contributions from Account A and Account B including the share of income earned by the fund during the period of employment from those contributions. If Employee leaves before the set number of years, then he is entitled only to take the contributions from Account A. The funds received are not subject to Tax.

New Hires

Employers must register the employee to the Social Insurance Department from the first day the employee is starting the contract by filling in the standard declaration format and providing the Employment contract and tax ID if the employee has previously worked.

If the employee does not have a tax ID the employer should firstly apply for this form. Generally until present you would need to do physically to the Insurance Department though the Cypriot statutory bodies are aiming in the future to change to online forms.

Leavers

The Termination of Employment legislation covers all employees of the public and private sector, including apprentices. It also covers shareholders of private companies who are employed by their companies. Employees of the Government of the United Kingdom and the Navy, Army and the Air Force Institutions (N.A.A.F.I.) in Cyprus are not covered by the provisions of the legislation relating to payments due to redundancy, since their employers apply different schemes for such payments.

An employee, who intends to terminate his employment, should give his employer a minimum period of notice depending on the period of his employment as shown below: Period of continuous employment From 26 to 51 weeks From 52 to 259 weeks From 260 and over Minimum period of notice 1 week 2 weeks 3 weeks The right of the employer to a longer period of notice, if he has such a right under any custom, law, collective agreement or other arrangement, is safeguarded by the legislation.

An employer can dismiss an employee without notice in the cases of:

- a serious offence by the employee in the course of his duty;



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- a criminal offence without the agreement, express or implied consent by his employer;
- improper behaviour by the employee in the course of his duties; and
- serious or repeated violation or disregard of work regulations or other rules in relation to the employment. If the employer does not exercise his right of dismissal within a reasonable period following the matter which gave rise to this right, the dismissal may be considered as unlawful.

Cypriot Labor Law provides the following three termination alternatives and reasons:

1. Termination with mutual consent
2. Termination with a notice period. Employment agreements may be terminated by giving an advance notice to the other. The required notice period depends on the period of employment.

In case of an indefinite term agreement, employer's notice of termination should state the reason justifying the termination. The Labor Law does not provide a list of possible reasons, but the court precedencies have defined, that the acceptable reasons must be real, concrete and understandable for employee.

3. Termination without notice in conditions:
 - In the event of a severe violation by the employee of the employee's basic duties
 - If the employee commits an offence, which prevents further employment in the occupied job position – if the offence is obvious or has been declared by a final court sentence
 - If the employee, through his fault, loses a license required to perform work in the occupied job position
 - If an employee is unable to work as a result of an illness



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Reporting

Employers are required to submit the below payroll-related declarations. They can be submitted both in English and Greek.

Monthly and Annual Reports

1. Monthly YKA2-002 Statement of Earnings and Contributions Form

The following Information is required to complete the Document.

- Employer's info including AME (S.I. Reg. Number), name and address
- Month and type of contributions
- Period
- Details of employees (Full name, ID/ARC and S.I. Numbers)
Note: Above is usually already on form if previously issued by the SID
- Gross salaries of each employee for relevant month/week
- Start Date / End Date if in that relevant month for new or leaving employees

To Social Insurance Department / Monthly / Electronically / submission and payment by last day of the next month

2. Monthly Income Tax Withheld from Employees' Emoluments (0100 PAYE) or TD61A Monthly YKA2-002 Statement of Earnings and Contributions Form

The following Information is required to complete the Document.

- Need to register with JCCSMART portal online
- TIC Number of entity and employee
- Tax Year and month of income
- Payable amount (to be withheld for tax)

To Tax Dept. through JCCSMART portal by Employer Monthly / Electronically / submission and payment by the end of the relevant month

3. Annual Emoluments Certificate for the Year (TD63A)

The TD63A certificate is a summary of all the remuneration (including bonuses, 13th Salary, allowances and benefits) provided to an employee by an employer during a tax year. This will exclude amounts paid outside the payroll, for example, the reimbursement of a pure non-travel business expense that is paid to the employee via the general ledger.



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This also includes all deductions and contributions made by employee and total PAYE amount withheld and paid on behalf of employee.

The information needed to complete the document is ALL personal details and payroll related info throughout the year.

To Employees by Employer, by the end of every year

4. Annual IR7 Employer's Return of Employees

Electronic submission of employers' return and employees' details for the total payroll of the previous year (IR7 form). This is a summary statement of employees' data, statement of PAYE lodgements for the year/period ending 31 December of the previous year and a summary of all employees' emoluments, tax and other deductions.

To Tax Dept. by the Employer/ electronically through Taxisnet/ by 31st July of the next year

5. Annual Claim For Allowances for the Year Form (TD59A)

The following Information is required to complete the Document

- Employee's personal data (name, address, ID/ARC Number, S.I. Number, TIC)
- Total estimated yearly gross income including bonuses etc.
- Total amount of S.I. employee contributions
- Total amount of employee GESY contributions
- Any other deductions allowed/income received other than that known or provided by employer i.e. subscriptions to professional bodies, personal life or health insurance etc.

To Employees by Employer, by the end of every year- employees need to fill it in and return it / To be submitted electronically to PAYE department/ Annually /By the end of January.

Redundancy Fund

All redundancy payments are made from the Redundancy Fund.

The Redundancy Fund is financed solely by contributions from employers.

The amount of contribution is 1,2% of the employee's earnings, subject to a ceiling fixed every year. For 2008 this ceiling was fixed at €3.836 per month. 'Earnings' includes the basic salary/wage, the cost of living allowance, commissions, 13th or 14th month's salary, 53rd to 56th week's wages, overtime compensation, shift allowances, service charge, the employer's contributions to the Annual Leave with Pay Fund and to the trade unions holidays funds. For the purposes of calculating contributions account is taken of the gross earnings, that are before any deduction for taxes, contributions, or other purpose.



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The employers' contributions to the Redundancy Fund are paid together with the Social Insurance contributions.



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Payroll

According to the Cypriot Labor Law, employees must be paid monthly by the end of the respective month or at the beginning of the next month, but by no later than the 10th day of the following month. If 10th falls on a Saturday, Sunday or bank holiday, the salaries must be paid by the previous working day. Salaries can be paid through bank transfers or in cash. There are no legal restrictions regarding salary transfer — it can be paid into a Cypriot bank account or a foreign bank account. Salary payments can be made from a Cypriot or a foreign bank account number.

There is no legal obligation to provide payslips to employees. However, it is a common practice to issue payslips on a monthly basis. Payslips can be either in electronic or hard copy format.

Labour Law

The main employment-related statutes are the following:

- the Termination of Employment Law of 1967, as amended;
- the Social Insurance Law of 2010, as amended;
- the Annual Paid Leave Law of 1967, as amended;
- the Protection of Maternity Law of 1997, as amended;
- Protection of Paternity Law of 2017;
- Parental Leave and Leave on Grounds of Force Majeure Law of 2012;
- the Minimum Salaries Law, as amended;
- the Equal Treatment at Work and Employment Law of 2004, as amended;
- the Health and Safety at Work Law of 1996, as amended;
- Law 100(I)/2000, providing for an employer's obligation to inform employees about the conditions applicable to their contract or employment relationship;
- the Collective Redundancies Law of 2001;
- the Organisation of Working Time Law of 2002;
- the General Framework of Information and Consultation of Employees Law of 2005;
- the Protection of Employees Rights in the Event of Insolvency of the Employer Law of 2001;
- the Human Resource Development Law of 1999;
- the Social Cohesion Fund Law of 2020;
- the Protection of Wages Law of 2007;
- Fixed Term Work (Prohibition of Discriminatory Treatment) Law of 2003;
- Safeguarding and Protecting Employees Rights in the Event of a Transfer of Undertakings, Businesses or Parts Thereof Law of 2000, as amended;
- the Suppression of Racial and Some Other Forms of Discrimination (Ombudsman) Law of 2004;
- the Equal Pay between Men and Women for the Same Work or Work of Equal Value Law of 2002; and



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- the Equal Treatment between Men and Women in Employment and Professional Education Law of 2002/

Furthermore, the Constitution guarantees certain fundamental rights relating to employment, such as the right to work, to strike and to equal treatment. International treaties that have been ratified by

Cyprus regarding employment issues are also applicable. EU regulations and directives regarding employment and labour issues are also applicable in Cyprus since it acceded to the European Union in 2004.

Paid Leave

Employees are entitled to an annual, paid vacation leave of 20 days, if the employees work on Saturday as well as per the agreed contract, they are entitled to 24 days. Generally, the employees receive 22 days of standard paid vacation days but these conditions is up the employer.

The employee is entitled to remuneration for the period of holiday leave, which he would have received if he had worked at that time. This rule applies fully only to components of remuneration specified in a fixed monthly rate. Variable elements can be calculated on the basis of the average remuneration from the three months preceding the month of the start of the holiday or over a period of 12 months if they fluctuate significantly.

Maternity and Paternity

Maternity Protection, Parental Leave, and Leave Due to Force Majeure

- I. Scope
 - a. Protects an employee from dismissal
 - b. Secures the right to maternity leave
 - c. Provides special facilitation for childcare
 - d. Ensures workers' rights when returning to work

Prohibition of dismissal

- If employee notifies the pregnancy in writing to the employer in any way
- Up to 3 months after the end of maternity leave
- When the dismissal must be recalled by the employer

Employee has the right to notify the employer up to 5 days, with a written doctor's certificate, from the date when the employer became aware of the pregnancy either orally or through colleagues.

Lawful dismissal



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- I. Ending of business operation
- II. Employee is guilty of serious misconduct
- III. If the contract expires

Maternity leave

- 18 weeks, of which 11 are mandatory 2 weeks before the expected delivery
- Cases of premature labour or infant hospitalization for health reasons = additional maternity leave 1 week for every 21 days of hospitalization.
- If the infant is hospitalized beyond 21 days and less than 21 days later, maternity leave is extended to an additional week

if the additional days of 21 exceed 50% of 21 days > 6 weeks maximum.

Maternity allowance

- Equal to 75% of employees' insurable earnings during the previous year's contributions and can be increased proportionally to the number of her dependents.
- It is paid for 18 weeks and starts at least 2 weeks before the week of expected delivery
- Application for maternity benefit to be completed by employee's doctor, employee, and employer
- Application must be submitted to the Soc. Ins. Services by the end of the 25th week of pregnancy (<21 days before the date the maternity leave starts).
- If the application is post-natal, the 18-week period is determined based on the birth rather than on the expected delivery.

Other facilitations/benefits

Leave of absence from work without loss of earnings

- I. For prenatal testing provided that the tests cannot be done outside working hours and that she notifies her employer of this by giving sufficient warning. Once back at work, the worker must bring with her an appropriate certificate from a doctor to justify her absence.
- II. For a period of 9 months from the date of birth or the date on which maternity leave begins in the event of adoption, the employee is entitled to 1 hour of absence with pay since it is considered to be a childcare period.
- III. During this one-hour break, mothers have the right to breastfeed or store milk and the employer must provide an appropriate place for this purpose, if needed.

Ensuring workplace rights

- The time of absence is calculated and ensured as a working time
- Her right to promotion and her return to work is not affected
- Same pay, same job/position



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- All benefits are ensured except for commissions

The employee is not entitled to an allowance when:

- The mother works during the maternity period
- The mother refuses to go to any medical examination / review
- If her employer pays her during the maternity leave or if she receives social security benefits and is supplemented by her employer in order to be equivalent to the corresponding allowance.

Paternity leave

- It came into force on 01/08/2017
- Fathers are also entitled to leave with permission to discard the discrimination against him
- Duration of leave - 2 weeks and commences on the day of delivery and up to 16 weeks
- In case of hospitalization / double gestation, etc. the period is extended to 20 weeks\
- If on 01/08/2017 new-borns have not closed 16 weeks of life they are entitled to a paternity benefit

Parental Leave Law

- It was implemented in Cyprus in 2002
- Total duration of up to 18 weeks for each child under 8 years old for nurturing and child care WITHOUT PAY
- 23 weeks of parental leave in the case of a widowed parent
- Right to parental leave = 6 months of employment for the same employer
- The right to parental leave is individual and non-transferable. Exception - when a parent has received parental leave of at least 2 weeks and transfers 2 weeks from the remainder of his / her leave to the other parent

Sick Leave and Benefits

Employees who are subject to obligatory sickness insurance acquire the right to sickness benefits after 3 days of continuous sickness insurance coverage.

Sickness benefit is payable to employees and self-employed and to voluntarily insured persons working for a Cypriot employer overseas, aged between 16 and 63, who are incapable of working.

Persons who do not satisfy the insurance conditions for receiving the statutory pension at 63 are entitled to receive benefit up to the required date, but in no case after the age of 65.



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Sickness benefit is paid for a period not exceeding 156 days for each period of discontinued work. If the incapacity to work is not permanent, the benefit payment period may be extended to a maximum of 312 days.

Incapacity to work because of illness must be certified by a doctor from the first day of the illness. During the illness the claimant may be required to undergo further examinations by a medical adviser. To receive the benefit, an application form, accompanied by the required certificates, must be submitted within 21 days of the start of the illness. There is a waiting period of 3 days for employees, whereas the waiting period for the self-employed is 9 days. In the event of an accident or hospitalisation, the self-employed are dealt with in the same way as employees.

For the first 3 days when basically the employee is not paid the employer could offer as a benefit to maintain the employee's salary.



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Immigration

All non-EU foreign nationals who intend to work and live in Cyprus must obtain a work permit and a Cypriot visa for the purpose of employment. The work permit and visa must be obtained before new hire starts to work in Cyprus.

Foreign workers:

1) Third Country Nationals:

- Need a residence and work permit.
- Visa Max. period is 4 years with only a few exceptions such as highly skilled personnel employed in companies with a significant turnover, athletes, and other sportsmen.
- Department of Labour is responsible for examining applications based on the criteria and procedures agreed between the social partners (employers, employees, and government).
- Spouses of third country nationals who are employed in Cyprus may also be able to work, subject to certain conditions.

2) EU Citizens:

- Free to work in Cyprus provided they comply with the registration procedure.
- Members of family and dependants of citizens of EU member states who are not EU citizens themselves generally enjoy the same rights but to work they need a visa and a work permit.

3) to terms and conditions of employment of all foreigners must be the same as those for Cypriot nationals and this is ensured using model employment contracts provided by the Ministry of Labour and Social Insurance.

4) The employment of foreign nationals without a work permit is a criminal offence, punishable with imprisonment for up to three years, a fine of up to €8,543 or both.

5) Main criterion for the employment of third country nationals in Cyprus is cannot find suitable local or EU citizen workers. The employer notifies the District Labour Office of the vacancy and attempts are made for a period of six weeks to find suitable local or EU citizens. The vacancy is also published in the national daily press and if there is no suitable local or EU citizen the employer can submit a relevant application. The agriculture and animal husbandry sectors are excluded from this procedure.



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Work Permits

In order to obtain work permit, the employer obtains permission to employ a foreign national expert. The Labor Office then must offer the job position to Cypriot and EU national candidates, recorded as unemployed applicants on Cypriot Labor market.

Residence Permit

Family members should apply for a visa together with the individual who will perform work in Cyprus.

If the individual intends to work and stay in Cyprus longer than a year (i.e. longer than one's work permit and visa are valid), it is necessary to extend one's work permit and visa (a document that extends a visa and work permit is a residence card with right to work).



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What Makes Mercans your HR and Payroll Partner of Choice?

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