



EMPLOYERS GUIDE



REPUBLIC OF CYPRUS



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Introduction

The purpose of this guide is to inform employers on details regarding their obligations for the payment of contributions to the Social Insurance, Annual Holidays with Pay, Redundancy, Human Resource Development and Social Cohesion Funds.

Registration of the employer

Each employer has to **register with the Employers' Register of the Social Insurance Services** by applying in writing using the **"Application for Registration of Employer"** (Form SIS 1-001) and submitting it to any Social Insurance District Office or Citizen Service Centre.

In case the employer has business branches in other districts or performs more than one economic activities, he must register in all districts or/and for all activities.

After registration, the number of the employer is notified to him. This number is used for the purpose of payment of contributions and for future communication between the employer and the Social Insurance Services.

Declaration of employees' Commencement of Employment

Each employer, before employee starts employment, is obliged to secure and provide the employee with the form **"Certificate of Commencement of Employment"** (Form SIS 5-018). A copy of this certificate must be kept by the employer and be available for inspection and another copy must be sent to the Social Insurance Services. This Certificate is completed and submitted for each employee.

Each employer, after hiring new employees, must fill in the form **"Declaration of hiring Employees"** (Form SIS 1-003) and submit it to any Social Insurance District Office or Citizen Service Center.

It is not necessary to fill in a separate form of "Declaration of hiring Employees" for each employee. The recruitment of more than one employee can be declared on the same form.

In case an employee does not have a social insurance number, the employer must simultaneously submit the application form for the registration of the employee to the Social Insurance Scheme [**"Application for Registration of an Employed Person"** (Form SIS 1-008)].

With the submission of the "Declaration of Hiring Employees" the **"Statement of Earnings and Contributions"** (Form SIS 2-002) is issued, in which the details of the employer and the employees are shown. The Form "Statement of Earnings and Contributions" after being duly completed by the employer, is presented to any Social Insurance District Office for the payment of contributions each month. For each category of employees a separate statement is issued.

Liability for the payment of contributions

The employer is liable **to pay contributions to the Social Insurance, Annual Holidays with Pay, Redundancy, Human Resource Development and Social Cohesion Funds** for each of his employees, whose remuneration is not less than €2 per week, if the employee is paid every week or not less than €7 per month if he is a salaried employee.

For apprentices, the employer is liable to pay contributions to the Social Insurance Fund even if the apprentice does not receive any remuneration.

The liability of the employer for paying contributions to the above funds exists even if the employee is working for another employer for the same period or is working as a self employed person.

The liability of the employer for paying contributions to the Social Insurance Fund ceases on the day the employee reaches the pensionable age, i.e. the age of 65. In the case the employee reaches the pensionable age and does not satisfy the contribution conditions for old age pension, the employer is obliged to continue paying contributions until the

employee is entitled to old age pension. Under no circumstances contributions are payable after the age of 68.

The employer is obliged to pay contributions to the Central Holiday Fund, the Redundancy Fund, the Human Resource Development Fund and the Social Cohesion Fund even if the employee receives old age pension and irrespectively of his age.

The employer is not obliged to pay contributions to the Central Holiday Fund if he obtains exemption from the obligation to pay contributions to the Central Holiday Fund.

The exemption from the obligation to pay contributions to the Central Holiday Fund is given by the Minister of Labour and Social Insurance, after the employer has filled in the **"Application of the Employer for Exemption from the Obligation of Payment of Contributions"** (Form SIS 1-005) which is submitted to any Social Insurance District Office or Citizen Service Centre. Exemption is provided in the case where the employer provides annual holidays to his employees on more favourable terms than those provided under the Annual Holidays with Pay legislation.

Earnings taken into consideration for the payment of contributions

The earnings taken into consideration for the purpose of payment of contributions to the Social Insurance, Annual Holidays with Pay, Redundancy and Human Resource Development Funds, are those up to a maximum amount which is normally fixed every year. For the Social Cohesion Fund the total earnings are taken into consideration without a maximum amount.

Earnings include the basic salary, the cost of living allowance, commissions, the 13th/14th salary or the 53rd/56th week, overtime etc. For the purpose of calculation of the payment of contribution, the gross amount of earnings is taken into consideration, i.e. before the deduction of any taxes and contributions.

The amount of contributions paid by the employer to the Central Holiday Fund is considered as part of the earnings for the purpose of calculation of contributions to the Social Insurance Fund, the Redundancy Fund, the Human Resource Development Fund and the Social Cohesion Fund.

Earnings payable to the employee for periods exceeding one week or one month, such as 13th salary, earnings of the 54th week, commissions etc., are taken into consideration for the purpose of payment of contributions to the Social Insurance, Annual Holiday with Pay, Redundancy and Human Resource Development and Social Cohesion Funds, up to the amount that when added to the earnings of the employee for the above period are not higher than the maximum amount for that period.

Apprentices whose earnings are lower than half of the amount of the basic insurable earnings are considered to receive earnings equal to the half of this amount for the purpose of payment of contributions to the Social Insurance Fund. For the purpose of payment of contributions to the other Funds, their real earnings are taken into account. The amount of basic insurable earnings is normally fixed every year.

Amount of contributions

Contributions payable by the employers to the above mentioned funds are calculated as a percentage on the earnings of the employee as explained below:

a. Social Insurance Fund

- i. Contribution Rate 13.6% (20.2% since 1.1.2014, 21.5% since 1.1.2019, 22.8% since 1.1.2024, 24.1% since 1.1.2029, 25.4% since 1.1.2034 and 26.7% since 1.1.2039): 6.8% (7.8% since 1.1.2014, 8.3% since 1.1.2019, 8.8% since 1.1.2024, 9.3% since 1.1.2029, 9.8% since 1.1.2034 and 10.3% since 1.1.2039) is payable by the employer and 6.8% (7.8% since 1.1.2014, 8.3% since 1.1.2019, 8.8% since 1.1.2024, 9.3% since 1.1.2029, 9.8% since 1.1.2034 and 10.3% since 1.1.2039) by the employee. In case an employer implements an occupational pension scheme without payment of contributions on the part of the employees, then the employer pays 10.15% (11.65% since 1.1.2014, 12.4% since 1.1.2019, 13.15% since 1.1.2024, 13.9% since 1.1.2029, 14.65% since 1.1.2034 and 15.4% since 1.1.2039) and the employee 3.45% (3.95% since 1.1.2014, 4.2% since 1.1.2019, 4.45% since 1.1.2024, 4.7% since 1.1.2029, 4.95% since 1.1.2034 and 5.2% since 1.1.2039).
- ii. For apprentices, the rate of contribution is the same as of all other employees i.e. 13.6% [changes accordingly as a(i)]. However, the rate of contribution of the apprentice is 6.8% [changes accordingly as a(i)] on his real earnings. If the real earnings of the apprentice are lower than half the amount of the basic insurable earnings, then any amount of contribution on the difference between the real and the half amount of the basic insurable earnings is payable wholly by the employer.

iii. The employer is responsible for the payment of his and his employee's contributions. He is entitled, however, to deduct the amount of contributions he pays on behalf of his employee from the earnings of the employee for the period for which he pays contributions.

b. Central 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, as shown in Tables I and II.
- ii. The contribution to the Central Holiday Fund is entirely payable by the employer.

c. Redundancy Fund

Contribution Rate 1.2%. The contribution to the Redundancy Fund is wholly payable by the employer.

d. Human Resource Development Fund

Contribution Rate 0.5%. The contribution to the Human Resource Development Fund is entirely payable by the employer.

e. Social Cohesion Fund

Contribution Rate 2%. The contribution to the Social Cohesion Fund is entirely payable by the employer.

Example

An employer who employs an employee with earnings €1000 per month and is entitled to 20 days of annual leave (five days per week of work), pays contributions to the five Funds as follows:

a. Calculation of earnings:	€
i. Earnings	1000
ii. Annual holiday contribution (8% on €1000)	80
TOTAL	€1080

b. Calculation of contributions:	€
i. Social insurance contribution (13.6% on €1080)	146,88
ii. Annual holiday contribution (8% on €1000)	80,00
iii. Redundancy contribution (1.2% on €1080)	12,96
iv. Human Resource Development fee (0.5% on €1080)	5,40
v. Social Cohesion contribution (2% on €1080)	21,60
TOTAL	€266,84

Refund of contributions

If for any reason, the employer pays contributions in excess of those he was liable to pay, he can request to be refunded this excess amount. For this reason the employer completes and submits to any Social Insurance District Office or Citizen Service Center the **"Application for Refund of Contributions"** (Form SIS 2-003). This form should be submitted within two years from the end of the contribution year for which the excess contributions were paid.

Methods of payment of contributions

For the payment of contributions each employer is obliged every month to fill in the **"Statement of Earnings and Contributions"** (Form SIS 2-002) and present it to the District Social Insurance Office. A separate "Statement of Earnings and Contributions" is required for each month of contributions.

For the purpose of payment of contributions, employees are divided into categories (e.g. employed persons for whom a liability for the payment of contributions exists, pensioners, voluntary insured persons abroad etc.). For each category of employees a separate "Statement of Earnings and Contributions" must be completed.

The **"Statement of Earnings and Contributions"** is divided into three parts: In **Part A - Statement of Earnings** - details regarding the earnings, the annual holidays and the employment of the employees are recorded. In **Part B - Contributions Payable** - details regarding earnings on which contributions to the different Funds are calculated and the amounts of contributions are recorded. In **Part C - New Employees** - details regarding new employees who were hired during the month for which contributions are payable are recorded.

Contributions can be paid in cash or with bank cheques issued in favour of the Director of the Social Insurance Services. The employer or a representative of the employer may visit the Social Insurance District Office or may send by post to the Social Insurance District Office the "Statement of Earnings and Contributions". In this case the payment of contributions must be made via a bank cheque.

Online Payment

Employers, self-employed persons and other persons (accounting/audit offices) who are responsible for the payment of contributions on behalf of employed / self-employed persons **may pay the contributions online using the method of Direct Debit.**

In order to make online payments of contributions, the **"Application of Employer/ Self-Employed person for online payment of contributions"** (Form SIS 1-021) must be submitted to the Social Insurance Services and at the same time the **"Direct Debit Authorisation"** must be submitted to the Bank / Cooperative Institution.

It is noted that before submitting the above application form, it is necessary to ensure an email address beforehand.

Payment of contributions with computerised systems

An employer, who uses a computerised system for the remuneration of his employees, can submit **an application form for approval in order to give details of his employees in electronic format**, for the purpose of payment of contributions. (Form SIS 1-006).

In case of approval, the employer may give details of his employees in electronic format every month. The data is saved on a CD, which is then delivered to the Social Insurance District Office with the "Statement of Earnings and Contributions" (Form SIS 2-002). In Part A of the Statement only the details that concern the employer, the month of contributions, the category of employees, the kind of earnings, the period of earnings in which the earnings are not "normal" and the total of real insurable earnings and the annual holidays contributions are completed. Moreover, Part B of this form regarding the contributions payable must be completed.

The employer must always be in a position to submit any information required for any period.

Time of payment

The employer is liable to pay contributions to the previously mentioned Funds **by the end of the calendar month which follows the month for which contributions are due.**

For example, January 2014 contributions must be paid by the 28th of February 2014. If the last day of the month is Saturday, Sunday or a public holiday, the last day for the payment of contributions is the following working day.

Additional charge

In case of delay in the payment of contributions by an employer, an additional charge must be paid to the Social Insurance Fund and the Social Cohesion Fund fixed as a percentage of the contributions due and rising progressively according to the time of delay. For the first month of delay **the charge is 3% and increases by 3 points for each month of delay after the first month up to a maximum of 27%.**

Special arrangements

Special arrangements for the payment of contributions exist for certain employers and certain categories of employees. These arrangements concern employers who employ port workers and domestic servants who are usually employed under more than one employer. Details on these arrangements are provided at the Social Insurance District Offices.

Record of earnings

Every employer in addition to the Certificate of Commencement of Employment for each employee is obliged to keep a record of earnings or any other record which must include the following details for each of his employees:

- (a) full name,
- (b) identification number and social insurance number,
- (c) date of commencement of employment,
- (d) date of termination of employment,
- (e) amount of earnings for each week or month, depending on the way of payment,
- (f) date and duration of annual leave.

Inspection of employers

An employer may be subject to inspection by a Social Insurance Inspector for verification of whether he complies with the obligations provided under the relevant legislations.

The inspection concerns, among other things, the examination of the record of earnings or any other document which is relevant to the employment, the earnings of the employees and the payment of contributions.

Any employer or self-employed person who fails to pay any contribution, or to comply with any obligation arising from the Legislation, is guilty of an offence and is liable upon conviction to a fine or to imprisonment or both.

Failure or negligence of the employer to provide each employee with a Certificate of Commencement of employment of an employee, or failure to notify the District Social Insurance Office regarding the issue of Certificate of Commencement of employment or failure to prove that he has issued and provided the employee with this certificate or refuses to present a copy to an inspector, commits an offense, receptive of court settlement for each employee.

International Business Companies

International business companies have the same obligations as all other employers for the payment of contributions according to the Social Insurance, Annual Holidays with Pay, Termination of Employment, Human Resource Development, and Social Cohesion legislations, for all their employees including third country nationals. In case, however, employees from third countries working in International Business Companies prove to the Director of Social Insurance Services, after submission of their application that they do not have their ordinary residence in Cyprus, they are exempted from the obligation of paying contributions.

TABLE I

RATE OF CONTRIBUTION TO THE CENTRAL HOLIDAY FUND
FOR EMPLOYEES ON THE BASIS OF A FIVE-DAY WORKING WEEK

Duration of annual leave (days)	Rate of contribution (%)	Duration of annual leave (days)	Rate of contribution (%)
20	8	31	12.5
21	8.5	32-33	13
22-23	9	34	13.5
24	9.5	35	14
25	10	36	14.5
26	10.5	37-38	15
27-28	11	39	15.5
29	11.5	40	16
30	12		

The rate of contribution for leave longer than 40 days is increased accordingly.

TABLE II

RATE OF CONTRIBUTION TO THE CENTRAL HOLIDAY FUND
FOR EMPLOYEES ON THE BASIS OF A SIX-DAY WORKING WEEK

Duration of annual leave (days)	Rate of contribution (%)	Duration of annual leave (days)	Rate of contribution (%)
24	8	37-38	12.5
25-26	8.5	39	13
27	9	40-41	13.5
28-29	9.5	42	14
30	10	43-44	14.5
31-32	10.5	45	15
33	11	46-47	15.5
34-35	11.5	48	16
36	12		

The rate of contribution for leave longer than 48 days is increased accordingly.

For more information you can visit the Social Insurance Services' website
www.mlsi.gov.cy/sid

or contact the telephones below:

Head Offices:	22401600		
Social Insurance District Office of Lefkosia:	22409710	Citizens' Service Centre Lefkosia:	22446686
Social Insurance Office of Agios Andreas (Lefkosia):	22878085	Citizens' Service Centre Lemesos:	25829129
Social Insurance District Office of Lemesos:	25804319	Citizens' Service Centre Larnaka:	24815555
Social Insurance District Office of Larnaka:	24805201	Citizens' Service Centre Pafos:	26822400
Social Insurance District Office of Pafos:	26821242	Citizens' Service Centre Ammochostos:	23300300
Social Insurance Office of Polis Chrysochou:	26321532	Citizens' Service Centre Polis Chrysochou:	26821888
Social Insurance Office of Ammochostos:	23816550	Citizens' Service Centre Pelandri:	25813400

