

Changes to the Social Insurance Contributions and Introduction of Contributions to the National Health Insurance System



Background

The purpose of this document is to provide a summary of the changes pertaining to the employer and employee Social Insurance Contributions in Cyprus (applicable as from 1 January 2019), and an overview of the contributions to the Cyprus' National Health Insurance System, which become effective as from 1 March 2019.

This alert might be of interest to (a) Cyprus registered companies that employ individuals, (b) employees working in Cyprus, and (c) self-employed individuals working in Cyprus.

Contributions to the Social Insurance and other funds for Employers, Employees and Self-Employed individuals

Contributions to the Social Insurance and other relevant funds are calculated on the employee's gross emoluments at the following rates:

Fund Type	Employer	Employee	Self-Employed
Social Insurance Fund	8,3%	8,3%	15,6%
Redundancy Fund	1,2%	-	
Training & Development Fund	0,5%	-	
Social Cohesion Fund	2,0%	-	
Total Contributions	12,0%	8,3%	15,6%

As from 1 January 2019 (applicable for the next five years), both employer and employee Social Insurance Contribution rates on insurable earnings have increased by 0,5%, from 7,8% to 8,3%. The contribution rates to the Redundancy, Training and Development Funds have remained unaffected.

The maximum amount of insurable earnings for 2019 has also changed compared to 2018, and has been set at €54.648 per annum for monthly paid employees, €54.652 per annum for weekly paid employees, €4.554 per month for monthly paid employees and €1.051 per week for weekly paid employees. Contributions to the Social Cohesion Fund are calculated on actual earnings and are not subject to the above cap.

Furthermore, the Social Insurance Contribution rates payable by self-employed individuals have increased by 1%, from 14,6% to 15,6%. The amount of the contributions is subject to lower and maximum limits, depending on the profession or trade of the self-employed individual. These limits are set by the Department of Social Insurance (part of Cyprus' Inland Revenue) on an annual basis.

Payment deadline and penalties

The contributions that the employer is obliged to pay, should be paid not later than the end of the calendar month following the month that the contributions relate to. Self-employed individuals are obliged to settle their contribution payable by the 10th day following the end of the month following each quarter end.

Every employer or self-employed individual who fails to pay the contributions towards the Social Insurance and Social Cohesion Funds within the time limit, is obliged to pay an additional fee in the range of 3% and 27%, depending on the period of delay, calculated on the amount of contributions due for payment.

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Contributions to the National Health System

As from 1 March 2019, the General Healthcare System Law of 2001 (GHS), as amended, will come into effect. By virtue of this law, individuals, employers and the government will contribute to the GHS.

The contributions are calculated and paid as a percentage on the gross emoluments/pensions as follows:

Contributions	Sources of Income	Applicable from 01/03/2019 to 29/02/2020	Applicable from 01/03/2020 onwards
Employees / retirees / income earners	Emoluments	1,70%	2,65%
Employers	Employee emoluments	1,85%	2,90%
Self-employed	Own income	2,55%	4,00%
Cyprus Government	Emoluments	1,65%	4,70%

The contributions will be deducted from the entire earnings of the individuals (including dividends, interest and rental income) up to a maximum of €180.000.

How we can help

VGDA is well positioned to provide you with more details regarding the above. We remain at your disposal for any clarifications/further information required.



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