

- Introduction**
1. The purpose of this document is to give to employers details as regards their liabilities for the payment of contributions to the Social Insurance, Annual Holidays with Pay, Redundancy, Human Resource Development and the Social Cohesion Funds.
- Registration of the employer**
2. Every employer has to register with the Employers' Register of the Department of Social Insurance Services by applying in writing using the "Application for Registration of Employer" (Form YKA1-001) and submitting it at any District Social Insurance Office.
  3. In case where the employer has branches of his business in different districts or performs more than one economic activity, he must register in every district or for each activity.
  4. After registration, the number of the employer is notified to him. This number is used for the purpose of payment of contributions and for every communication of the employer with the Department of Social Insurance Services.
- Declaration of hiring of employees**
5. Every employer, after hiring new employees, must complete the form "Declaration of hiring of employees" (form YKA1-003) and submit it to the nearest District Social Insurance Office.
  6. It is not necessary to complete a separate form for each employee. The hiring of more than one employee can be declared on the same form.
  7. 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 YKA1-008) if the employee does not have a social insurance number.
  8. With the submission of the "Declaration of Hiring of Employed Persons" the "Statement of Earnings and Contributions" (form YKA 2-002) is issued. The Statement of Earnings and Contributions, after being duly completed by the employer, is presented to the District Office of Social Insurance for the payment of contributions each month. For every category of employees a separate statement is issued.
- Liability for the payment of**
9. The employer is liable to pay contributions to the Funds (Social Insurance, Annual Holidays with

**contributions**

Pay, Redundancy, Human Resource Development and Social Cohesion) for each of his employees, whose remuneration is not less than €1,71 (£1) per week, or not less than €6,83 (£4) 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.

10. The liability of the employer for the payment of 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.
11. The liability of the employer for the payment of contributions to the Social Insurance Fund ceases on the day the employee reaches the pensionable age, i.e. the age of 65. In case where the employee completes the pensionable age and does not satisfy the contribution conditions for old age pension, the employer is obliged to continue to pay contributions until the employee is entitled to old age pension. In no case contributions are payable after the age of 68.
12. 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 irrespective of the age of the employee.
13. The employer may not pay contributions to the Central Holiday Fund if, he receives an exception. The exception is given by the Minister of Labour and Social Insurance, after an application by the employer. The exception is given with the completion of the “Application of the Employer for Exception from the Obligation of Payment of Contributions” (Form YKA1-005) which is submitted to the nearest Social Insurance Office. Exception is given in the cases where the employer provides annual holidays to his employees at more favourable terms than those provided under the Annual Holidays with Pay legislation.
14. 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 up to a maximum amount which is fixed every year. For 2008 the maximum amount is €885 (£518) per week or €3.836 (£2.245) per

**Earnings taken into consideration for the payment of contributions**

month. For the Social Cohesion Fund the total earnings are taken into consideration without fixing a maximum amount. Earnings include the basic salary, the cost of living allowance, commissions, the 13<sup>th</sup> and 14<sup>th</sup> salary or the 53<sup>rd</sup>/56<sup>th</sup> week, overtime etc. for the purpose of payment of contribution, the gross amount of earnings i.e. before the deduction of any taxes and contributions is taken into consideration.

15. The amount of contributions of the employer to the Central Holiday Fund is considered as part of the earnings for the purpose of payment of contributions to the Social Insurance Fund, the Redundancy Fund, the Human Resource Development Fund and the Social Cohesion Fund.
16. Earnings payable to the employee for periods higher than one week or one month, such as the 13<sup>th</sup> salary, the earnings of the 54<sup>th</sup> week, the 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 which when added to the earnings of the employee in the above period are not higher than the maximum amount for that period.
17. 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, the real earnings are taken into account. The amount of basic insurable earnings is fixed every year. For 2008 this amount is €147,45 (£86,30) per week.
18. Contributions payable by the employers to the above mentioned Funds are calculated as a percentage on the earnings of the employee as explained below:

**Amount of contributions**

**(a) Social Insurance Fund**

- Rate 12,6%. From this rate, 6,3% is payable by the employer and 6,3% by the employee. In case where an occupational pension scheme without the payment of contributions on the part of employees exists, the employer pays 9,4% and the employee 3,2%.

- For apprentices, the rate of contribution is as all other employees, i.e. 12,6%. However, the rate of

contribution of the apprentice is 6,3% on his real earnings. Any amount of contribution on the difference between the real earnings and the notional earnings of the apprentice, if the real earnings are lower than the amount mentioned in paragraph 17, is payable by the employer.

- 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**

-The rate of contribution to the Central Holiday Fund varies according to the length of annual leave, to which the employed person is entitled, as shown in the Table in paragraph 35.

- The contribution to the Central Holiday Fund is payable wholly by the employer.

**(c) Redundancy Fund**

- Rate 1,2%. The contribution to the Redundancy Fund is payable wholly by the employer.

**(d) Human Resource Development Fund**

- Rate 0,5%. The contribution to the Human Resource Development Fund is payable wholly by the employer.

**(e) Social Cohesion Fund**

- As from 1.1.2003 Rate 2%. The contribution to the Human Resource Development Fund is payable wholly by the employer.

**Example**

An employer who employs in 2008 an employee with earnings €1025,16 (£600) per month and the employee is entitled to 20 days of annual leave (five day per week of work), he pays contributions to the five Funds as follows:

**(a) Calculation of earnings**

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(i) Earnings	1025,16 (£600)
(ii) Annual holiday contribution (8% on €1025,16, (£600))	<u>82,01</u> (£48)
<b>Total</b>	<b>1107,17 (£648)</b>

**(b) Calculation of contributions**

(i) Social insurance contribution (12,6% on €1107,17 (£648))	€139,51 (£81,65)
(ii) Annual holiday contribution (8% on €1025,16 £600)	€82,01 (£48,00)
(iii) Redundancy contribution (1,2% on €1107,17) (£648),	€13,29 (£7,78)
(iv) Human Resource Development Levy 0,5% on (€1107,17) (£648),	€5,54 (£3,24)
(v) Social Cohesion contribution (2% on €1107,17, £648),	€22,14 (£12,96)
<b>Total</b>	<b>€262,49 (£153,63)</b> =====

**Refund of contribution**

19. If for any reason the employer pays contributions in excess than those he was liable to pay, he can ask to be refunded this excess amount. For this reason the employer completes and submits to the Social Insurance Office the “Application for Refund of Contributions” (form YKA2-003). The form should be submitted within two years from the end of the contribution year for which the excess contributions were paid.

**Means of payment of contributions**

20. For the payment of contributions the employer every month is obliged to complete the “Statement of Earnings and Contributions” (form YKA2-002) and present it to the District Social Insurance Office. A separate “Statement of Earnings and Contributions” is required for each month of contributions.

21. For the purpose of payment of contributions, employees are separated into categories (e.g. employed persons for which a liability for the payment of contributions exists, pensioners, voluntary insured abroad e.t.c.). For every category or employees a separate “Statement of Earnings and Contributions” is completed.
22. The “Statement of Earnings and Contributions” is divided into three parts. In Part A-Statement of Earnings-details regarding earnings, annual holidays and the employment of the employees are included. In Part B-Contributions Payable- details in connection with the amounts of earnings on which contributions to the different Funds are calculated and the amounts of contributions are included. In Part C-New Employees-details relating to new employees who were hired during the month for which contributions are payable are inserted.
23. The payment of contributions can be made in cash or with bank cheque or postal cheque which is issued in the name of the Director of Social Insurance Services. The employer or a representative of the employer can visit the Social Insurance Office. He can also send the “Statement of Earnings and Contributions”, by post to the District Social Insurance Office. In such a case the payment of contributions must be made by bank or postal cheque.
24. An employer who uses a computerized system for the payment of his employees, can apply for approval in order to give details of his employees, for the purpose of payment of contributions in electronic format (Form YKA1-006).
25. In case of approval the employer can give details of his employees in electronic format every month. The details are saved on a floppy disk which is handled to the District Social Insurance Office with the “Statement of Earnings and Contributions” (Form YKA 2-002). In Part A of the Statement the details of the employer, the month of contributions, the category of employees, the kind of earnings, the period of earnings are completed. Moreover, Part B of this form which concerns the contributions payable is completed.
26. The employer must be in position to submit any information is required and for any period.

**Payment of contributions through computerized systems**

- Time of payment** 27. 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 paid. For example, January 2008 contributions must be paid by the 29<sup>th</sup> of February 2008. If the last day of the month is a Saturday, Sunday or a public holiday, the last day for the payment of contributions is the following day of work.
- Additional charge** 28. In case of delay in the payment of contributions by an employer, there is an automatic payment of a charge 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 15%.
- Special arrangements** 29. 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 to the District Social Insurance Offices.
- Record of Earnings** 30. Every employer is obliged to keep a record of earnings or any other record in which to insert the following details for each of his employees:
- (a) the full name,
  - (b) the identification number and the social insurance number,
  - (c) the date of commencement of employment,
  - (d) the date of termination of employment,
  - (e) the amount of earnings for each week or month,
  - (f) the date and duration of annual leave.
- Inspection of employers** 31. An employer may be subject to inspection by a Social Insurance Inspector in order to verify whether he complies with the obligations under the relevant legislations.
32. The inspection concerns 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.
33. Any employer who omits to pay the contributions or comply with the provisions of the legislations, commits

an offence and is liable on conviction to a penalty not exceeding €1281,45 (£750) or to imprisonment not exceeding 6 months, or both.

- Offshore companies** 34. Offshore companies have the same liabilities 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. It is noted that the liability for the payment of contributions is limited only to employees who have the ordinary residence in Cyprus.

35.

<b>Rate of contribution to the Central Holiday Fund for employees with a five-day working week</b>	
<b>Duration of annual leave (days)</b>	<b>Rate of contribution (%)</b>
20	8
21	8,5
22-23	9
24	9,5
25	10
26	10,5
27-28	11
29	11,5
30	12
31	12,5
32-33	13
34	13,5
35	14
36	14,5
37-38	15
39	15,5
40	16

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

<b>Rate of contribution to the Central Holiday Fund for employees with a six-day working week</b>	
<b>Duration of leave</b>	<b>Rate of contribution (%)</b>
24	8
25-26	8,5
27	9
28-29	9,5
30	10
31-32	10,5
33	11
34-35	11,5

<b>36</b>	<b>12</b>
<b>37-38</b>	<b>12,5</b>
<b>39</b>	<b>13</b>
<b>40-41</b>	<b>13,5</b>
<b>42</b>	<b>14</b>
<b>43-44</b>	<b>14,5</b>
<b>45</b>	<b>15</b>
<b>46-47</b>	<b>15,5</b>
<b>48</b>	<b>16</b>

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