

Cyprus Knowledgebase

Payroll, compensation and benefits

Salary structure

Base salary is the amount earned before benefits, bonuses, or compensation is added. Base salaries are set at either an hourly rate or as weekly, monthly, or annual income. If agreed in your contract of employment, your base salary will remain consistent each payday (aside from pay-rises, promotions, or annual inflation).

In 2025, the minimum wages in Cyprus are €1000.00 per month.

Taxable & non-taxable allowances: Benefits provided to employees are generally subject to income tax. Special rules apply to benefits in kind. There is a 50% tax exemption for expatriates coming to work in Cyprus. The exemption applies to income exceeding EUR 100,000 per year and is available for the first 10 years of employment in Cyprus.

For lower income, there is a 20% tax exemption - or up to EUR 8,550, whichever is lower. The 20% exemption is limited to 5 years. What's more, Cypriot tax law provides for a 90-day tax exemption for any income earned working abroad for a foreign company. Income of up to EUR 19,500 is tax-free.

Salary and wages

In Cyprus, the local currency is the Euro (EUR), and all financial transactions, including salary payments and contractual amounts, must be conducted in this currency. There is no option for salaries to be paid in foreign currency.

For payroll calculations, a full month is based on actual working days rather than a fixed 30-day period, and employees typically receive their salaries over 12 months. Salary payments are usually being paid on the last working day of the month.

While there is no legal requirement for a 13th or 14th salary payment, a 13th salary may be offered at the discretion of the employer and should be clearly stated in the employment contract.

Allowances and deductions

Employers in Cyprus often offer additional retirement benefits through private plans. The two main options are:

Native Teams

Provident funds: These are group pension plans established by companies where both employer and employee contribute a fixed percentage of the salary into a common investment pool.

Occupational pension plans: These plans can be set up through life insurers or multi-employer occupational retirement funds. They offer more flexibility and investment options compared to provident funds.

Bonus and incentives

In Cyprus, a performance bonus is not mandatory for employers to pay employees annually. While some companies may choose to offer bonuses as part of their compensation packages, it is not a legal requirement.

Additionally, there are no specific legal regulations governing the compensation for overtime hours. Unless a collective agreement is in place that specifies remuneration rates for additional hours worked, employers should clearly outline any overtime pay terms in the individual employment contract.

Employer contributions

In Cyprus, the contribution to the Social Insurance Fund is currently set at 16.6%, split equally between employees and employers. Additionally, contributions to the General Health System amount to 2.65% for employees and 2.9% for employers. Employers are also required to make monthly contributions to three additional funds: the Industrial Training Fund, the Redundancy Fund, and the Social Cohesion Fund.

Business expenses are reimbursed to employees alongside their salaries, provided they share receipts that justify the nature of the expenses incurred. This reimbursement ensures that employees are compensated for legitimate work-related costs while maintaining transparency in financial transactions.

Benefits packages

Mandatory General Healthcare System (GESY), Optional Private Health Insurance

Considerations for employers. Employers should be aware of certain considerations when it comes to health insurance. For foreign workers from non-EU countries who are living and working in Cyprus, it is mandatory for employers to provide health insurance. This insurance needs to meet the requirements set by the Cyprus immigration authorities. Additionally, companies can obtain group health insurance plans for their employees, which can be a cost-effective way to provide private health coverage to a group of employees.

Statutory social security scheme, All employed and self-employed individuals in Cyprus contribute to the scheme, the standard retirement age is 65, with the possibility of early retirement at 63 under specific circumstances, the pension consists of a basic pension and a supplementary pension, with the amount determined by contributions throughout your working life and the number of dependents.

As of 1 January 2024, the employees' own contribution to the state-administered social insurance fund is 8.8% of their gross remuneration, with a maximum annual cap on insurable emoluments as of 1 January 2024 of EUR 62,868.

Unemployment benefit is paid to workers or to voluntarily insured people working for a Cypriot employer overseas, 16 to 63 years old, who are unemployed. The limit is extended to 65 years if the insured person is not entitled to an old-age pension. The self-employed are not entitled to unemployment benefits.

The insurance conditions for the payment of unemployment benefit are:

To have actual basic insurance equal to at least 0.50 of the insurance point and for at least 26 weeks to have elapsed since the insurance commenced; and

To have actual or assimilated insurance equal to at least 0.39 of the insurance point in the relevant contribution year.

The physical injury allowance is payable to any employed person, regardless of age. For the allowance to be paid, the worker must be unable to work because of an employment accident or occupational disease and must not be receiving a full wage or salary from the employer during the period of not working.

Disability benefits are payable to any employed person who, as a result of an employment accident, suffers a loss of physical or mental capacity to a degree of not less than 10% with the exception of cases of pneumoconiosis, which are compensated from 1%.

Disability benefits may take the form of either a lump sum or a pension, depending on the degree of disability. The lump sum is paid for a degree of disability from 10 to 19%, and the pension for a disability of greater than 20% (no benefits are paid for a disability of less than 10%). The disability pension consists of the basic pension and the supplementary pension.

Taxation and compliance

Employee and employer tax obligations

Employees need to file a personal income tax return (TD1 form) no later than the 31st of July of the following year. For this purpose, the employer must make sure to provide the

employee with a so-called emoluments certificate which contains information on paid income tax as well as on social security and healthcare contributions (TD63 form). The tax year in Cyprus runs from January 1 to December 31.

Personal income tax in Cyprus is progressive with tax rates ranging from 20% to 35%. Income of up to EUR 19,500 is tax-free. Tax residents pay income tax on their worldwide income. For those without tax residency status in Cyprus, personal income tax is only levied on certain types of income earned in the country. To be considered a tax resident in Cyprus, individuals must spend at least 183 days within one single year in the country - exceptions apply.

Income tax for new joiners: If you are claiming a deduction for first employment in the Republic you are allowed to deduct either (a) 20% of your emoluments from any employment with a maximum of €8.550, or (b) 50% of your emoluments from any employment provided that your salary exceeds €100.000 in the tax year.

The employer deducts certain amounts from the employee's wages each month: income tax, social insurance, GESY.

In addition, the employer also independently bears the costs for each employee for: social insurance (8.3% to the Social Insurance Fund, 1.2% to the Unemployment Fund, 0.5% to the Industrial Training Fund, 2.0% to the Social Unity Fund), GESY at a rate of 2.90%.

Payroll declarations and reporting

Employers have to withhold their employees' personal income tax through the PAYE (Pay As You Earn) system, as well as report and submit the withheld amounts to the Tax Department by the end of the following month, using the TD61 tax form. PAYE payments to the tax authority can be made via bank transfer (also from a foreign bank account) or via the authority's online system. Once a year (usually around the 31st of March), employers also have to file an online tax return (TD7 form)

Termination and severance

In Cyprus, termination payments are typically made on the day of termination or by an agreed-upon deadline. There are no additional mandatory termination payments beyond what is specified in the employment contract. Employers should aim to process the final salary payment for terminated employees without undue delay, ideally on or before the employee's last working day. This practice ensures that employees receive their entitled compensation promptly following their termination.