Cyprus

Christophoros Christophi
Christophi & Associates LLC
Nicosia, Cyprus

Introduction

Cyprus labor law is an amalgam of common law principles and statutes. The employment relationship is primarily governed by ordinary contract law principles supplemented by statutory rights and obligations where appropriate.

Cyprus was a British colony from 1878 until 1960. As a result, the marks of the English legal system, especially the doctrines of common law and equity, are deeply rooted in Cyprus’ legal tradition.

A number of employment law principles, such as the right to work, the right to belong to trade unions, and the prohibition of discrimination on grounds of race or sex, stem directly from the Constitution. Cyprus also has ratified all the major international conventions of the International Labor Organization (ILO). The harmonization of Cyprus law with the *acquis communautaire* brought substantial changes in many areas of labor law. Some important pieces of legislation that affected domestic law include:

- Law Number 104(I)/2000 (the “Transfer of Undertakings Law”), which harmonized domestic law with the provisions of the Transfer of Undertakings Directive 77/187/EC;
- Law Number 28(I)/2001 (the “Collective Dismissals Law”), which harmonized domestic law with the Collective Dismissals Directive 98/59/EC; and
- Law Number 25(I)/2001 or the Protection of the Rights of Employees in the event of Insolvency of the Employer Law, which harmonized domestic law with Directive 80/987/EC.

Industrial relations also are regulated by Law Number 24 of 1967, as amended (the “Termination of Employment Law”), and Law Number 8 of 1967 (the “Annual Holiday with Payment Law”). The former covers redundancy and
arbitrary dismissal of all employees, including public employees, and was enacted following the recommendations of the ILO.¹

Industrial relations in Cyprus have been very satisfactory since independence. This is attributed to the responsible attitude of trade unions and employer organizations, which became particularly evident during the period following the Turkish occupation of the northern part of the island.

This also may be attributed to the government’s policy of: (a) seeking the active participation of workers and employers in the formulation and implementation of social and economic policy through tripartite bodies; (b) keeping out of disputes and promoting the idea that labor-management relations are primarily the business of the parties themselves; and (c) effecting procedural agreements for the settlement of disputes. Although the initial attempt for the creation of trade unions in Cyprus dates to 1915, serious efforts to do so were prevalent from 1920 to 1930.

The mining industry rapidly developed from 1932 to 1938 due to the exploitation of workers by foreign companies and the huge underground stocks of copper and iron. The building, alcohol, tobacco, and tanning industries likewise expanded.

Despite the persecution, imprisonment, and discharge of workers by the British colonial regime, the working class continued its attempts to form workers’ organizations. The Nicosia Footwear Trade Union was established in 1931, and was officially recognized in 1932 immediately after the enactment of Law Number 71/1965 (the “Trade Unions Law”).² By the end of 1940, sixty-two trade unions were established and recognized.

The young trade union movement had to solve numerous serious problems, such as hours of work, wage rates, organization of workers, recognition of trade unions, and abolition of dictatorial laws and orders of the colonial government.

Unity among the working class and small trade unions had to be maintained to achieve such objectives, which was achieved through the election of a Pancyprian Trade Union Committee (PSE) in November 1941.

The PSE led trade union struggles until the beginning of 1946, when it was declared illegal by the colonial government. The remaining trade union leaders of the PSE established the Pancyprian Federation of Labor (PEO), which

---

¹ In particular, the Termination of Employment Law Number seeks to enforce the ILO’s Recommendation 119 of June 1963.
² Its key provisions include the following: (1) no one can be sued for conspiracy if he was acting with another in the furtherance of a trade dispute; (2) inducement for breach of contract in furtherance of a trade dispute is not actionable; (3) no court has jurisdiction to hear a case against a registered trade union for a tort that was allegedly committed by the trade union or any of its officers; and (4) trade unions are required to run a secret ballot when considering strike action.
continued the work of PSE. The Cyprus Workers’ Confederation (SEK) was likewise established in Limassol.

After independence, the trade union movement appeared to be more organized and massive. The labor force has spectacularly increased due to the development of industry, commerce, and services. Conflict between trade unions is very rare.

**Legal Relationship of Employer and Employee**

An “employee” is defined by the Termination of Employment Law Number as any person who works under a contract of service. However, a person may be considered an employee even without a contract if it is determined by a court that an employer-employee relation exists.

An “employer” is any person with whom the employee has entered into a contract or who is deemed by a court to have the status of an employer, including the government. The employment relationship may arise orally or in writing, but employers are now required to provide written terms of employment to their employees. Nevertheless, the most important criterion seems to be control. The employer-employee relationship gives rise to a number of duties, obligations, and rights for both parties which are based on law.

**Terms and Conditions of Employment**

**Remuneration**

“Wage” is defined by law as remuneration paid to an employee in money as a result of his employment. It includes any allowance paid by the employer that is directly or indirectly related to the cost of living, as well as payment made in lieu of notice in the event of dismissal. It excludes commissions and *ex gratia* payments, as well as overtime unless it is worked on a fixed regular basis.

The government has the power to fix minimum wages through Ministerial Orders, but those that have been issued so far cover the minimum wages of office clerks and shop assistants.

**Working Hours**

Most offices observe a forty-hour workweek from Monday to Friday. Office hours are from eight o’clock in the morning to five-thirty in the afternoon with a 1.5-hour lunch during winter. The office hours are extended to seven o’clock in the evening with a three-hour break during the summer.

Government offices operate from seven-thirty in the morning to three-thirty in the afternoon from Monday to Friday.

---

3 Minimum Wages Law, s 3.
Holidays

Minimum annual holiday entitlement is twenty days for employees with a five-day workweek, and twenty-four days for employees with a six-day workweek. Entitlements that are not taken during the year can either be paid or carried forward up to two years.

The law does not indicate which days in the year are public holidays except for Sunday. Public holidays in the private sector are governed by collective agreements between employers and trade unions, and usually follow the public holidays in the public sector. An employer who is not bound by any collective agreement has the discretion to offer any of the public holidays given in the public sector.

The Annual Holidays with Payment Law requires the grant of annual holidays to all persons employed under a contract of service. An employee may be entitled to a period of holiday longer than three weeks by virtue of a provision of law, collective agreement, custom, or otherwise.

Discrimination

Article 28(1) of the Constitution, which corresponds to Article 14 of the European Convention on Human Rights, guarantees equal protection and treatment, while Article 28(2) guarantees non-discrimination in the enjoyment of rights and liberties regardless of community, race, religion, language, sex, political or other conviction, national or social descent, birth, color, wealth, social class, or any other ground.

Protection against sex discrimination also is granted by a number of international conventions that Cyprus has acceded to. 4

The fundamental rights and liberties enshrined in Part II of the Constitution apply to natives and non-natives alike. Age, disability, and sexual orientation are

---

not covered by the Constitution. Anti-discrimination laws cover the private and public sectors and include all fields provided in the Directives. Discrimination is forbidden in employment, access to vocational training, and working conditions.

Discrimination on the ground of racial or ethnic origin also is forbidden in the fields of social protection, medical care, education, and access to goods and services available to the public including housing. The disability law provides for equal treatment in the provision of goods, facilities, and services under certain conditions.

The Ombudsman is the national equality body empowered to combat discrimination and promote equality of rights and opportunity. Victims of discrimination may submit a complaint to the Ombudsman or to the courts. Litigation could be via recourse to the Supreme Court to set aside an administrative act, to the district court or labor tribunal in accordance with the laws transposing the Directives, or to the district court for violation of the Constitutional anti-discrimination provision. However, litigation is hardly ever used by victims of discrimination mainly due to low awareness of anti-discrimination laws, the high cost of litigation, and the length of time involved.

**Equal Pay**

Every employer should apply the principle of equal pay for work of equal value irrespective of the sex of the worker. Equal work means like work or substantially like work carried out by men and women.

An employee who has complained or given evidence of his employee’s breach of the law should not be dismissed and/or discriminated against. The Industrial Disputes Court has the power to appoint a committee of experts to establish whether the work is work of equal value.

Where the Industrial Disputes Court is satisfied that there exists a discriminatory pay practice, it may: (a) make a declaratory judgment; (b) give directions for the termination of discrimination; and (c) award compensation to cover damages and order the employer to pay the value of the discrimination from the date that the discriminatory practice arose.

**Pregnancy**

Law Number 100(I) of 1997 ("Protection of Maternity Law") replaced previous legislation on the protection of pregnant women.\(^5\) It granted a pregnant worker the right to eighteen weeks’ maternity leave, with eleven weeks taken during the period beginning two weeks before the expected date of birth. The eighteen week period may be extended where there is delay in delivery of the child.

---

\(^5\) Law Number 54 of 1987, as subsequently amended by Law Number 66 of 1988 and Law Number 48(I) of 1994.
Sixteen weeks of maternity leave is granted to women soon after they undertake to adopt and care for a child under five years old.

A female employee cannot be dismissed or given a notice of dismissal because of the fact of pregnancy within three months after the end of her maternity leave. The health and safety of pregnant women also are protected and they do not lose their seniority for purposes of promotion.

The law also grants one hour off per working day for childcare and breastfeeding within nine months after delivery. This is considered as normal working time and is thus payable.

The Minister of Labor and Social Security is authorized to appoint an inspector who will supervise and enforce the provisions of the Protection of Maternity Law. Any employer who contravenes the law is penalized in the amount of EUR 1,700.

**Collective Bargaining and Worker Participation in Management**

The industrial relations system in Cyprus is based on the democratic principles of free speech and tripartite cooperation. “Tripartite cooperation” essentially refers to the constructive cooperation between employer organizations, employee organizations, and the government.

To a large extent, terms and conditions of employment are determined freely through collective bargaining between employers and employees, with a view to signing collective agreements. Still, the need to harmonize legislation with the European Union (EU) acquis led to the enforcement of a number of terms and conditions.

This has not affected the importance of collective agreements, but has assisted in providing for minimum terms and conditions of employment for non-unionized employees and those in enterprises that have not agreed to or signed a collective agreement. Where specific provisions of collective agreements provide for terms less favorable than those in the labor laws, such provisions are amended to reach the legislative minimums.

Collective agreements are not legally enforceable documents, thus disputes arising from their violation cannot be settled in the Labor Disputes Court but are instead dealt with according to the Industrial Relations Code. However, provisions of collective agreements and other existing practices concerning terms and conditions of employment may be relevant during the examination of cases before the Labor Disputes Court. Employers are not required to implement

---

6 Froso Apostolidou vs. Radio and Television Station 'O LOGOS', Case Number 32/93.
7 Protection of Maternity Law, ss 6(1) and 6(2).
8 Protection of Maternity Law, s 7; Caisse nationale d'assurance vieillesse des travailleurs salariés (CNAVTS) vs. Evelyne Thibault, Case C-136/95 (30 April 1998).
worker participation schemes, which remain entirely at the discretion of the employer.

**Health and Safety Protection in the Workplace**

The workers’ right to safe and healthy working conditions is primarily safeguarded by the Law Number 89(I)/96 (“Safety and Health at Work Law”), which is in line with the provisions of ILO Convention Number 155 of 1981 on Occupational Safety and Health and the principles and most of the provisions of EU Directive 89/391/EEC (Framework Directive).

The Safety and Health at Work Law Number covers all branches of economic activity and imposes duties on employers, self-employed persons, and employees, as well as on designers, manufacturers, importers, and suppliers of articles and substances for use at work.

Its scope extends to the protection not only of persons at work but also to persons who may be affected by activities of persons at work. It is enforced by duly qualified inspectors who carry out regular visits to workplaces to ensure continued compliance with its provisions and pertinent regulations.

The Pancyprian Safety and Health Council plays an important role in promoting safety and health at work by advising the Minister of Labor and Social Insurance on measures necessary to ensure safety, health, and welfare at work and to promote work safety consciousness at the national and enterprise levels.

The Training Center on Occupational Safety and Health also is actively involved in organizing and implementing training programs to promote a better understanding of occupational safety and health issues and to create awareness among employers, employees, engineers, managers, instructors, school teachers, and safety representatives, among others.

Following international trends on issues relating to occupational safety and health, the government has implemented legislation for the establishment and operation of Safety Committees at the workplace.

**Workers’ Compensation and Survivors’ Benefits**

**In General**

Since January 1990, a Service for the Care and Rehabilitation of the Disabled operates within the Department of Labor. It deals with issues concerning disabled persons and disabilities and promotes the equalization of the rights and opportunities of disabled persons for their full participation in the economy and society.⁹

---

⁹ It does this by: (1) providing services and implementing programs for the vocational assessment and guidance, vocational training and retraining, employment placement,
Death benefit is paid to the survivors of an employed person who dies as a result of an employment injury. The benefit includes widow’s (or widower’s) pension, orphan’s benefit, and parent’s allowance.

Widow’s Pension
The widow’s pension (and under certain conditions, the widower’s pension) consists of a basic pension and a supplementary pension. The basic widow’s pension is the same as the basic disability pension for full disability. The supplementary widow’s pension is sixty per cent of the supplementary disability pension which the deceased was or would have been receiving for full disability.

The widow’s pension ceases upon remarriage and a lump sum equal to one year’s pension, excluding any increases for dependents, is paid to the widow.

Orphan’s Benefit
The orphan’s benefit for death caused by employment injury is payable for a minor, as in the case of the ordinary orphan’s benefit.

The basic benefit is the same as the ordinary orphan’s benefit. The supplementary benefit is fifty per cent of the supplementary widow’s pension which was or would have been payable for the death of the parent, but the total of such benefit cannot be higher than the full widow’s supplementary pension where there are more than two orphans.

Parent’s Allowance
The parent’s allowance is payable only if the deceased is not survived by a spouse or orphan. It consists of a basic allowance equal to forty per cent of the basic insurable earnings a week per parent, and of a supplementary allowance equal to thirty per cent of the full supplementary disability pension which was or would have been payable to the deceased.

Dispute Resolution
The Industrial Disputes Court is the primary forum for adjudicating disputes pertaining to the termination of employment. Recourse to the Industrial Disputes Court is principally governed by the Termination of Employment Law. Damages for unfair dismissal are included in the statute and are based on sheltered employment, and self-employment of disabled persons; (2) providing allowances to cover the special needs of severely disabled persons; (3) promoting and coordinating activities for the removal of physical and social barriers to access of disabled persons and for their participation in cultural, religious, sport, and other activities; (4) assisting the provision of technical aid and equipment to facilitate disabled persons’ living and employment; and (5) coordinating all relevant activities in the public sector.
periods of employment. There is a twelve-month limitation for bringing proceedings.

On the other hand, an applicant may initiate proceedings at the District Court if his claim is based on contract and common law principles. Arbitration or mediation also is possible upon agreement of the parties.

**Termination of Employment**

**In General**

Termination of employment is primarily regulated by the Termination of Employment Law,\(^\text{10}\) which provides for a statutory right not to be unfairly dismissed.

Termination of employment may be one of two categories: (a) termination for reasons relating to the person of the employee or the employer, such as when an employee resigns, is dismissed, or is forced to resign (constructive dismissal); or (b) termination for reasons independent of the employer’s or employee’s will, such as redundancy or frustration (war, political riots, physical destruction).

**Notice Periods**

Employers are required to give notice to a worker who has been employed continuously for at least 26 to 52 weeks at least one week prior to termination. A two-week notice is required for a worker who has been employed continuously for 52 to 104 weeks, and a four-week notice or over for a worker who has been employed continuously for over 104 weeks.\(^\text{11}\)

No notice is necessary if the employment is terminated before the lapse of 26 weeks from the date of the commencement of employment. Notice time is paid by the employer, who also may require the employee to accept payment in lieu of notice. An employee who gets his pay in lieu of notice and finds another job

\(^{10}\) The following laws also are relevant in termination of employment: Transfer of Undertakings Law; Collective Dismissals Law; Law Number 25(I)/2001 (Protection of the Rights of Employees in the event of Insolvency of the Employer), which harmonized domestic law with Directive 80/987/EC; Protection of Maternity Law; Law Number 158 of 1989 (Equal Pay Law); Law Number 98(I)/2003 (Fixed-term Contracts Workers Law Number (Prohibition of Discriminatory Treatment)); Law Number 76(I)/2002 (Part-time Employees Law Number (Prohibition of Discriminatory Treatment)); Law Number 58(I)/2004 (Equal Treatment in Employment and Work Law); and Law Number 63(I)/2002 (Organization of Time at Work Law).

\(^{11}\) In particular, a minimum notice period of five weeks is required for a worker who has been employed continuously for 156 to 208 weeks, six weeks for continuous employment of 208 to 259 weeks, seven weeks for continuous employment of 260 to 311 weeks, and eight weeks for continuous employment of 312 weeks or more.
keeps the pay, but he loses the rest of this pay for the period of notice if he leaves for another job while serving out his notice time with the old employer.

An employee who has been continuously employed for twenty-six weeks or more is required to give his employer a minimum notice of one week. However, upon notice from his employer, an employee who wishes to seek other employment may have time off up to five hours a week during usual working hours without loss of pay.

An employer may dismiss an employee without notice if the employee’s behavior is such that continuing the employment relationship is not feasible, i.e., the employee has lied to the employer.

The following are the maximum amounts of statutory compensation in case of unfair dismissal:

- For one to four years’ employment, two weeks for every year;
- For five to ten years’ employment, 2.5 weeks for every year;
- For eleven to fifteen years’ employment, three weeks for every year;
- For sixteen to twenty years’ employment, 3.5 weeks for every year; and
- For twenty-one to twenty-five years’ employment, four weeks for every year.

The Industrial Disputes Court may consider additional factors (i.e., loss of career) when awarding damages, but total compensation cannot exceed two years of salaries. For purposes of calculation, the compensation salary means the last gross salary.

Although compensation for unfair dismissal awarded by the Industrial Disputes Court may exceed one year of salaries, the liability of the employer is only up to one year. The rest is paid by the Redundancy Fund. As the rules governing compensation were passed two decades ago, the amounts of compensation are now considered very low and have to be revised to take into account current conditions.

**Redundancy**

A redundancy dismissal is justified only if (a) the employer has ceased or intends to cease to operate the business where the employee was employed, or (b) the employer has ceased or intends to cease to operate the business at the place where the employee was employed. A redundancy dismissal also is justified for the following reasons that are related to the operation of the business:

- Modernization or any other change in the method of production or organization that necessitates reduction in the number of employees;
- Change in the products, method of production, or expertise required from the employees;
- Abolition of a specific department;
• Credit difficulties;
• Lack of orders or raw materials; or
• Contraction in the volume of work or the business.

The employer has the burden to prove the existence of any of these reasons with regard to a redundancy dismissal. The ordinary redundancy provisions do not apply to: (a) employees over the normal retirement age; (b) apprentices who have reached the end of their apprenticeship contract; and (c) domestic servants who are members of the employer’s immediate family.

When a redundancy is proven, the court will order the Redundancy Fund to pay the employee. The employer will be liable for damages where the dismissal is found to be unfair, with the amount of damages depending on the number of years of employment. The employer should take the following steps in dismissing employees due to redundancy:

• The employee may only be compensated from the Redundancy Fund if he worked for the employer for at least 104 weeks. If the employee reached retirement age before the date of termination, he is not entitled to any payment.

• The employer should notify the Minister of Labor and Social Security about the proposed redundancies at least one month before they occur. The notification should include: (a) the number of employees affected; (b) the specific department or departments of the business where the affected employees work; (c) the specialization, names, and financial obligations of the employees affected; and (d) the reasons for the redundancy.

• Once the letter is sent, the Ministry may contact the employer to see if there is any solution other than laying off personnel. If no other solution is found, the employer may go ahead with the redundancies.

An employee who is dismissed due to redundancy should comply with the following procedure:

• He should file an application to the Redundancy Fund for compensation. The application is filled out by his employer, stating the reasons leading to the termination. If the Redundancy Fund accepts the reasons and pays the employee, then that is the end of the matter.

• If the Fund rejects the application, the employee should file an action with the Industrial Disputes Court against the Redundancy Fund for redundancy compensation and, alternatively, against the employer for damages.

The amounts of statutory compensation for unfair dismissal also apply to redundancy, with the maximum compensation being 75.5 weeks.
Dismissal for Justified Reasons

The general principle is that an employee may be dismissed when he behaves in a way that is considered a serious breach of work rules, or when he repeatedly performs acts or omissions which show that he violates the duty of faith and trust.

Examples of such behavior include: (a) the commission of a serious offense in the execution of the employee’s duties; (b) the commission of a criminal offense; (c) inappropriate behavior (i.e., cursing); and (d) serious and repeated violation of the rules and regulations regarding employment.

The Industrial Dispute Court may order an unfairly dismissed employee to be “reinstated” in his original job or “reengaged”. However, this power is theoretical and there has been no reported case where reinstatement was ordered.

Retirement, Social Security and Healthcare, and Old Age Pensions

Liability for the payment of contributions ceases on the day the insured person reaches the pensionable age of sixty-five years. However, an insured person who reaches the pensionable age and does not satisfy the contribution conditions for old age pension may continue to pay contributions until satisfaction of these conditions. Under no circumstances will contributions be payable after the age of sixty-eight.

Old age pension is payable at the age of sixty-five and is not conditional upon retirement. However, miners who have at least five years of employment in a mine are entitled to old age pension one month earlier than the normal pensionable age for every five months of work in a mine, on the condition that they have retired from mine work, but in no case can they draw pension before the age of fifty-eight.

Sickness benefit is payable to employed and self-employed persons between the ages of sixteen and sixty-three who are incapable to do work. Persons who do not satisfy the contribution conditions for old age pension at sixty-three are allowed to draw benefit up to the date when they satisfy the relevant contribution conditions, but not after the age of sixty-five.

The period for which sickness benefit is payable cannot exceed 156 days for each period of interruption of employment. There is a waiting period of three days for employed persons and nine days for self-employed persons wherein the benefit is not payable. Self-employed persons are treated in the same way as employed persons in case of accident or hospitalization. To be entitled to sickness benefit, the person concerned should:

12 The period of interruption of employment refers to (a) any two days of interruption of employment, whether consecutive or not, within six consecutive days, or (b) any two or more of such periods not separated by more than thirteen weeks.
- Have been insured for at least twenty-six weeks and has paid, up to the date of incapacity, contributions on insurable earnings not lower than twenty-six times the weekly amount of the basic insurable earnings; and
- Have paid or been credited with contributions in the previous contribution year on insurable earnings not lower than twenty times the weekly amount of the basic insurable earnings.

To requalify for a benefit (following exhaustion of right), the person concerned should have paid contributions on earnings not lower than twenty-six times the weekly amount of the basic insurable earnings after the date of exhaustion. Thirteen weeks from the date of exhaustion also should have passed. Invalidity pension is payable to persons who have been incapable to do work for at least 156 days and are expected to remain permanently incapable to do work, i.e., they are unable to earn from work which they are reasonably expected to perform.

It amounts to more than one-third of the sum usually earned by a healthy person of the same occupation or category and education in the same area, or more than one-half of such sum in the case of persons between the ages of sixty and sixty-three. To be entitled to invalidity pension, the person concerned should:

- Have paid contributions in at least three years, and his insurable earnings in the lower band are not less than 156 times the weekly amount of the basic insurable earnings;
- Have weekly average insurable earnings (actual or credited) in the lower band, or from the contribution year in which he attained the age of 16 to the last contribution week before invalidation, equal to at least twenty-five per cent of the weekly amount of the basic insurable earnings;
- Have paid or been credited in the last contribution year with contributions corresponding to insurable earnings not lower than twenty times the weekly amount of the basic insurable earnings. This condition also is deemed satisfied if the average of the last two years is not less than twenty times the weekly amount of the basic insurable earnings.

In case of invalidity caused by accident, there is entitlement to invalidity pension if the contribution conditions for sickness benefit are satisfied. Although the contributions considered for entitlement purposes are only those of employed and self-employed persons, voluntary contributions also are taken into account for assessing the rate of pension.

The invalidity pension is comprised of the basic pension and the supplementary pension. In case of full loss of earnings capacity, invalidity pension is full and is assessed based on two criteria: First, the basic weekly pension is sixty per cent of the weekly average of paid and credited insurable earnings in the lower band over the relevant period, increased by one-third for a single dependent, one-half for two dependents, and two-thirds for three dependents.
A married female beneficiary is not entitled to an increase for her husband, except where he is incapable of self-support. The increase for her dependent children or other dependents is one-sixth of the basic pension for each of them, for a maximum of two dependents. Second, the supplementary weekly pension is 1/52 of 1.5 per cent of the total insurable earnings (actual and credited) of the beneficiary in the upper band.

**Summary of Social Costs**

**Social Insurance**

In October 1980, a new Social Insurance Scheme (“Scheme”) was put into operation. With some minor exceptions, the Scheme covers all employed and self-employed persons. Non-employed persons may join the Scheme on a voluntary basis under certain conditions. Non-nationals have the same rights and obligations as nationals under the Scheme.

The Scheme provides the following benefits: (a) maternity allowance; (b) sickness benefit; (c) unemployment benefit; (d) old age pension; (e) invalidity pension; (f) widow’s pension; (g) orphan’s benefit; (h) missing person’s allowance; (i) marriage grant; (j) maternity grant; (k) funeral grant; and (l) benefits for employment accidents and occupational diseases (i.e., injury benefit, disability benefit, and death benefit).

The Scheme also grants free medical treatment to invalidity pensioners, as well as to victims of employment accidents and occupational diseases.

Employees are entitled to all these benefits, but self-employed persons are not entitled to unemployment benefit and benefits for employment accidents. Voluntary contributors are not entitled to maternity allowance, sickness benefit, unemployment benefit, invalidity pension, and benefits for employment accidents.

Except for marriage grants, maternity grants, and death grants, all benefits are composed of the basic benefit and the supplementary benefit. The benefits provided under the Scheme are payable outside Cyprus, with the exception of maternity allowance, unemployment benefit, sickness benefit, and injury benefit. The contribution to the Scheme in the case of employees is 20.2% until up to €1046 per week or €4533 per month of their earnings, where 7.8% paid by the employee, 7.8% cent by the employer, and 4.6% out of the General Revenue of the Republic (“General Revenue”).

The contribution in respect of self-employed persons is 19.2% of their income, with 14.6% paid by them and 4.6% out of the General Revenue. In respect of voluntary contributors, the contribution is 17.1% of insurable income, with 13% paid by the voluntary contributor and 4.1% out of the General Revenue.

---

13 Law Number 41/80, as amended (Social Insurance Law).
Gross earnings from work are considered in assessing employees’ contributions. However, the law prescribes notional incomes in the case of self-employed persons, which vary according to occupational category. Thus, the contribution of self-employed persons is assessed on the amount of the notional income prescribed. However, if the self-employed person proves that his income is lower than the amount of the notional income prescribed, his contribution is assessed on that income.

Apart from deductions and allowances, the income tax laws do not allow much scope for mitigating tax on employees, as opposed to self-employed persons, for which there is a number of ways of mitigating tax. The most common method used is the granting of fringe benefits instead of salary, but its advantages are limited as most fringe benefits will be taxable.

Non-Cypriots employed by international business companies are not part of the Scheme and are exempt from any contributions. However, they are entitled to import household electrical goods and other household equipment (except furniture), as well as one motor vehicle, completely free of import duty. Alternatively, these items can be purchased in Cyprus duty-free.

**Conclusion**

Although Cyprus has in place the regulatory employment framework and has adopted all European employment directives, there is still a long way to go in terms of effective implementation of laws and regulations in areas such as anti-discrimination and immigrant workers’ protection. The amount of damages for unfair dismissal and the relevant rules for such also should be updated.