

GMS Flash Alert

2023-254 | December 22, 2023



Cyprus – Increase of Social Insurance Fund Contributions Rates

In accordance with the Cyprus Social Insurance Law of 59(I)/2010, as amended, the contribution rates to the Social Insurance Fund will increase as follows, effective 1 January 2024:

- In the case of employed persons, the contribution rates to the Social Insurance Fund by both the employer and the employee will increase from 8.3 percent to 8.8 percent on insurable earnings.
- In the case of self-employed persons, the contribution rate to the Social Insurance Fund will increase from 15.6 percent to 16.6 percent on insurable earnings.

WHY THIS MATTERS

International assignment cost projections and budgeting for assignments to and from Cyprus where the assignee becomes – or is still – subject to Cypriot social insurance contributions, should take into account the changes in the social security earnings ceiling as well as the applicable rates. Where called for, employers may need to make payroll adjustments and update hypothetical tax calculations for tax-equalised assignees.

Social Insurance Contributions Applicable to Employees Effective 1 January 2024

Cyprus' Department of Social Insurance Services each year determines the maximum amount of earnings used for the purpose of calculating the contributions to the Social Insurance, Redundancy, Training and Development Funds.

Based on an announcement issued on 27 November 2023, by the Social Insurance Services Department,¹ the maximum amount of insurable earnings for 2024 has been revised upwards from the previous year to €1,209 per week, €5,239 per month, and €62,868 per annum.

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It is noted that contributions to the Social Cohesion Fund are calculated on actual earnings, not subject to the above caps. Please refer to the below summary table for the applicable contribution rates, which are payable by employers and employees for 2024:

Social insurance contribution rates for 2024			
Fund	Employer	Employee	
Social Insurance	8.8%	8.8%	C
Redundancy	1.2%	-	C
Training and Development	0.5%	-	C
Social Cohesion	2.0%	-	N.C.
<i>Total</i>	<i>12.5%</i>	<i>8.8%</i>	

Source: KPMG, Cyprus

C=Cap at €5,239/ month; N.C.=No Cap

Social Insurance Contributions Applicable to Self-Employed Persons Effective 1 January 2024

The contribution rate of self-employed persons for 2024 will increase to 16.6 percent on insurable earnings.

Minimum Insurable Earnings by Occupational Category

The table that summarises the minimum applicable insurable earnings of self-employed persons for 2024 by occupational category, as issued by the Department of Social Insurance Services, can be accessed [here](#).

Amounts of Social Insurance Contributions Due for 2024

The table issued by the Department of Social Insurance Services which summarises the amounts of contributions due for each quarter of 2024, based on the minimum weekly insurable earnings of self-employed persons, according to the table referenced in the above immediate section, can be accessed [here](#).

KPMG INSIGHTS

The sorts of adjustments to earnings used for the purpose of calculating the contributions to the Social Insurance, Redundancy, Training and Development Funds are largely routine. Rate changes, however, are not routine. Nevertheless, given the impact of these changes to the operation of Cypriot payroll/ shadow payroll, the aforementioned changes should be communicated to relevant stakeholders as soon as possible, to help ensure that payroll processes and software can be updated in a timely manner.

Pre-departure meetings with assignees who will be subject to Cypriot social insurance should include a conversation on the increased contribution rates, earnings thresholds, and, where applicable, exemptions, and, of course, the impact on the assignee.

Employers and employees and self-employed individuals concerned about the effect of the above-noted changes and how to budget for and otherwise handle social insurance obligations in Cyprus should contact their qualified tax professional or a member of the tax team with KPMG in Cyprus (see the Contact Us section).

FOOTNOTE:

1 Available only in Greek and can be accessed by clicking [here](#).

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RELATED RESOURCE:

This article is excerpted, with permission, from "[Social insurance contributions for 2024](#)" published online in *Social Insurance Alert* (30 November 2023), a publication of the KPMG International member firm in Cyprus.

Contact us

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