

Introduction

In the year 2008, Social Insurance in Cyprus has completed 51 years of existence. In spite of the adverse political, economic and social conditions that Cyprus went through since the introduction of the first Social Insurance Scheme, Social Insurance has evolved into an institution which covers all employed persons against the traditional social security risks.

Social Insurance has become an important aspect of life of the Cyprus population. This is due, not only to the fact that Social Insurance has managed to survive during the difficult times which Cyprus went through, but also due to its continuous progress and development. With the introduction of the earnings related Social Insurance Scheme in October 1980, Social Insurance was modernized and can now be compared to Schemes that exist in countries with a long tradition in this field.

The introduction of the supplementary Social Insurance Scheme is the most important turning point in the history of Social Insurance in Cyprus. It has relieved employed persons from the fear of need and insecurity by providing them a satisfactory, decent standard of living when their income from work is interrupted.

INSURED PERSONS

Compulsorily insured persons

1. Every employed person in Cyprus is compulsorily insured under the Social Insurance Scheme. The compulsorily insured persons are classified into two categories: the employed persons and the self employed persons.
2. Every person who is employed in the service of an employer, such as workers, employees in the private sector, public employees, semi-public employees and apprentices fall under the category of employed persons.
3. Every person who is employed in a business of their own or perform any activities for their own account, such as traders, industrialists, artisans, farmers etc. fall under the category of self employed persons.

Voluntary contributors

4. Every compulsorily insured person, such as employed or self employed, whose employment is terminated has the right to continue to be insured under the Cyprus Social Insurance Scheme on a voluntary basis. In order to be eligible to become voluntary contributor he/she must have paid contributions on insurable earnings not

lower than the yearly amount of basic insurable earnings.

5. Every person who has his ordinary residence in Cyprus and is employed in the Service of Cypriot employer abroad can be voluntarily insured even if he has no previous insurance in Cyprus.
6. The amount of annual basic insurable earnings is fixed every year. For the year 2008 is €7.668 (£4.488).

Persons serving in the National Guard

7. Persons serving in the National Guard are considered a special category of insured persons not for the purpose of payment of contributions but also for the payment of benefits.

CONTRIBUTIONS

General

8. The social insurance contribution is determined as a percentage on earnings (wage/salary of earnings) taken into consideration for social insurance purposes known as “insurable earnings”. Contributions are payable by the employed persons, the employers and the State.

Employed persons contribution

9. For the employed persons the rate of contribution is 16,6% (6,3% is payable by the employer, 6,3% by the employee and 4% by the State). When an employed person is covered by an occupational pension scheme by his employer without the payment of any contribution on the part of the employee, the rate of the Social Insurance contribution which is paid by the employer is 9,4% and by the employee is 3,2%.
10. In the case of apprentices who work without receiving remuneration, the employer is obliged to pay both contributions (12,6%).
11. The insurable earnings of an employed person, i.e. the earnings that are taken into consideration for social insurance purposes, include the basic wage or salary, cost of living allowance, overtime, commissions, 13th salary, 53rd/56th week, the contribution of the employer to the Central Holiday Fund etc. Ex gratia payments are excluded.
12. The maximum amount of earnings for the purpose of payment of contributions is fixed by Regulation. This amount is usually revised every year. For 2008 the maximum amount is €885 (£518) per week or €3.836 (£2.245) per month.

13. The contribution rate for apprentices who work and earn lower than half of the amount of the weekly basic insurable earnings, is determined on notional earnings equal to the half of this amount. The weekly amount of insurable earnings for 2008 is €147,45 (£86,30).

14. The employer is obliged to pay 12,6% of the insurable earnings to the Social Insurance Fund. He is entitled however, to deduct the rate of contribution of the employee (6,3%) from his wages or salary on the day he pays the employed person. If the employer omits to deduct the contribution of the employed person on the day he pays the employed person, he has no right to deduct it for future wages or salaries.

Self employed persons contribution

15. The total contribution for self employed persons is 15,6% of insurable earnings. From this percentage, 11,6% is payable by the self employed person and 4% by the state.

16. The insurable earnings of self employed persons i.e. the earnings on which contributions are calculated, are determined according to the occupation and the place of employment.

For every occupational category there is a minimum amount of insurable earnings. However, the self employed person has the right to pay contributions on a higher amount of insurable earnings up to the maximum amount of insurable earnings. If the actual earnings of the self employed person is lower than the minimum amount of his occupational category, he can pay contributions on his actual earnings.

17. When an insured person is simultaneously employed as an employed and a self employed person is obliged to be insured for both his employments. However, in the case he works in to employments as a self employed person, he is insured for the employment with the higher amount of insurable earnings.

The minimum and maximum weekly amount of each occupational category of the self-employed is shown at the table below.

OCCUPATIONAL CATEGORIES AND AMOUNTS OF INSURABLE EARNINGS
OF THE SELF-EMPLOYED AS FROM 7.1.2008 TO 4.1.2009

OCCUPATIONAL CATEGORY	<u>Minimum weekly amount of insurable earnings</u>	<u>Maximum weekly amount of insurable earnings which can be chosen</u>
	€(£)	€(£)
1. Medical Doctors, Pharmacists, Health professionals		
(a) persons with up to 10 years practice	325 (190.21)	885 (517.97)
(b) persons with more than 10 years practice	653 (382.18)	885 (517.97)
2. Accountants, Economists, Lawyers and other Liberal professions		
(a) persons with up to 10 years practice	325 (190.21)	885 (517.97)
(b) persons with more than 10 years practice	653 (382.18)	885 (517.97)
3. Managers (Businessmen), Estate Agents, Wholesalers	653 (382.18)	885 (517.97)
4. Teaching Professionals (University, Secondary education, Primary and pre-primary education, Teaching Associate, Special education teaching professionals)		
(a) persons with up to 10 years practice	316 (184.95)	885 (517.97)
(b) persons with more than 10 years practice	632 (369.89)	885 (517.97)
5. Builders and related occupations	396 (231.77)	885 (517.97)
6. Farmers, Dairy and Livestock producers, Poultry producers, Fishermen and related occupations	219 (128.18)	885 (517.97)
7. Drivers, Excavator operators and related occupations	316 (184.95)	885 (517.97)
8. Technicians, Mass Media Associates, Stationary-Plant (not related to building occupations) and Metal, Rubber, Plastic, Wood and related products assemblers	316 (184.95)	885 (517.97)

9. Clerks, typists, Cashiers, Secretaries	316 (184.95)	885 (517.97)
10. Artisans not coming under any other occupational category	316 (184.95)	885 (517.97)
11. Shopkeepers	299 (175)	885 (517.97)
12. Butchers, Bakers, Pastry-cooks, Meat, Milk, Fruit, Tobacco product makers / preservers and related occupations	241 (141.05)	885 (517.97)
13. Street vendors, Mail carriers, Garbage collectors, Miners and quarry workers, Deck, Underwater workers, Riggers and cable splicers, Sweepers, Service providers and Salesmen	219 (128.18)	885 (517.97)
14. Cleaners, Messengers, Watchpersons, Dry Cleaning Owners	299 (175)	885 (517.97)
15. Draughtspersons, Computer equipment operators, Ships' engineers, Agents and related occupations, Musicians, Magicians	325 (190.21)	885 (517.97)
16. Persons not coming under any other occupational category	325 (190.21)	885 (517.97)

Voluntary insured persons contribution 18. The rate of contribution of the voluntary contributors is 13,5% from which 10% is payable by the voluntary contributor and 3,5% by the state.

19. The amount of insurable earnings on which he pays contributions is chosen by him and cannot be higher than the weekly amount of his insurable earnings during the last year or the weekly average of his insurable earnings in the last three years.

20. Persons working abroad in the service of Cypriot employers can pay contributions on their wages or salaries up to the maximum amount of insurable earnings. Their contribution rate is 16,6% from which 12,6% is payable by the voluntary contributor and 4% by the state.

Cessation of liability for the payment of contributions

21. The liability for the payment of contributions, for both the employed and self employed persons, ceases on the day the insured person attains the pensionable age i.e. the age of 65. An insured person, who attains the pensionable age and does not satisfy the contribution conditions for old age pension, continues to pay contributions until he satisfies the contribution conditions. In no case contributions are payable after the age of 68.

CREDITED INSURABLE EARNINGS

- General credits**
22. Apart from periods for which contributions are payable, every insured person can be credited with insurable earnings for:
- (a) any period of full time education or approved training after the age of 16,
 - (b) every period he receives sickness benefit, unemployment benefit, maternity allowance, injury benefit or invalidity pension from the Social Insurance Fund,
 - (c) any period of unemployment or sickness for which no entitlement to benefit exists. In such case the credited period can not exceed six months,
 - (d) the period preceding the day he first becomes insured up to the first day of the preceding contribution year,
23. The insurable earnings credited for the period he does not receive benefit or invalidity pension is equal to the amount of the **basic insurable earnings**⁽¹⁾. For the period the insured person is paid a benefit or invalidity pension, he is credited with contributions based on the insurable earnings on which the benefit or the pension was calculated. However, in no case the amount of credited earnings are lower than the amount of the basic insurable earnings.
- Credits in case of death or permanent incapacity for work**
24. The period from the day an insured person dies or becomes incapable for work until the age he would have attained or attains the age of 63 is considered as a period of insurance. For this period the insured person is credited with insurable earnings based on the weekly average of **paid**⁽²⁾ and **credited**⁽³⁾ insurable earnings in the upper band from 6.10.1980 or from the beginning of the contribution year in which he attained the age of 16, or from the date he attained the age of 25 years (provided that both dates are after 6.10.1980), or on the basis of the weekly average of the paid and credited insurable earnings in the upper part during the period of the last five years, if this is more favourable for the insured person.
- Credits to insured women for each child**
25. An insured woman is entitled to credits, for the purpose of entitlement to a pension or increase of the amount of pension, for every child she gave birth to or adopted

after 6.1.1945, for a period up to 156 weeks within the period of the first twelve years from the date of birth of the child. These credits are granted only to cover insufficient insurance record.

CONTRIBUTIONS TO PERSONS SERVING IN THE NATIONAL GUARD

26. The special contributions payable by the State for the period of service to the National Guard are considered as insurable earnings equal to the amount of the basic insurable earnings. These earnings are regarded as credited insurable earnings for all benefits and paid insurable earnings for the purpose of invalidity pension, widow's pension and orphan's benefit.

CONTRIBUTIONS TO THE OLD SCHEME

27. The contributions which an insured person paid or was credited with in the old Scheme i.e. before 6.10.1980, are taken into consideration in the Current Scheme. For this purpose, every weekly contribution is equal to the weekly amount of the basic insurable earnings.

INSURABLE EARNINGS OF THE LOWER AND UPPER BAND

28. The insurable earnings of an insured person for each year are separated in two bands: The lower band includes insurable earnings up to the amount of the basic insurable earnings and the upper band includes earnings above that level.
29. For the above purpose, the insurable earnings are converted to insurance points. Each point is equal to the annual amount of the basic insurable earnings.
30. As explained below the basic benefits of the earnings related Scheme, are based on the lower band of insurable earnings and the supplementary benefits on the upper band.

REVISION OF INSURABLE EARNINGS

31. If the general level of earnings each year is increased by at least 5%, the insurable earnings of every insured person for the previous years are increased by the rate of increase and the benefits are calculated based on these revised earnings.

BENEFITS

- General** 32. The benefits of the Scheme and the categories of insured persons are shown below:

Kind of benefit	Beneficiaries
(a) Marriage Grant	Both spouses, employed, self employed and voluntary contributors based on the contributions of either of them.
(b) Maternity Grant	Mother, based on her or her husband's contributions, employed, self employed or voluntary contributor.
(c) Funeral Grant	Employed, self employed and voluntary contributors, pensioners.
(d) Maternity Allowance	Employed, self employed women and voluntary insured women in the service of Cypriot Employers abroad.
(e) Sickness Benefit	Employed, self employed and voluntary contributors in the service of Cypriot Employers abroad.
(f) Unemployment Benefit	Employed and voluntary contributors in the service of Cypriot Employers abroad.
(g) Missing person's Allowance	Employed and voluntary contributors
(h) Invalidity Pension	Employed, self employed and voluntary contributors in the service of Cypriot Employers abroad.
(i) Old age Pension	Employed, self employed and voluntary contributors.
(j) Widow's Pension	Employed, self employed and voluntary contributors.
(k) Orphan's Benefit	Employed, self employed and voluntary contributors.
Benefits for employment accidents	
(l) Injury Benefit	Employed persons
(m) Disablement Benefit	Employed persons
(n) Death Benefit	Employed persons

33. All benefits, except grants which are lump sum payments are separated into: the basic benefit and the supplementary benefit. This does not mean that the beneficiary is entitled to two separate payments. The separation is done due to the fact that the basis for calculation of the two parts of the benefit differs.
34. The basic benefits are calculated on the lower part of insurable earnings of the insured person i.e. on his basic insurable earnings. Except from the basic benefit, the insured person receives increases for his **dependants**⁽⁴⁾. Such increases are payable for up to maximum three dependants.

35. The supplementary benefits are calculated on the upper band of insurable earnings i.e. the part of earnings of the insured person above the basic insurable earnings. No increases for dependants are paid on the supplementary benefit.

GENERAL INFORMATION FOR BENEFITS

Deadline for submission of the application form

36. For the payment of benefit, the beneficiary should submit a claim with the necessary certificates.
37. For every benefit the legislation determines the deadline for submission of the claim. If the claim is submitted after the deadline, the beneficiary may not be paid part of or the whole benefit. The deadline for the submission of the claim for each benefit is shown in paragraph 46. The claims are made on application forms which can be obtained from any District Social Insurance Office or on the website of the Department of Social Insurance Services.

Deadline for cashing the cheques

38. The cheques for the payment of benefits should be cashed within six months from the date of issue. In some cases the cashing of the cheque can be extended for another six months.

Right to more than one benefit

39. When a person has a right to more than one benefit for the same period based on his insurance, he is paid only the benefit with the higher rate. This does not apply when he is entitled simultaneously to widow's pension, or missing person's allowance and unemployment benefit, or sickness benefit, or maternity allowance, or injury benefit. Moreover, disablement pension before 6 October 1980 is payable without increases for dependants, in addition to any other benefit.
40. When a person is entitled simultaneously to more than one disablement pension for different industrial accidents or occupational diseases, he is paid both pensions but the total amount cannot be higher than the amount of pension for disablement of 100%.
41. An insured widow, who receives widow's pension, when she reaches the pensionable age and is entitled to old age pension, can receive both pensions subject

to certain limitations as concern the maximum amount of the supplementary pension.

42. An insured widow, who is entitled simultaneously to widow's pension and invalidity pension, can receive both pensions under certain limitations as concerns the maximum amount of supplementary pension.
43. Every time the insurable earnings are revised (see Paragraph 31), the basic pensions are also adjusted according to the rate of increase.
44. The supplementary pensions are adjusted according to the cost of living index.
45. Both basic and supplementary pensions are also adjusted every July in accordance with the cost of living index, if it is at least 1%.

DEADLINES FOR SUBMISSION OF APPLICATION FORMS FOR BENEFITS

46. In the Table below, the deadline for submission of the application forms for each benefit of the Social Insurance Scheme are shown.

Benefits	Deadline for submission of application forms
(a) Marriage Grant	One year
(b) Maternity Grant	One year
(c) Funeral Grant	One year
(d) Maternity Allowance	Twenty one days
(e) Sickness Benefit	Twenty one days
(f) Missing persons' Allowance	Three months
(g) Invalidity Pension	Three months
(h) Old age Pension	Three months
(i) Widow's Pension	Three months
(j) Orphan's Benefit	Three months
Employment Injury Benefits	
(k) Injury Benefit	Twenty one days
(l) Disablement Benefit	Three months
(m) Death Benefit	Three months

Explanations of the terms used:

⁽¹⁾Amount of basic insurable earnings:

The weekly amount of basic insurable earnings changes from year to year.
For 2008 is €147,45 (£86,30).

⁽²⁾Paid insurable earnings:

Insurable earnings on which contributions have been paid.

⁽³⁾Credited insurable earnings:

Every insured person can be credited with insurable earnings for any period of full time education after the age of 16 years, for periods of serving in the National Guard and for periods who is in receipt of sickness, unemployment, maternity, injury benefits, or invalidity pension out of the Social Insurance Fund and for the period of parental leave or leave on grounds of force majeure.

⁽⁴⁾Dependants of insured persons include:

- spouse, with whom the insured person is living or he is wholly or mainly maintaining,
- child who has not completed the age of 15,
- unmarried daughter between the ages of 15 and 23, who is attending full time education,
- unmarried son between the ages of 15 and 25, who is serving in the National Guard or attending full time education,
- unmarried child, irrespective of age, who is permanently incapable of self support,
- husband, who is incapable of self-support, and is wholly or mainly maintained by his wife,
- parent, who is incapable of self-support and is maintained by the insured person
- younger brother or sister, if he/she is maintained by the insured person.