

Payroll and Provident Fund Services Guide

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ABOUT REANDA CYPRUS LIMITED

REANDA Cyprus Limited is a Cyprus based audit firm licensed and regulated by the Institute of Certified Public Accountants of Cyprus (ICPAC). Our Firm has been established in 2009 with the goal of becoming one of the leading services provider firms in Cyprus, focusing in audit, accounting, tax, advisory, human resources and payroll.

REANDA Cyprus Limited has been appointed as a member firm of Reanda International (www.reanda-international.com) since 2011; the first Asian Accounting Network going global, which will effectively add more value in our operations and enhance our network of associates.

REANDA Cyprus Limited is the first European member of the Network, which is ranked among the top 20 Accounting Networks worldwide. Currently the Network has members in China, Hong Kong, Japan, Malaysia, Macau, Cambodia, Vietnam, Singapore, Australia, Indonesia, Mauritius, Germany, India, Kazakhstan, Russia and Taiwan.

At REANDA Cyprus Limited, we do not focus on size. We focus on our clients and our people. We are dedicated to provide the quality professional services they demand and deserve whether they are an owner-managed business or a large multinational corporation. With a qualified and high caliber team, membership in Reanda International, and our network of experienced associated professionals, we provide a comprehensive range of professional services for both local and international companies.

BENEFITS OF OUTSOURCING

Payroll processing is one of the most important challenges for an organization. Calculating payroll, preparing and submitting all related forms to the relevant authorities, paying the necessary Social Insurance Contributions and Taxes on time and keeping accurate records can be very demanding and costly. By considering the time needed and the costs associated with the management of in house payroll, a lot of companies consider outsourcing payroll beneficial.

THE BENEFITS

OF OUTSOURCING

- 1 Reduce Cost:**
Companies can save money by taking into account the time and resources needed for undertaking the payroll process in-house.
- 2 Save time /Peace of Mind:**
Company's resources can be utilized more effectively in productive tasks and management can focus on how to run a profitable business instead of devoting time on the payroll administration.
- 3 Compliance with the government regulations:**
Laws, rules and regulations relating to payroll are becoming more complex and failure to comply with them results in penalties. Companies outsourcing payroll do not have to utilize valuable resources in following and adopting any developments in legislation.
- 4 Confidentiality:**
Payroll is a strictly confidential matter. By outsourcing its administration, companies restrict the number of employees who have access to confidential information regarding payroll.

PAYROLL AND EMPLOYMENT SERVICES

- Processing in specialized payroll software, resulting in reliable and accurate calculations.
- Social Insurance Department applications and registrations (employer and employee).
- Payroll management reporting and deliverables (e.g payslips, company totals report etc)
- Assistance in the completion and submission of other social insurance related forms (e.g sickness and maternity benefit applications).
- Administration of payments to the authorities (Social Insurance and Income Tax) within the set deadlines to avoid penalties.
- Assistance in the completion and submission of the IR59 tax form for each employee in order to identify possible tax allowable deductions.
- Preparation and Submission of Annual Tax Returns e.g. IR63 form (Employer's Certificate of Emoluments), IR7 form (Employer's Return), IR1 form (Personal Income Tax Return).
- Advisory assistance regarding labour relations and other related HR issues such as redundancy, termination of employment, maternity leave etc.
- Keep track of employees vacations/annual leaves, sick leaves etc.



EMPLOYMENT PROCEDURE

A Company is considered to be a legal employer only if it is registered to the Social Insurance Department and has a registration number that allows to proceed with hiring employees. After the company agrees the terms of employment with each employee, a contract must be signed by both parties which must cover the most important details such as the employment date, the nature of work, the working hours, salary and benefits.

Protection of employment:

Annual Leave:

Employees are entitled to annual leave depending on their working days. Employees working 5 and 6 days per week are entitled to a minimum 21 and 24 days of annual leave respectively. These days must be given to the employees by the employer as paid days when the employer has been exempted from the Annual Leave Fund. Otherwise, the employer deducts these days from the employee's salary and the employee will be paid by the Annual Leave Fund after the submission of a particular application.

Sick Leave:

The employee must complete the sickness benefit application and submit it to the Social Insurance Department in cases where the employer does not have an internal policy for paying sick leave days. The Social Insurance Department does not compensate applicants for the first 3 days of sick leave per year.

Maternity Leave:

Every employed woman who presents a certificate/confirmation of her pregnancy is entitled to maternity leave for 18 consecutive weeks. 11 out of 18 weeks are compulsory and must be taken as follows:

- 2 weeks prior to the confinement
- The week of the confinement (1 week)
- 8 weeks after the week of the confinement

The remained 7 weeks is up to her if she wants to take them before or after the 11 compulsory weeks.

Termination of Employment:

Employer who intends to terminate an employee must give him/her a notice as follows:

CONTINUOUS PERIOD OF EMPLOYMENT	MINIMUM NOTICE PERIOD
26 to 51 weeks	1 week
52 to 103 weeks	2 weeks
104 to 155 weeks	4 weeks
156 to 207 weeks	5 weeks
208 to 259 weeks	6 weeks
260 to 311 weeks	7 weeks
312 weeks and above	8 weeks

When an employee intends to resign, he/she must give notice to the employer based on his/her length of service:

CONTINUOUS PERIOD OF EMPLOYMENT	MINIMUM NOTICE PERIOD
26 to 51 weeks	1 week
52 to 259 weeks	2 weeks
260 weeks and above	3 weeks

**The notice of termination of employment must be in writing.*

SOCIAL INSURANCE CONTRIBUTION

EMPLOYEE'S CONTRIBUTION	EMPLOYER'S CONTRIBUTION	VALID FROM
7.8%	7.8%	1/1/2014
8.3%	8.3%	1/1/2019
8.8%	8.8%	1/1/2024
9.3%	9.3%	1/1/2029
9.8%	9.8%	1/1/2034
10.3%	10.3%	1/1/2039

Apart from the social insurance contribution, the employer must contribute with the following rates on a monthly basis to the funds listed below based on the employee's gross salary:

- Redundancy Fund: 1.2%
- Cohesion Fund: 2%
- Industrial Training Fund: 0.5%

Additionally, the employer should pay a contribution to the Annual Leave Fund. The contribution rate depends on the working days of an employee. The contributions are used to compensate the employees during their holidays. However, the employer may elect to get exempted from contributing to the fund and compensate the employees during their holidays.

TAX DEDUCTIONS

Personal Tax Rates:

TAXABLE INCOME €	TAX RATE %
0 – 19.500	0
19.501 – 28.000	20
28.001 – 36.300	25
36.301 – 60.000	30
60.001 & above	35

Special Contribution Rates:

TAXABLE INCOME €	TAX RATE %
0 – 1.500	0
1.501 – 2.500	2.5
2.501 – 3.500	3
3.501 & above	3.5

Note: The special contribution is 50% payable from the employer and 50% from the employee. The minimum payment is in total 10 Euro per month.

PROVIDENT FUND SERVICES

- Preparation of all the necessary applications/documents needed for the registration of the Fund in the Registrar of Provident Funds in Cyprus.
- Assistance and guidance for the preparation of the Memorandum which includes the rules and regulations of the Fund's operations.
- Registration of the Provident Fund in the Income Tax Authorities.
- Accounting and Statutory Audit
- Reporting (e.g member's statements)
- Secretarial services and communication with the Authorities for related issues.
- Specialized Provident Fund administration for monthly contributions, fund performance, etc.



CONTACT US

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