

THE OECD TAX-BENEFIT DATABASE

Description of policy rules for
Cyprus 2023



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This version: February 2024

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Preface

This report provides a detailed description of the tax and benefit rules in Cyprus as they apply to working-age individuals and their dependent children. It also includes output from the [OECD Tax-Benefit model \(TaxBEN\)](#), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families (“vignettes”), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click [here](#) for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)



[TaxBEN web calculator](#)



[Methodology and user guide](#)



[OECD tax-benefit data portal](#)



[Network of national experts](#)


Guidelines for updating this report (for national experts)



[General guidelines](#)

Detailed [guidelines for updating Section 5](#) “Net costs for Early Childhood Education and Care”

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **1 January 2023**.
- The symbol  in the text provides a link to the glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- **TaxBEN** variables are indicated in the text using the format `[variable name]`.

The OECD tax-benefit model for Cyprus: Policy rules in 2023

1. Reference wages

Average wage [**AW**]: The average full-time wages used in the OECD tax-benefit model are available [here](#)¹. According to the Statistics Cyprus, the average annual gross earnings for activities B-N (by NACE Rev. 2) are:

Year	Average Wage	
	(CYP per year in 2005-2007 ² , EUR per year from 2008 onwards) ³	
2005		9 739
2006		10 405
2007		10 976
2008		19 824
2009		20 520
2010		21 120
2011		21 612
2012		21 912
2013		21 348
2014		20 712
2015		20 712
2016		20 832
2017		21 192
2018		21 864
2019		22 332
2020		22 440
2021		23 244
2022		25 416

¹ Average Wages are estimated in line with the methodology developed by the [Centre for Tax Policy and Administration](#) at the OECD. For more information on methodology see the latest [Taxing Wages publication](#).

² Average wages for the activities B-N are not available for 2005-2007. Therefore, we use proxy estimates based on the Average Wage provided for 2008 and adjusted downwards using the rates of [annual changes in earnings](#) in Cyprus obtained from the [CYSTAT website](#).

³ The Cypriot pound (CYP) was the official currency of Cyprus until 2008. On 1 January 2008, Cyprus switched to EUR. The TaxBEN model reports monetary amounts in the currency of the year in question. Hence, the outputs of the model for policy years 2005-2007 are in CYP, whereas from 2008 onwards they are in EUR.

Source: Based on administration data of the Social Insurance Services database.

If estimates for further years are not available yet, the model uses wage projections obtained by applying forecasted wage growth⁴ to the latest available wage estimate.

For the first time in Cyprus, the national minimum wage has been established by the Minimum Wage Order of 2022 which came into force on 1 January 2023. According to the Order:


- a) Every employee who works full-time must receive an initial monthly wage of at least EUR 885 gross and after a 6-month continuous period of employment with the same employer, this wage must increase to at least EUR 940 gross.
- b) The provisions of this Order do not apply to domestic workers, the workers in agricultural and animal farming workers and seamen, as well as to workers to whom the Minimum Wages in the Hotel Industry Order of 2020 applies.

The TaxBEN model uses the minimum wage [**MIN**] of EUR 940 per month in 2023. The annual minimum wage is computed by multiplying the minimum monthly wage (as of 1 January 2023) by 12, i.e. EUR 940 * 12 = EUR 11 280.

2. Unemployment benefits

2.1. Unemployment benefit (Ανεργιακό επίδομα)

Variable names: [**UI_p**; **UI_s**]

This is an unemployment insurance benefit. It is contributory, not means-tested and not taxable. 

The benefit is calculated based on a system of insurance points and the gross earnings received by the unemployed person in the relevant contribution year. If the person gets unemployed before 1 July in year X, then the calculation will be based on the insurable points and the earnings of year X-2. If the person gets unemployed on 1 July of year X or after, the benefit will be calculated based on the insurable points and the earnings of year X-1. *In the model, it is assumed that a person becomes unemployed on 1 January 2023, i.e. calculations are based on insurable points in 2021.*

Yearly amount of Basic Insurable Earnings in 2021 is EUR 9682.⁵

2.1.1. Eligibility conditions

Age: The person has reached the age of 16 but is not 63 years old or above. The upper age limit is extended up to the age of 65 if the insured person is not entitled to statutory pension.


Contribution/employment history:

⁴ Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

⁵ The amounts for the current as well as previous years are available on the website of the Ministry of Labour and Social Insurance: http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/page94_en/page94_en

- The insured person has been insured under the Social Insurance Scheme for at least 26 weeks⁶ before he/she became unemployed;
- has paid, up to the date of unemployment, basic insurance equal to at least 26 times the weekly amount of the basic insurable earnings (0.5 insurance point);
- has paid or assimilated insurance in the relevant contribution year at least equal to 20 times the weekly amount of the basic insurable earnings (0.39 insurance point).

OECD note: The model simulates the first and the second conditions. The third condition cannot be simulated separately from the second condition and therefore is assumed to be satisfied.

Behavioural requirements and related eligibility conditions:  *TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.⁷ The benefit claimant is:*

- registered as unemployed;
- capable and willing to work.

The Unemployment Benefit is also payable to an unemployed insured person for any period for which he/she attends courses of occupational training (*not modelled*).

If a person became unemployed due to his or her own actions ('voluntary'), there is a maximum of 6 weeks deduction to the period of benefit payment. However, if the person remains unemployed up to the maximum number of days (i.e. 156 days), then the deducted period is paid at the end. Unemployment is 'involuntary' when the employment of persons is terminated for reasons other than resignation, e.g. redundancy, termination by employer, specified period of contract has lapsed.

2.1.2. Benefit amount

The Unemployment Benefit is composed of two parts: the basic and the supplementary benefit. The benefit is paid monthly at 4-week intervals.

Basic benefit: The weekly rate of the basic benefit is equal to 60% of the weekly value of up to one insurance point at the basic insurable earnings over the relevant contribution year.

Increase for dependants⁸: In case the applicant has a dependent spouse, the weekly rate of basic benefit will increase by one third (1/3), i.e. the basic benefit will equal to 80% of the weekly value of insurance point. In case the applicant has dependent children or other dependants, the weekly rate will be increased by one-sixth (1/6) for each child, i.e. by 10 percentage points. Maximum two dependent children are considered. Thus, a person

⁶ In the model, 26 weeks equal to approximately 6 months.

⁷ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [How demanding are activation requirements for jobseekers? - OECD](#).

⁸ Dependants of the insured person include: spouse with whom the dependent person is living and is supporting financially, child who has not completed the age of fifteen, unmarried daughter between the ages of 15-23 attending full-time education, unmarried son between 15-25 who is serving at the National Guard or attending full-time education, unmarried child, parent or brother/sister incapable of self-support.

with dependent spouse and two dependent children will receive basic benefit equal to 100% of weekly value of insurance point.

The increase for the dependent spouse is payable only if the spouse has no earnings from employment and does not receive any benefit from the Social Insurance Fund. In the case where both spouses are entitled to a benefit for the same period, the increase for dependants is payable only to the spouse who is entitled to increase of benefit at a higher rate.

Supplementary benefit: The weekly rate of supplementary benefit is equal to 50% of the weekly value of insurance points at the supplementary insurance over the relevant contribution year but in no case, the supplementary benefit is higher than the weekly amount of the basic insurable earnings. There is no increase for dependants in the supplementary part.

2.1.3. *Benefit duration*

In case of an employed person, the payment of the benefit starts from the 4th day of unemployment and in the case of a voluntarily insured person, working in the service of Cypriot employer, the payment starts after the first 30 days of unemployment. (*Waiting period is not modelled.*)

The unemployment benefit is payable for 156 days, 6 days per week, (i.e. for 26 weeks or approximately 6 months) in each period of interruption of employment.

In order to qualify again for unemployment benefit, after the exhaustion of right to benefit, the conditions below must be satisfied:

- 26 weeks have passed since the last day he/she received unemployment benefit or 13 weeks in case he/she has reached the age of 60 and is not receiving a pension, and
- the insured person must have paid contributions on earnings not lower than 26 times the weekly amount of the basic insurable earnings after the day of exhaustion.

When a jobseeker finds work before the 156 day period of payment, any balance is paid on subsequent claims if they have not worked for 13 weeks until the next time they claim unemployment benefit. If they have worked for over 13 weeks, and have paid the specified amount of social insurance contributions, then a new period of 156 is earned.

2.1.4. *Means test*

The benefit is not means-tested.

2.1.5. *Tax treatment*

The benefit is not taxable.

2.1.6. *Interactions with other components of the tax-benefit system*

If insured person is entitled to Unemployment Benefit as well as to another periodical Benefit out of the Social Insurance Fund during the same period, he/she is paid the benefit with the higher rate. This does not apply in case of widow's/widower's pension or missing person's allowance. In this case the insured person is paid both benefits for the same period and the increase for dependants is payable only to the benefit where the increase for dependants is at a higher rate.

The Unemployment Benefit is considered as income for the purposes of income calculation pertaining to other benefits (i.e. GMI, Child Benefit, etc.).

2.1.7. Combining benefit receipt and employment/starting a new job

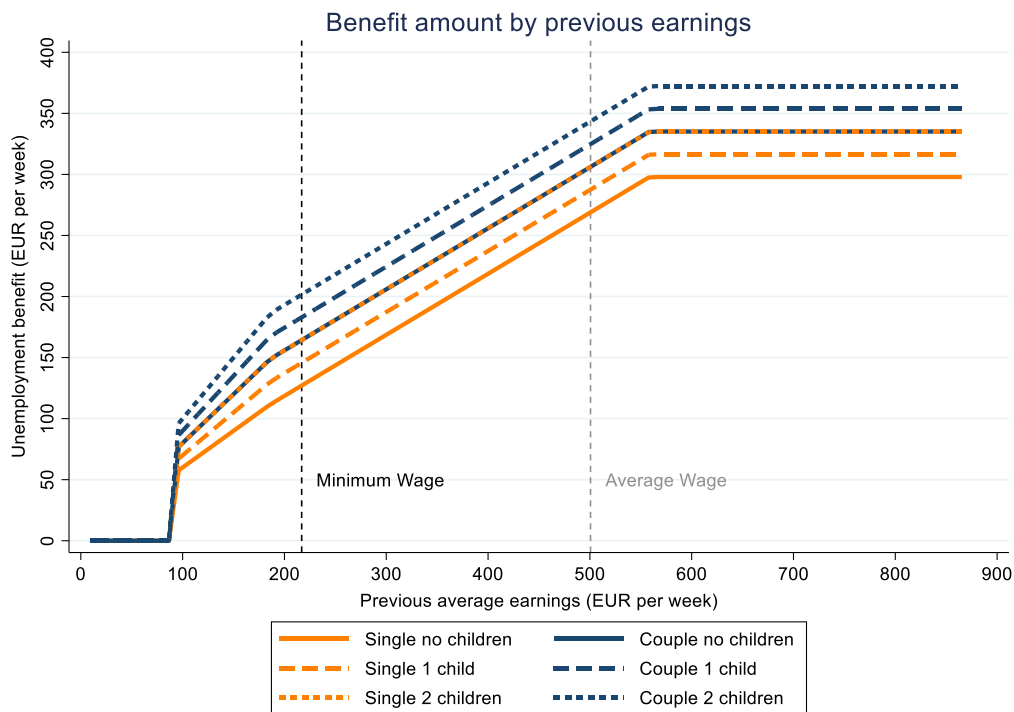
A day does not count as a day of unemployment if the insured person is gainfully employed on that day. Where the gainful employment is outside normal working hours and the amount earned does not exceed the daily average of 1/12 of weekly basic insurable earnings (i.e. EUR 16.04 per day in 2023) then unemployment benefit can be paid. There is no limit with respect to the days, as long as the hours are such that do not prevent the unemployed person to enter into full-time employment but the amount is strictly observed. Since the unemployment benefit is paid for 6 days per week, the corresponding monthly amount is estimated to EUR 417.04 in 2023. *In the model, only work during normal working hours is considered, thus accumulation with earnings in the model is not possible.*

2.1.8. Indexation

No direct indexation. Benefit amount is based on Basic Insurable Earnings, which are revised annually (each January, based on the increase of insurable earnings of the two preceding years), and on previous earnings. The amount of the benefit is recalculated every 1st Monday of July (if applicable, i.e. the payment period includes that date).

Figure 1. Unemployment benefit

40-year-old single person and couple with or without children



Note: The figure shows unemployment benefit of the first adult. In a couple, the second adult is assumed to be out of work and not eligible for unemployment benefits, and thus is considered as dependant in the calculation of the unemployment benefit of the first adult. Both children are also considered as dependants. There are no increases for any subsequent children. Benefit amount remains the same throughout its duration (26 weeks). Calculations assume that the first adult has employment record of at least 26 weeks.

Source: OECD Tax-Benefit Model.

2.2. *Unemployment assistance*

OECD note: In many OECD countries, jobseekers who do not qualify for Unemployment Insurance (UI – Section 2.1), or whose entitlement to UI is low or has expired, can claim Unemployment Assistance (UA – this section) and/or Social Assistance benefits (SA – Section 3). These UA and SA benefits have different purposes (and reach different target groups). For instance, while the main purpose of UA is to encourage the labour market reintegration of jobseekers who have exhausted or are not eligible to the standard UI benefit, the purpose of SA programmes is to provide an acceptable standard of living for families unable to earn sufficient incomes from other sources. Conditions for UA typically include requirements to register with the public employment service and participate in active job search in a similar way as for UI. This is *not always* the case for SA benefits, for which low income is the key entitlement criterion and activation requirements exist only for those who are capable of work.

Based on this definition, Cyprus does not currently provide a national/local Unemployment Assistance programme. Nevertheless, Cyprus does provide a Social Assistance programme (described in Section 3.1).

3. Social assistance and housing benefits

The Guaranteed Minimum Income (GMI) was enacted in July 2014, replacing the previous Public Assistance. It is described in Section 3.1. Families who are eligible for the GMI benefit may receive a housing supplement (described in Section 3.2.). Supplement for childcare that was also part of the GMI package has been abolished after introduction of Childcare Services Grant Scheme in September 2022 (see Section 5.3. There are also some additional payments for extraordinary needs and for care and assistance or if disability is established (*not simulated*). These benefits are described in the Annex.

3.1. *Guaranteed Minimum Income* (Ελάχιστο Εγγυημένο Εισόδημα)

Variable name: **[SA]**

This is a non-contributory benefit, means-tested and not taxable.

3.1.1. *Eligibility conditions*

The GMI benefit can be claimed by individuals at least 28 years old, or married, or single parent, or orphaned person, or person with disability, or person under the care of the Welfare Services.

GMI is provided on the condition that the beneficiary and all eligible family unit members are actively seeking employment and are therefore registered as unemployed. This condition only applies to persons that are capable for work, i.e. are between the age of 18-65, are not in education or employment and are not persons with disabilities or incapable to work for other justified reasons.

3.1.2. *Benefit amount*

The GMI benefit is paid monthly. The monthly GMI allowance depends on the composition of the family unit (which determines the level of the needs) and the level of the income of the family unit. The monthly benefit reflects the difference between the level of needs and the level of the income of the family unit, after taking into account various income disregards that are provided for by the legislation.

The minimum consumption basket is a reference basket that was developed for the calculation of the monthly minimum needs of reference family units. The monthly rates for the minimum consumption basket are:

- EUR 480 per month for the applicant (head of family unit)
- EUR 240 for the spouse
- EUR 240 for every dependant that is between 14 and 28 years of age
- EUR 144 for every dependant that is below the age of 14

3.1.3. *Benefit duration*

There is no fixed duration of the GMI benefit. The benefit is granted for as long as the recipient is in need of assistance, and as long as the recipients and the members of the household abide by the obligations of the L.109(I)/2014.

3.1.4. *Means test*

The general conditions under which the GMI is provided are as follows:

Income test

- Total gross monthly income of family unit is lower than basic needs (including housing allowance).

The following categories are included from the calculation of the income for the GMI:

- income from work of the applicant as well as the family members,
- income from real property and movable assets,
- income from any pension plan, pension fund, social insurance plan or occupational plan,
- alimony, and
- benefits and, grants given by the government and the Social Insurance Scheme.

The following categories of income are excluded from the calculation of income:

- Benefits and grants provided due to disability by the Department for Social Integration of People with Disabilities
- Funeral allowance
- Childbirth allowance
- Soldiers grant
- Income relating to training allowance or to acquire vocational experience
- Students' grant
- Soldiers' allowance
- Charity Organisations' contributions
- Scheme supporting pensioners' households with low income
- Monthly allowance granted by the Ministry of education and Culture to people of literature and arts
- Amounts provided by persons belonging to the family unit, from the Welfare Lottery Fund or economic assistance granted from the Ministry as an emergency financial aid given upon approval of the Minister

Furthermore, the following discounts (income disregards) are given when calculating the level of income from employment:

- Concerning the monthly income from work of either the applicant or the spouse, if the income exceeds EUR 500, the first EUR 170 is excluded.
- For monthly income less than EUR 500, the income excluded is calculated as follows:
 - The first EUR 50 are not taken into account
 - The next EUR 50 until EUR 200, 40% is excluded
 - The next EUR 200 until EUR 500, 20% is excluded
 - If the applicant or the spouse is a handicapped person, then the first EUR 512 is excluded.
- From the monthly income for every adult child who is below the age of 28, 50% of the first EUR 480 are excluded.
 - For income exceeding EUR 480, it is taken into account as follows:

- The next EUR 480 until EUR 1000, 10% is excluded
- The next EUR 1000 until EUR 2000, 15% is excluded
- For income exceeding EUR 2000, 20% is excluded.

Asset test⁹

The asset test only concerns eligibility and is therefore enforced and a cut-off hard line. The asset test is run by the welfare benefits authority and there is no discretion whatsoever.

- All immovable properties are taken into account for the immovable asset test, except for the main residence which is omitted only if it is less than 300 sq. m. in size. The valuations for the properties are taken from the Land Registry Department which conducts frequent re-evaluations for all immovable properties in Cyprus. Properties which can yield incomes are taken into account both as assets and as income in both tests.
- Neither the applicant nor any other member of the family unit can own immovable property worth more than EUR 100 000. Immovable property worth from EUR 100 000 until EUR 200 000 is not taken into account, if is burdened the whole or the greater part thereof, due to encumbrance entry or usufruct (before 11 July 2014).
- Existing automobiles are not taken into account as such for an asset test, but the acquisition of a new automobile is always investigated as it reflects undeclared income.
- Household appliances are not taken into account.
- Total deposits of family unit should be lower than EUR 5 000 for one individual, plus EUR 1 000 for every additional individual in the family unit. For persons with disabilities the threshold is EUR 25 000 instead of EUR 5 000.
- Other movable assets are taken into account at nominal value. This includes shares, bonds, insurance policies, accounts receivable and all relevant assets. Total monetary assets, other than deposits, should be lower than EUR 5 000.

The model assumes that the asset test is satisfied.

3.1.5. Tax treatment

The benefit is not taxable.

3.1.6. Interaction with other components of the tax-benefit system

None.

3.1.7. Combining benefit receipt and employment/starting a new job

The benefit can be combined with employment.

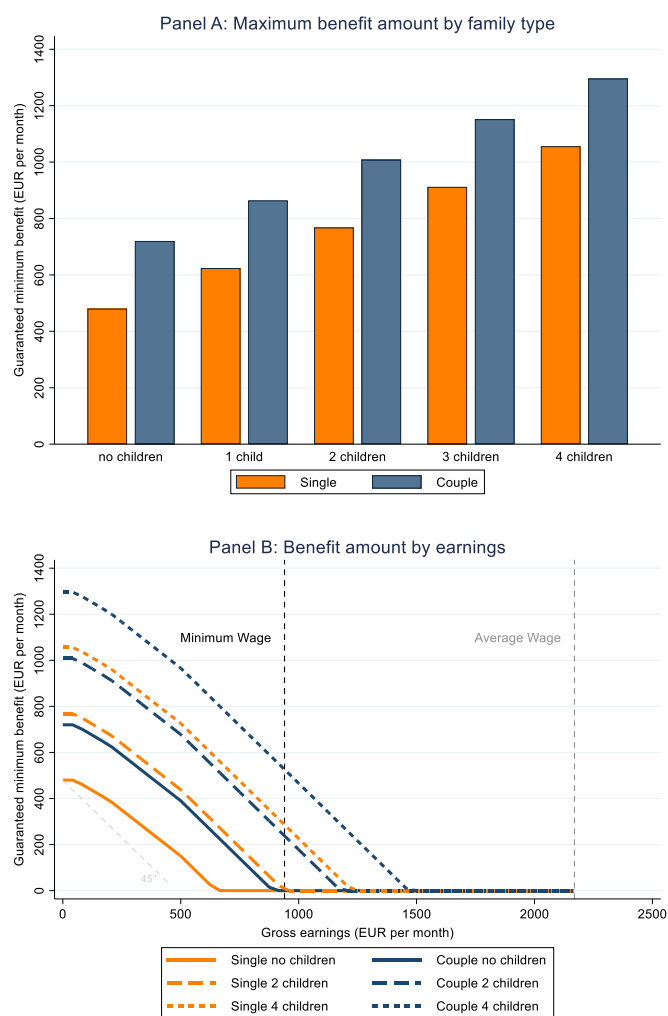
⁹ More information: [Welfare Benefits Administration Service \(dmsw.gov.cy\)](http://dmsw.gov.cy)

3.1.8. Indexation

There is no indexation of the GMI benefits. The amounts are re-evaluated biannually.

Figure 2. Guaranteed minimum income

40-year-old single person and couple with or without children



Note: Results assume no receipt of child benefit and single parent benefit, which are usually included in the means test for guaranteed minimum income. Children are below 14 years old. Panel A shows maximum benefit amount for a jobless family with no income. Panel B shows the reduction in benefit amount as one adult starts working. 45° line shows how the benefit for a single person without children would decrease if the benefit would have been reduced by 1 Euro for every Euro earned.

Source: OECD Tax-Benefit Model.

3.2. **Housing allowance** (Επιχορήγηση για το ενοίκιο και τους τόκους στεγαστικού δανείου)

Variable name: **[HB]**

This is a non-contributory benefit, means-tested and not taxable.

Housing allowance is provided as part of the Guaranteed Minimum Income (see Section 3.1.). *In the model, it is simulated separately from GMI and is classified as "Housing benefits".*

3.2.1. Eligibility conditions

The general condition for receiving a housing allowance is being entitled to the GMI. The housing allowance is provided either when the beneficiary is living under rent or when the applicant is living in an owned house for which they have to pay mortgage interest for the housing loan. *In the model, rented accommodation is assumed.*

3.2.2. Benefit amount

The housing allowance is paid monthly as part of the GMI benefit. The housing allowance is granted when either the beneficiary is living in a rented property or in an owned property for which they pay mortgage interest. The level of the housing allowance is calculated according to the composition of the family unit and the district of residence.

The estimation of the area of residence is as follows:

- For a single person or couples is 55 m²
- No additional area is calculated for the applicant's / beneficiary's spouse
- An additional area of 25 m² is calculated in cases of persons with disabilities or where the applicant and/or beneficiary resides as a disabled family member or in cases where the applicant's and/or beneficiary's family unit includes: 1 minor child, or 2 minor children of the same sex, or 1 adult child (18 - 28 years old).
- If the additional 25 m² are calculated for any of the categories referred above, an additional area of 20 m² shall be calculated in the following cases:
 - For every 2 additional minor children of the same sex belonging to the family unit of the applicant and/or beneficiary
 - For every 1 additional adult child belonging to the family unit of the applicant and/or beneficiary
 - For each additional minor child belonging to the family unit of the applicant and/or beneficiary, depending on the composition of the rest of the family, and provided that it is not covered by the above cases.

For instance:

- If the 2nd minor child is of different sex - 20 m² is accounted.
- If the 2nd child is of the same sex as the 1st - no further space is accounted for.
- If there are three children of the same sex, 25 m² shall be assigned for the 1st and 2nd and 20 m² shall be assigned for the 3rd.

- If there are two boys and one girl, 25 m² shall be assigned for the boys and 20 m² shall be assigned for the girl.

All children in the model are assumed to be below 18 years old; sex of children is not specified. In situation when the benefit amount depends on the gender of children, the most generous benefit is modelled. For example, in case of a family with 2 children, it is assumed that they are a boy and a girl; for families with four children, they are assumed to be 3 boys and 1 girl or 1 boy and 3 girls.

The amount granted is also in relation to the district of residence of the applicant, whereas different amounts are granted by district as follows:

- Nicosia: EUR 4.06 per m² (*assumed in the model*)
- Limassol: EUR 4.41 per m²
- Larnaca: EUR 3.50 per m²
- Paphos/Famagusta: EUR 2.94 per m²

Housing allowance is granted for renters and owners still paying mortgage interest. The housing allowance depends on the composition of the family unit and the district of residence.

Moreover the total housing allowance can be increased by 20% for persons with disabilities and up to 50% for wheelchair – dependent persons or those with increased needs of care and assistance (*not modelled*).

The amount of the benefit can never exceed the actual rent.

3.2.3. *Benefit duration*

There is no fixed duration of the benefit. The benefit is granted for as long as the recipient is in need of assistance of the GMI and as long as the recipients and the members of the household abide by the obligations stated in L.109(I)/2014.

3.2.4. *Means test*

If the means test for GMI is satisfied (section 3.1.4. , the beneficiary is entitled to the *full* amount of the housing allowance. In other words, the actual GMI entitlement depends on the GMI means test and is therefore a function of the household income. This is not the case for the housing allowance, whose actual amount does not depend on the household income: it is paid in full as long as the family passes the GMI means test.

3.2.5. *Tax treatment*

Benefits are not taxable.

3.2.6. *Interaction with other components of the tax-benefit system*

There is no interaction with other benefits, except that the claimant has to be an approved GMI beneficiary.

3.2.7. *Combining benefit receipt and employment/starting a new job*

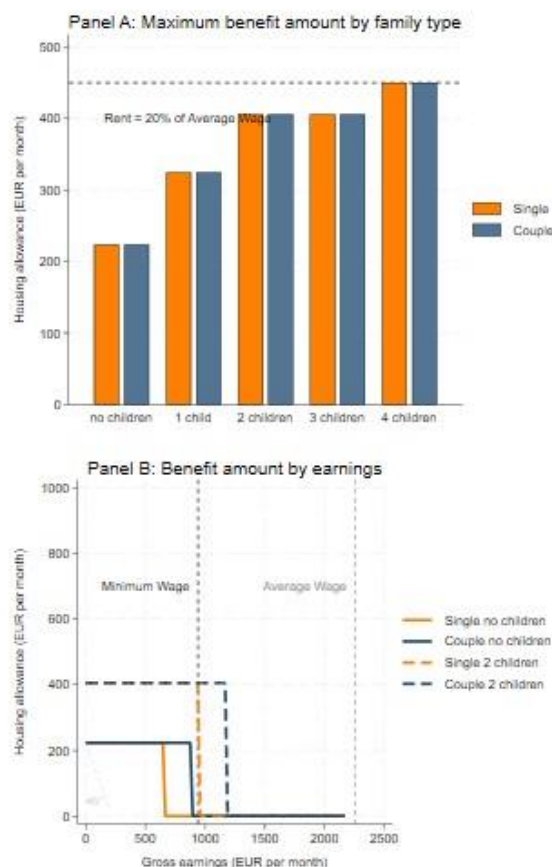
The benefit can be combined with employment.

3.2.8. Indexation

There is no indexation of the housing allowance. The amounts are re-evaluated biannually.

Figure 3. Housing allowance

40-year-old single person and couple with or without children

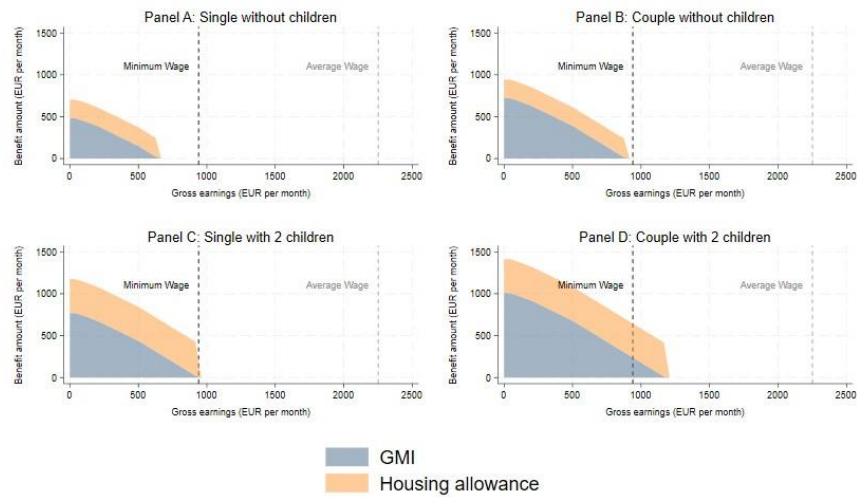


Note: Results assume no receipt of child benefit and single parent benefit, which are usually included in the means test for housing allowance. Children are below 14 years old; in a family with two children they are assumed to be a boy and a girl (i.e. the most generous benefit amount is simulated). Rent is assumed to be 20% of average wage for all family types. The benefit cannot exceed the actual rent. Family is assumed to live in Nicosia. Panel A shows maximum benefit amount for a jobless family with no income. Panel B shows the reduction in benefit amount as one adult starts working. 45° line shows how the benefit for a family without children would decrease if the benefit would have been reduced by 1 Euro for every Euro earned. The full amount of the housing allowance is paid as long as the guaranteed minimum income benefit is positive.

Source: OECD Tax-Benefit Model.

Figure 4. Guaranteed minimum income and housing allowance

40-year-old single person and couple with or without children



Note: Results assume no receipt of child benefit and single parent benefit, which are usually included in the means test for guaranteed minimum income and housing allowance. Children are below 14 years old; in a family with two children they are assumed to be a boy and a girl (i.e. the most generous housing allowance amount is simulated). Rent is assumed to be 20% of average wage for all family types. Family is assumed to live in Nicosia. Figures show reduction in benefit amount if one adult starts working.
Source: OECD Tax-Benefit Model.

4. Family benefits

4.1. Child benefit (Επίδομα τέκνου)

Variable name: **[FB_main]**

This is a non-contributory benefit, means-tested and not taxable.

4.1.1. Eligibility conditions

The child allowance is granted to the family only for the number of unmarried and dependent children who live with the family under the same roof. The term dependent children is defined as children:

- Up to 18 years of age
- Aged up to 20 years if they are attending a secondary education school
- Aged up to 21 years if they serve in the National Guard
- Irrespective of age, children who lack a permanent capacity to support themselves.

Eligibility criteria for the child benefit include:

- The family has its legal and continuous residence for at least five consecutive years prior to the application submission, in the areas under the effective control of the Republic of Cyprus.
- The family does not own assets (including immovable and movable property, deposits etc.) in excess of EUR 1.2 million in current prices (*not simulated*). The value of any possible alienation of assets that took place within 24 months prior to the application submission date, is also included in the calculation of the total value.
- The family's gross annual income for the previous year does not exceed EUR 49 000 for families with one dependent child and EUR 59 000 for families with two dependent children. For families with more than two dependant children, the threshold is increased by EUR 5 000 per child, i.e., for three children is EUR 64 000, for four children is EUR 69 000 etc. (*In the model current income is tested*).

4.1.2. Benefit amount

The table shows the benefit amounts as defined in the legislation.

Number of Children	Annual Child Benefit amount (EUR per child)					
	by gross annual family income ¹⁰ (EUR):					
	Up to 19 500	19 500.01 - 39 000	39 000.01 - 49 000	49 000.01 - 59 000	59 000.01 - 64 000	64 000.01 - 69 000
1 child	475	425	380	0	0	0
2 children	570	520	380	345	0	0
3 children	1 045	995	760	690	690	0
4 children plus	1 675	1 525	1 260	1 135	1 135	1 135

¹⁰ The gross annual family income corresponds to the income earned during the previous calendar year. *The model assumes that there are no delays between the assessment of income and the pay out of benefits. Hence, the model uses current gross annual family income for the means test.*

For families whose total gross income exceeds EUR 59 000, the amount of child benefit equals to the benefit paid to the families with total gross income between EUR 49 000.01 and EUR 59 000.

The benefit is paid annually, except for families with three or more children for which this is a monthly benefit.

4.1.3. *Benefit duration*

As long as the eligibility conditions hold during the calendar year of 2023.

4.1.4. *Means test*

The benefit amount is inversely proportional to the total gross annual family income gained during the previous year as described in Section 4.1.2. The gross annual income earned during the previous calendar year, i.e. the year before the year of the payment of the benefit, includes gross income received by all members of the family from work, employment, self-employment, pensions, rents, dividends, interest on deposits / securities / bonds in Cyprus and / or abroad. Also, the Minimum Guaranteed Income, any Public Assistance granted by the Social Welfare Services, or any other benefit granted by any government agency, such as unemployment benefit, sickness benefit, maternity benefit, child birth grant, etc., should be taken into account.

In the model, all calculations are done based on current income. It is assumed that a person first applies to child benefit and only then to GMI. Hence, GMI is not included in the means test for child benefit. However, child benefit is included in the means test for GMI.

4.1.5. *Tax treatment*

The benefit is not taxable.

4.1.6. *Interaction with other components of the tax-benefit system*

Child benefit does not affect the individual's tax base. However, it is included in the means-test for calculating GMI.

4.1.7. *Combining benefit receipt and employment/starting a new job*

The benefit can be combined with employment as long as the means test is satisfied.

4.1.8. *Indexation*

The child benefit is increased by the indexation rate. In 2023, the child benefit was increased by 13.68%, compared to the amounts as stated in the legislation.

4.2. *Single parent benefit (Επίδομα μονογονεϊκής οικογένειας)*

Variable name: [\[LPB\]](#)

This is a non-contributory benefit, means-tested and not taxable.

4.2.1. *Eligibility conditions*

The Single Parent Benefit is provided to a single parent family with respect to dependent children.

The term dependent children is defined as children:

- Up to 18 years of age
- Aged up to 20 years if they are attending a secondary education school
- Aged up to 21 years if they serve in the National Guard
- Irrespective of age, children who lack a permanent capacity to support themselves.

Single parent family means a family where a lone parent, without a spouse/companion, lives with at least one dependent child, either from marriage or out of wedlock and lives alone because he/she is single, widowed, divorced or because one of the parents is declared by the court as a missing person.

Eligibility criteria for the Single Parent Benefit include:

- The family is allowed to child benefit.
- The family does not own assets (including immovable and movable property, deposits, etc.) in excess of EUR 1.2 million in current prices (*not simulated*). The value of any possible alienation of assets that took place within 24 months prior to the application submission date, is also included in the calculation of the total value.
- The family's gross annual income for the previous year does not exceed EUR 49 000 (*in the model, current income is tested*).
- The family has legal and continues residence in the Republic of Cyprus for at least five years prior to the application for Single Parent Benefit (*assumed to hold*).

4.2.2. Benefit amount

The table shows the benefit amounts as defined in the legislation. The benefit is paid monthly.

Gross Family Income (EUR per year)	Single parent benefit (EUR per child per month)
Up to 39 000	180
39 000.01 to 49 000	160

4.2.3. Benefit duration

For as long as the single parent has eligible children and is living alone, without a spouse/companion/a person living together during the calendar year 2023.

4.2.4. Means test

The benefit amount depends on the total gross annual family income gained during the previous year as described in Section 4.2.2.

The gross annual income earned during the previous calendar year, i.e. the year before the year of the payment of the benefit, includes gross income received by all members of the family from work, employment, self-employment, pensions, rents, dividends, interest on deposits / securities / bonds in Cyprus and / or abroad. Also, the Minimum Guaranteed Income, any Public Assistance granted by the Social Welfare Services, or any other benefit granted by any government agency such as unemployment benefit, sickness benefit, maternity benefit, child birth grant, etc., should be taken into account.

In the model, all calculations are done based on current income. It is assumed that a person first applies to single parent benefit and only then to GMI. Hence, GMI is not included in

the means test for single parent benefit. However, single parent benefit is included in the means test for GMI.

4.2.5. Tax treatment

The benefit is not taxable.

4.2.6. Interaction with other components of the tax-benefit system

Single parent benefit does not affect the individual's tax base. However, it is included in the means test for calculating GMI.

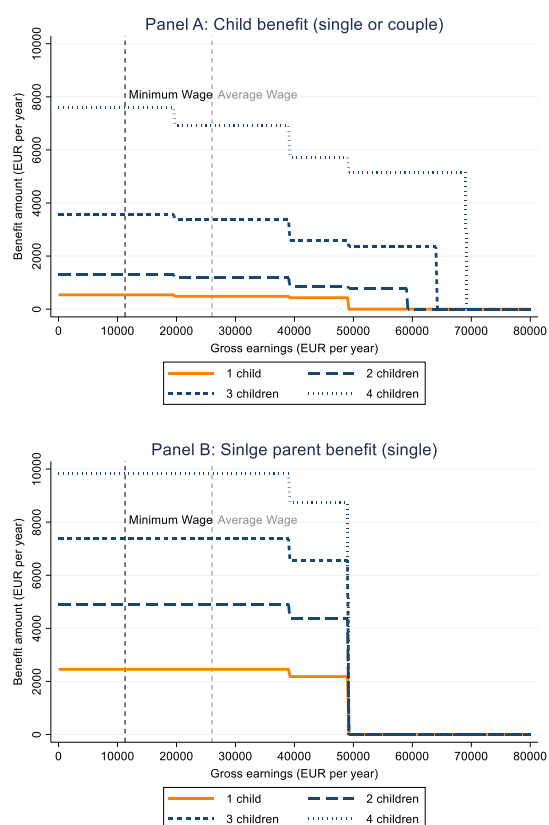
4.2.7. Combining benefit receipt and employment/starting a new job

The benefit can be combined with employment as long as the means test is satisfied.

4.2.8. Indexation

The single parent benefit is increased by the indexation rate. In 2023, it was increased by 13.68%, compared to the amounts as stated in the legislation.

Figure 5. Family benefits
40-year-old single person or couple with children



Note: Children are below 18. Figures show reduction in benefit amount if one adult starts working. The second adult in a couple is assumed to be out of work. Adults do not receive unemployment benefits. In Panel A, the benefit amounts are the same for a single parent and a couple. The means test is based on total household income (not “per capita” income). In Panel B, only single parent is eligible for the benefit.

Source: OECD Tax-Benefit Model.

5. Net costs of Early Childhood Education and Care

Child-care and early childhood education services are provided by the public, non-governmental and private sector. There is no legislative framework covering the fees for the childcare services provided by the non-governmental and private sector in Cyprus. However, the "Private School Law of 2019" regarding the establishment and operation of early childhood education (private kindergartens), gives the authority to the Ministry of Education, Sport and Youth (MOESY), to oblige the owners of the private kindergartens to sign an agreement with the parents, which specifies the fees to be paid throughout their children's enrollment.

There are no legal rules regulating the maximum increase of fees over time, but these are semi-controlled through the implementation of the new Childcare Services Grant Scheme (see Section 5.3. that subsidizes up to 80% of the costs for ECEC for children up to 4 years of age. The new Scheme has been implemented since September 2022 and about 90% of private and community nurseries and kindergartens participate in the Scheme. All of the participants are prohibited from increasing childcare fees more than the set amount that is decided by the Council of Ministers: For 2022 this maximum permitted increase was EUR 10 per month and for 2023 it is set at EUR 15 per month.

Early Childhood Education and Care (ECEC) is organised in separate settings for younger and older children and is provided by different authorities-ministries, accordingly.

- **Childcare services** for children up to 4 years and 8 months include day care centres for pre-school aged children (day nurseries) and childminders. In addition, children of school age (6-13 years) can attend day care centres for school aged children after the closure of schools and during holiday periods. These settings are registered and inspected by the Deputy Ministry of Social Welfare (Social Welfare Services - SWS).
- **Early childhood education** or pre-primary education system (from 3 to 6 years) is provided in kindergartens and inspected by the Ministry of Education, Sport and Youth (MOESY).¹¹

Provision for the children attending childcare services has a childcare as well as educational activity focus, while provision for older children attending kindergartens, has an intentional educational component.

Since September 2004, attendance of pre-primary education for children aged between 4 years and 8 months and 5 years and 8 months became free and obligatory. Since 2018-2019, the mandatory pre-primary education has gradually been increased by 4 months. The starting age of compulsory pre-primary education remained the same (4 years and 8 months), whereas the completion age changed from 5 years and 8 months to 6 years.

The MOESY is responsible to ensure that all children aged between 4 years and 8 months and 6 years old can enrol in a public kindergarten. However, parents may choose to enrol their children in an approved private kindergarten school. Mandatory primary education starts at the age of 6 years.

¹¹ More information is available at: [Directorate of Primary Education \(moec.gov.cy\)](https://moec.gov.cy)

5.1. Gross childcare fees

Variable name: `[CYcc_cost]`

There is no legislative regulation providing for the fees of childcare facilities in private or non-governmental settings. Fees may vary according to the service provided (i.e. full/ part time attendance, type of activities provided, meals), the age of the child, geographical area, etc. Types of childcare services include day care centres for pre-school aged children (day nurseries) and childminders.

Children from 3 to 6 years.

Public Kindergartens

Public kindergartens are established by the MOESY. Pre-primary education is offered freely to children aged **4 years and 8 months to 6 years** who attend public kindergartens. The majority of public kindergartens do not have fees for meals as children bring food (breakfast and snacks) from home.

Younger children aged **3 years to 4 years** can take up vacant places in public kindergartens and pay low fees – a symbolic amount of EUR 42 per child per month. Full fee exception is given to poor families (those receiving GMI on monthly basis). For families with four children or above fees are reduced to EUR 25 per child per month.

Public kindergartens are operating according to formal education timetable, that is 7:30 – 13:05.

All-day optional public kindergartens function on a voluntary basis from October until May, with additional afternoon periods (13:05 - 15:05 or 13:05 - 16:00) five times a week. The expenses for the children's meals provided in all-day optional kindergartens are covered by parents. The monthly fee for the meals is between EUR 50-60.

The demand for enrolment in public kindergartens exceeds the number of places available. Admission is based on the selection criteria laid down by a decision of the Minister of Education, Sport and Youths.¹² Irrespective of age, priority is given to children of special educational needs. For the rest of the children, selection depends on criteria concerning children at risk and socioeconomic deprivation. For example, children under the protection/supervision of the Welfare Office or orphans or poor children, children of a family with many children or a single parent family and Roma children.

Community and private kindergartens

In addition, there are also community and private kindergartens. The attendance fees for community kindergartens MOESY are between EUR 80 and EUR 120 per child per month. For private childcare facilities, the average fees are EUR 290 per child per month for school year 2022-2023.¹³

The MOESY operates 272 public kindergartens (academic year 2022-2023) and subsidies also the operation of community kindergartens (75 kindergartens academic year 2022-2023) which function together with the public kindergartens most of the times and cater mainly for children aged 3 – 4 years and 8 months.

¹² Before 2016, the decision was within the responsibility of the Council of Ministers.

¹³ The average fees for private childcare facilities are based on the data collected by the Department of Primary Education of the Ministry of Education, Sport and Youth for all private kindergartens.

Private childcare is a dominant type of care in Cyprus for 3 to 4 years and 8 months old children (non-compulsory age). *The model assumes the use of private childcare for 3-4 year and 8 month olds (in the model these are children from 3 years old including to 5 years old excluding). 4 year and 8 month old children (in the model these are 5 year old children) are assumed to start compulsory pre-primary education, and thus, are outside the scope of the model.*

Children below 3 years ¹⁴

Children below 3 years can attend day care centres for pre-school aged children, registered and inspected by the SWS, operated by the private sector (for profit and non-profit/NGOs and Local Authorities).

Fees for childcare services in day care centres for pre-school-aged children provided by NGOs and Local Authorities (LAs) tend to be lower than fees for private childcare settings. NGOs and LAs may receive state aid for the operation of such services under a specific State Aid Scheme of the Deputy Ministry of Social Welfare (see below).

According to the administrative data for 2022, in the NGO and LAs facilities, the fees per child per month were set between EUR 80 and EUR 335 depending on hours, location and services offered, as well as the ages of children (e.g. the fees for infants are higher). The average fee for NGO and LAs facilities in 2022 was EUR 173 per month per child. According to the same administrative data, the fees in private childcare centres for 2022 varied from EUR 140 to EUR 520 per child per month, depending on the same factors. The average fee for private childcare centres in 2022 was EUR 287.76 per child per month. *The model assumes the use of private childcare centres for children below 3 years old. In the model for 2023, the average fee of EUR 287.76 per month per child is adjusted upwards by CPI (1.038). In the model, this fee applies to children 1 and 2 years old.¹⁵*

Fees for childcare services provided by Child Minders may vary between EUR 250-350 per child per month. Child Minders provide childcare services at their own residence to a small number of children and according to the latest data there are approximately 61 registered Child Minders. *(This options is not considered in the model).*

Government's priority over the years is the provision of accessible, affordable and quality social care programmes at local level with the involvement of local stakeholders. In this direction, the Ministry of Labour, Welfare and Social Insurance implements the State Aid Scheme, under the Regulation 360/2012, where NGOs and Local Authorities may receive state aid based on certain criteria for the development and functioning of quality social care programmes (i.e. day care centres). In particular, in 2022 an amount of over EUR 3 901 696 million was provided for the funding of 140 programmes covering child care needs (Day Care Centers for pre-school and school-age children including programmes for children with disabilities).

5.1.1. Discounts for part-time usage

Kindergartens

Public kindergartens are operating according to the formal education timetable, that is 7:30-1:05. These kindergartens are always free and do not offer meals. All-day optional public

¹⁴ Estimated fees provided in this section are based on administrative data of the SWS.

¹⁵ Children below 1 year old are outside the scope of the model.

kindergartens function on a voluntary basis. The meal fees are covered by parents. Parents receiving guaranteed minimum income, are exempted.

Information on average costs for part-time attendance in private facilities is not available. *Therefore, this option is not included in the model.*

5.2. Fee discounts and free provision

Pre-primary education is offered freely to children aged 4 years and 8 months to 6 years who attend public kindergartens. Younger children aged 3 to 4 years and 8 months take up vacant places in public kindergartens and pay low fees – a symbolic amount of EUR 42. Full fee exception is given to poor families (those receiving GMI on monthly basis). For families with four children or above fees are reduced to EUR 25 per child per month.

5.2.1. Eligibility

The Ministry of Education, Sport and Youth (MOESY) assessed and reviewed the criteria used to allocate the vacant places to younger children of non-compulsory education (aged 3 to 4 years and 8 months old), in public kindergartens, due to the socioeconomic changes during the last years in Cyprus. According to the revised criteria, priority is given to children at risk and socioeconomic deprivation. For example, some of the new criteria include children under the legal protection of the Director of Social Welfare Services or orphans or poor children whose parents are unemployed, children of a family with many children (four and above) or families with three children or a single parent family as well as children of Roma families.

5.3. Childcare Services Grant Scheme (0-4 years old)

Variable name: `[cc_benefit]`

A targeted (means-tested) subsidy of Child Care Services exists under the Childcare Services Grant Scheme (0-4 years old) that was announced on 13 January 2021 and implemented since September 2022. *In the model this scheme is simulated starting from the policy year 2023.*

The Scheme aims to support families with young children up to 4 years (at the beginning of the school year, they can turn 4 during the school year and still be eligible) through the subsidy of Child Care Services for all families who meet income and property criteria. Beneficiaries may receive a monthly amount, which covers 80% of tuition up to EUR 100-350 per child for the use of quality childcare facilities (nurseries and kindergartens) organized by the private sector or the non-governmental sector (NGO's), including community programs. The provider has to be approved by the social welfare services or by the Ministry of Education, Sports and Youth. The Scheme does not cover afternoon schools/clubs and other similar child employment structures as well as self-employed persons who do not employ any other person or home-based childcare workers/ kindergarten teachers. However, it covers self-employed persons who are employers and maintain a nursery school.

With the introduction of the new Child Care Grant Scheme, the previous childcare benefit under the GMI legislation has been discontinued.

5.3.1. Eligibility

In order to receive the subsidy of Child Care Services, the family must be an approved child benefit beneficiary fulfilling the relevant eligibility conditions of the Child Benefit (see Section 4.1.1). In addition, the income and property criteria of the Scheme should be satisfied for the previous calendar year. (*In the model the income test is performed on current income.*) Eligibility conditions are reassessed for each school year. Parents must have also enrolled their child in any nursery or kindergarten that participates as a provider in the Scheme. A register of providers that have been approved for the Scheme has been published on the website of the Deputy Ministry of Social Welfare.

5.3.2. Benefit amount

The benefit is paid on a monthly basis and covers 80% of tuition up to EUR 100-350 per child per month depending on income, age, family composition and hours of attendance. For family composition, the total number of dependent children in the family is considered (not only the children attending childcare facilities).

To be eligible for the subsidy the child has to be enrolled full time (minimum 30 hours per week). Morning attendance is obligatory. The amount of the benefit is increased by EUR 50 per month (see tables below) if the attendance is beyond 15:30 in the afternoon. Usual working hours for community kindergartens is from 7:00 to 13:30 and for private kindergartens from 7:00 to 17:00 and one of the aims of the scheme is to extend the working hours at least until 17:30 to better accommodate the needs of working parents.

Table 1. The maximum benefit amount (EUR per month per child) for children up to 2 years of age, staying at the school all day and until after 3:30 pm

Income (EUR per year)	Up to 19 500	19 500 – 30 000	30 000-39 000	39 000 – 49 000 *
One child	275	250	-	-
Two children	300	275	250	-
Three children	325	300	275	250
Large families & single parents	350	325	300	275

Table 2: The maximum benefit amount (EUR per month per child) for children aged up to 2 years, staying at the school until 3:30 pm

Income	Up to 19 500	19 500 – 30 000	30 000-39 000	39 000 – 49 000 *
One child	225	200	-	-
Two children	250	225	200	-
Three children	275	250	225	200
Large families & single parents	300	275	250	225

Table 3: The maximum benefit amount (EUR per month per child) for children aged 2 to 4 years, staying at the school all day and until after 3:30 pm

Income	Up to 19 500	19 500 – 30 000	30 000-39 000	39 000 – 49 000 *
One child	175	150	-	-
Two children	200	175	150	-
Three children	225	200	175	150
Large families & single parents	250	225	200	175

Table 4: The maximum benefit amount (EUR per month per child) for children aged 2 to 4 years, staying at the school until 3:30 pm

Income	Up to 19 500	19 500 – 30 000	30 000-39 000	39 000 – 49 000 *
One child	125	100	-	-
Two children	150	125	100	-
Three children	175	150	125	100
Large families & single parents	200	175	150	125

*For large families and families with three children, the income limit of EUR 49 000 is increased by EUR 5 000 for each additional child beyond the first 2 children.

The model assumes that parents who use childcare facilities for 40 hours per week will enroll children for afternoon attendance (staying after 3:30pm). It is assumed that the afternoon attendance is available.

5.3.3. Child care fees

Based on the terms of the scheme announcement, participating providers cannot increase fees for full tuition beyond EUR 10 per month in 2022 over the amounts they charged for the same services in the previous school year. In 2023, the maximum increase is EUR 15 per month.

In addition, providers are required to adhere to a uniform pricing policy for all parents, i.e. they cannot charge a different price for Scheme beneficiaries and a different price for other parents. At the end of each month and after the provider has confirmed through the online platform that the child has attended, the corresponding amount will be paid directly to the kindergarten/nursery school and the parent will be informed.

5.3.4. Benefit duration

The subsidy is provided for children up to 4 years old (at the beginning of the school year) based on the child's age on 31 August 2022 and if the criteria are met that date, then the monthly subsidy is approved for the whole year, regardless of whether during the school period this child reaches the age of 4 years. The total budget for the scheme is EUR 48 millions with EUR 27 millions co-funded for the period 2022-2025 by the ESF+. The scheme is implemented since September 2022 with 7 710 children-recipients, which corresponds to 49% of the possible beneficiaries.

5.3.5. Means test

In line with child benefit means test (see Section 4.1.4).

5.3.6. Tax treatment

Benefit is not taxable.

5.3.7. Interaction with other benefits

There is no interaction with other benefits, other than for the claimant to be an approved Child Benefit beneficiary for the previous year.

5.3.8. Combining benefit receipt and employment/starting a new job

The benefit can be combined with employment. There is no formal requirement for parents to work to be eligible for the benefit. The main objective of the Scheme is to offer equal opportunities of quality ECEC to all children.

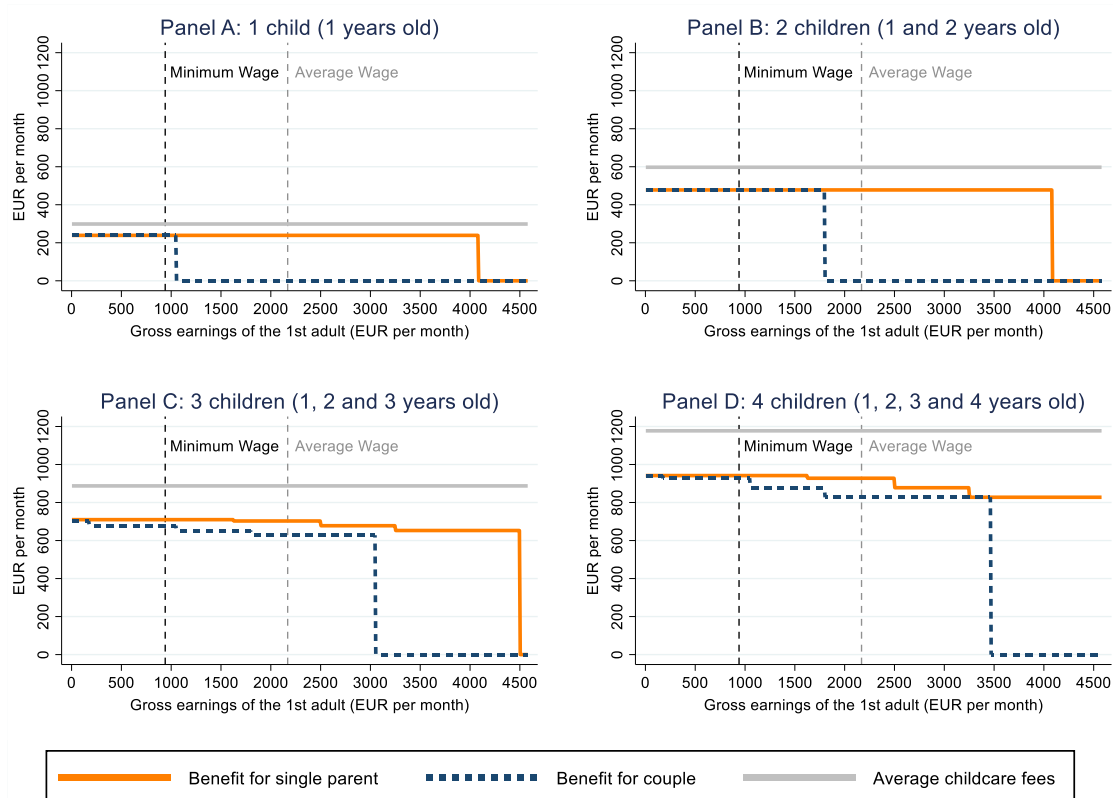
5.4. Child care allowance for children not using child care centers

None.

5.5. Tax concessions for childcare expenditures

None.

Figure 6. Childcare benefit
40-year-old single person or couple with children



Note: Results assume that the family satisfies eligibility criteria for child benefit. Children are 1, 2, 3 and 4 years old. Figures show reduction in childcare benefit amount if earnings of the first adult are increasing. The second adult in a couple is assumed to work full-time at 67% of average wage. Parents are using private childcare facilities full-time for all children and apply for childcare grant for afternoon attendance (which is higher than the grant for morning attendance). The figures show average monthly fees in private childcare facilities.

Source: OECD Tax-Benefit Model.

6. In-work benefits

OECD note: This section provides information on employment-conditional (“in-work”) benefits for employees, i.e. benefits whose eligibility is conditional on the following key requirements: 1) being regularly employed (in either the private or public sector); 2) working a certain number of hours and/or earning more than a certain minimum. This definition notably excludes ‘workfare’ programmes and related ‘work-first’ policies that make out-of-work benefits conditional on participation in work activities.

This section provides information also on *one-off* and/or *temporary* payments for benefit recipients who are out of work and make a transition into employment. These type of benefits are referred to as *transitional “into-work” benefits* in order to differentiate them from the “regular” in-work benefits that do not have any predefined maximum duration after moving into work.

Based on this definition, Cyprus does not have an “in-work” or “into-work” benefit programmes.

7. Social security contributions and payroll taxes

7.1. *Employee social security contributions* (Ύψος εισφορών που καταβάλλεται στο Ταμείο Κοινωνικών Ασφαλίσεων από το μισθωτό)

Variable names: [SC_p; SC_s]

Employees pay compulsory contributions to the Social Insurance Fund where each employee contributes 8.3% on his/her insurable earnings¹⁶.

Since 2019, employees also have to contribute to the General Health System (Γενικό Σύστημα Υγείας).¹⁷

In the first stage (from 1 March 2019 to 28 February 2020), the scheme covered only out-of-hospital care and employees contributed 1.7% of their earnings. *In the model, this rate is simulated for policy year 2020 because the policy reference date is 1 January.*

In the second stage (from 1 March 2020 onwards), the system also includes hospital care, and contributions for employees increased to 2.65%. *In the model this rate is simulated from policy year 2021 onwards.*

The total maximum annual amount on which contributions are paid is EUR 180 000.

7.2. *Employer social security contributions* (Ύψος εισφορών που καταβάλλεται στο Ταμείο Κοινωνικών Ασφαλίσεων από τον εργοδότη)

Variable name: [SSCR_p; SSCR_s]

The Employer is obliged by Law to contribute to the following funds:

¹⁶ Insurable earnings: gross earnings up to a ceiling of EUR 5 005 per month or EUR 60 060 per year for 2023.

¹⁷ More information:

https://www.gesy.org.cy/sites/Sites?d=Desktop&locale=en_US&lookuphost=/en-us/&lookuppage=hiofinancing

- The Social Insurance Fund: The employer contributes 8.3% on the insurable earnings of the employee to the Social Security Fund.¹⁸
- Redundancy Fund: 1.2% on gross earnings.

Since 2019, employers also have to contribute to the General Health System.

In the first stage (from 1 March 2019 to 28 February 2020), employers contributed 1.85% of employees' earnings. *In the model, this rate is simulated for policy year 2020 because the policy reference date is 1 January.*

In the second stage (from 1 March 2020 onwards), contributions for employers increased to 2.90%. *In the model this rate is simulated from policy year 2021 onwards.*

The total maximum annual amount on which contributions are paid is EUR 180 000.

7.3. Payroll taxes (Εισφορές εργοδοτών σε άλλα ταμεία)

Variable names: `[SSCR_p; SSCR_s]`

The following two funds fall under the description of Payroll Taxes:

- Social Cohesion Fund: According to the law, employers are obliged to contribute 2% on the employee's earnings.
- Industrial Training Fund: The employer contributes 0.5% on the employee's earnings.

8. Taxes

The income tax system of Cyprus refers to the income of each person individually and not to the total income of the family as a whole. Thus, every person that has income is taxed individually.

8.1. Personal income tax (Φόρος εισοδήματος)

Variable name: `[IT_p; IT_s]`

8.1.1. Tax allowances

There are no tax allowances in Cyprus, but there is a zero income tax bracket (see Section 8.1.3.).

8.1.2. Tax base

The tax base is derived by subtracting employee social insurance contributions from gross income.

8.1.3. Income tax schedule

The income tax schedule for the year 2023 is presented below:

¹⁸ In the Public Sector organizations (central government, semi-government organizations and local administration), the employer contributes 12.4% on the employee's insurable earnings in relation to 4.2% contributed by the employee for employees covered by occupational pension schemes. This is not simulated in the model.

Taxable Income (EUR per year)	Income tax (%)
0 to 19 500	0
19 500 to 28 000	20
28 000 to 36 300	25
36 300 to 60 000	30
Over 60 000	35

8.1.4. Tax credits

The only tax credit is the tax credit for trade union subscriptions. It is not simulated.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Cyprus 2023. TaxBEN by default produces the following output: net household incomes (**black line**) and its subcomponents (**coloured stacked areas**) for selected family and individual circumstances.

The model and the related web calculator is accessible from the [project website](#). The figure shows outputs for four scenarios:

- By percentage of the average wage (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas shows the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT** = income tax; **FB** = family benefits; **HB** = housing benefits; **SA** = social assistance; **IW** = in-work benefits. Note that each component may contain more than one benefit or tax.

Results refer to a two-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Figure 7. Selected output from the OECD tax-benefit model

40-year-old couple with two children



Notes: In Panel A, the first adult is employed full-time and full-year. The second adult is out of work and not eligible for unemployment benefits, e.g. because they have expired (the same is assumed for the first adult when earnings are zero). In Panels B to D, the first adult is out of work and claiming unemployment benefits, whereas the second adult is out of work and not eligible to unemployment benefits. Previous earnings of the first adult equal to the Average Wage. In Panels B and C, the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. Panels C and D refer to the 2nd month of unemployment benefit receipt.

Source: OECD Tax-Benefit Model.

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Cyprus that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

GMI subsidy for municipal and other taxes (*Επιχορήγηση ΕΕΕ για κάλυψη Δημοτικών ή Άλλων Παρόμοιων Τελών*)

All GMI beneficiaries are entitled to an additional subsidy to cover for the cost of some municipal taxes. This subsidy is provided only after the taxes have been paid for to the relevant authority, and under the condition that any discount offered by the relevant authority, has been claimed by the beneficiary.

The municipal taxes that can be claimed under the above provisions are:

- Sewer rates imposed by the sewer board on the value of the property
- Garbage collection charge by the local authorities
- Municipal tax for main place of residence.

These taxes are not simulated in the model.

GMI supplement for extraordinary needs (*Επιχορήγηση ΕΕΕ για κάλυψη Έκτακτων Αναγκών*)

In certain cases, additional assistance can be provided to GMI beneficiaries, when they are faced with emergency, extraordinary or unforeseeable expenses. Such expenses may include emergency repairs to the house due to a disaster, replacement of furniture or appliances under certain circumstances and other similar extraordinary expenses.

GMI supplement for care and assistance (*Επιχορήγηση ΕΕΕ για κάλυψη αναγκών φροντίδας*)

GMI beneficiaries who are in need of short- or long-term care and assistance are provided with either in kind services or a cash reimbursement of the cost for acquiring the service. Care services may include home care, day care and residential care, and they may be provided by the governmental, non-governmental or private sector.

Home care covers an extensive range of care services which include personal and household care. To cover the needs of home care either by an approved physical and/or legal entity, or by a Domestic Worker, the maximum amount of the subsidy is EUR 400 per month per family unit. For extraordinary and justified cases a higher amount can be covered, for instance, when additional care attendants are required.

For persons with disabilities the amounts granted are EUR 100-400 according to their needs. For persons aged 80 years old and above the amount for home care is EUR 200-400.

Day care is provided by approved adult centres which serve elderly people and people with disabilities during the day and which may be operated by physical and/or legal entities (NGOs, Local Authorities, private sector). Day-care service providers look after people for a number of hours during the day and they provide them with - amongst other things - care services, meals, creative activities and entertainment. It is more flexible and enhances the

service provided both to the people themselves, contributing to their social inclusion, and to working members of their family who are burdened with their care. The State may pay a monthly cash benefit of up to EUR 137 for day care provided by approved physical and/or legal entities. In some cases, the transportation/accompanying costs are also covered.

Residential care: covers 24-hour care, where the person requires continuous support and their needs cannot be covered by family members or other supportive services in their environment. The State may pay monthly cash benefit for residential care provided by approved physical and/or legal entities. Cash benefits correspond to EUR 745 (without VAT) per month depending on the care needs of the beneficiary (e.g. bedridden, mobility difficulties or not).

In all cases where care is provided, a recipient's income from whatever source is taken into account when estimating his/her supplementary entitlements in either cash or in kind benefits.

Student grant (Φοιτητική χορηγία)

Students studying in recognized tertiary education institutions in Cyprus or abroad are entitled to a student grant. The student grant is paid annually to the family, for each eligible student, according to the following table:

Family Income (EUR per year)	Annual Student Grant (EUR per year)	Additional Grant for institutions with fees (EUR per year)	Additional Grant for families with 3 or more children (EUR per year)
Up to 39 000	1 710	855	855
39 000.01 to 49 000	1 580	790	790
49 000.01 to 59 000	1 450	725	725
Over 59 000	1 450	725	725

Honorary Allowance for a mother who raised 4+ children (Τιμητικό Επίδομα Πολύτεκνης Μάνας)

The Honorary Allowance for a mother who raised four or more children is granted to mothers who no longer have any of their children as dependents because all of them are either over the age of 24 or married. Therefore, any mother that has raised 4 or more children, after she is no longer entitled to the Child Benefit or Minimum Guaranteed Income for any of their children, starts receiving this honorary mothers entitlement for the rest of her life, provided they meet the residency requirements and fall within the income criteria of the Scheme in question. The amount of the allowance is inversely proportional to the amount of income. Note that, income criteria refer to gross income.

The amount of the allowance is determined based on income criteria as follows:

- EUR 450 per year, for those who have an annual income of up to EUR 10 323 for a single person or up to EUR 15 485 in the case of a couple.
- EUR 300 per year, for those who have an annual income from EUR 10 324 to EUR 13 000 for a single person or from EUR 15 486 to EUR 19 500 in the case of a couple, and
- EUR 250 per year, for those who have an annual income from EUR 13 001 to EUR 32 667 for a single person or from EUR 19 501 to EUR 49 000 in the case of a couple.

This benefit is not included in the TaxBEN calculations because the model only includes children under 18 living in the same household as their parents (or the sole parent).

WWII Veteran benefit (Κατά Χάριν Μηνιαίο Χορήγημα σε Βετεράνο Αγωνιστή του Β Παγκοσμίου Πολέμου)

This monthly benefit is granted based on a decision of the Council of Ministers. The benefit is granted to the Veteran or his/her widow.

Maternity allowance (επίδομα μητρότητας)

Entitlement and eligibility conditions

Maternity allowance is paid to insured employees, self-employed and voluntarily insured women working for a Cypriot employer overseas who are expecting a child or who, with their husband, have adopted a child, for the first 12 years after the child's birth or who have got a child through surrogacy.

The conditions for the payment of maternity allowance are:

- to have actual insurance equal to at least 0.50 insurance points 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 insurance points in the relevant contribution year.

Benefit amounts

	Basic benefit	Supplementary benefit
	% of the weekly value of the insurance points of the basic insurance during the relevant contribution year	% of the weekly value of the insurance points of the basic insurance during the relevant contribution year
Applicant	72%	72%
Dependent member: 1	80%	-
Dependent members: 2	90%	-
Dependent members: 3	100%	-

Benefit duration

Maternity allowance is paid to natural mothers for a period of 18 weeks starting between the ninth and second weeks before the week of the expected birth. In the case of a second or subsequent child, the maternity allowance is extended by 4 or 8 weeks. In the case of multiple births, the maternity allowance is extended by 4 more weeks for the second and subsequent child.

If the infant is treated in an incubator because of premature birth or receives treatment because of another health problem, the maternity benefit may be extended by an additional week for each 21 days of treatment for a maximum of 6 weeks.

Adoptive mothers receive the allowance for 16 weeks from the week of the adoption if the child is less than 12 years old.

Surrogate mothers receive the allowance for 14 weeks starting 2 weeks before the expected week of confinement. The maternity allowance cannot be extended for surrogate mothers.

Means test

The benefit is not means-tested.

Tax treatment

The benefit is not taxable.

Interactions with other components of the tax-benefit system

If an insured person is entitled to Maternity allowance as well as to another periodical benefit out of the Social Insurance Fund during the same period, he/she is paid the benefit with the higher rate. This does not apply in case of widow's/widower's pension or missing person's allowance. In this case the insured person is paid both benefits for the same period and the increase for dependants is payable only to the benefit where the increase for dependants is at a higher rate.

Combining benefit receipt and employment/starting a new job

The maternity benefit is not paid if the person concerned receives their full remuneration during the period in which maternity allowance is granted. If they receive a reduced remuneration, the sum of that remuneration and the allowance must not exceed the full wage.

Paternity allowance (επίδομα πατρότητας)*Entitlement and eligibility conditions*

Paternity allowance is paid to all insured employees and self-employed as well as voluntarily insured men working for a Cypriot employer overseas, who had a child or adopted a child or got a child through surrogacy.

The conditions for the payment of paternity allowance are:

- to have actual insurance equal to at least 0.50 insurance points 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 insurance points in the relevant contribution year

Benefit amounts

	Basic benefit	Supplementary benefit
	% of the weekly value of the insurance points of the basic insurance during the relevant contribution year	% of the weekly value of the insurance points of the basic insurance during the relevant contribution year
Applicant	72%	72%
Dependent member: 1	80%	-
Dependent members: 2	90%	-
Dependent members: 3	100%	-

Benefit duration

The benefit is paid for a period of 2 consecutive weeks within the time period beginning the week of the child's birth/adoption and ending after two weeks from the end date of the maternity leave period. In the event of the mother's death before or during childbirth or

during maternity leave, the paternity allowance is increased by as many weeks as the remaining weeks of maternity benefit to which the mother would have been entitled, for the purposes of taking care of the child. Adoptive fathers receive the allowance for a period of 2 consecutive weeks between the week of adoption and the following 16 weeks.

Means test

The benefit is not means-tested.

Tax treatment

The benefit is not taxable.

Interactions with other components of the tax-benefit system

If an insured person is entitled to paternity allowance as well as to another periodical benefit out of the Social Insurance Fund during the same period, he/she is paid the benefit with the higher rate. This does not apply in case of widow's/widower's pension or missing person's allowance. In this case the insured person is paid both benefits for the same period and the increase for dependants is payable only to the benefit where the increase for dependants is at a higher rate.

Combining benefit receipt and employment/starting a new job

The paternity benefit is not paid if the person concerned receives their full remuneration during the period in which paternity allowance is granted. If they receive a reduced remuneration, the sum of that remuneration and the allowance must not exceed the full wage.

Birth Grant (βοήθημα τοκετού)

Entitlement and eligibility conditions

A lump sum is paid to the mother if she or her husband are insured for the birth of a live child or a stillbirth after a pregnancy of at least 28 weeks.

The conditions for the payment of birth grant are either for the mother or her husband to meet the below insurance conditions:

- to have actual insurance equal to at least 0.50 insurance points 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 insurance points in the relevant contribution year.

Benefit amounts

In 2023, the benefit is a lump sum of EUR 600.48 per child.

Benefit duration

Lump sum

Means test

The benefit is not means-tested.

Tax treatment

The benefit is not taxable.

Interactions with other components of the tax-benefit system

None

Combining benefit receipt and employment/starting a new job

None

Parental leave allowance (επίδομα γονικής άδειας)

Entitlement and eligibility conditions

Parental leave allowance is paid to insured employed parents who are on parental leave.

In addition, for parental leave allowance the claimant must also:

- have been employed for a period of twelve months within the twenty-four month period preceding the start date of the period for which they are applying for parental leave allowance
- have completed six months of continuous employment with the same employer.

Benefit amounts

Basic benefit	Supplementary benefit
72% of the weekly value of the insurance points of the basic insurance during the relevant contribution year	60% of the weekly value of the insurance points of the supplementary insurance during the relevant contribution year

Benefit duration

The benefit is paid for a maximum of 6 weeks to each parent for each child.

The parental leave allowance can be taken from a minimum of one day and a maximum period is as follows:

- from 16 December 2022 - 31 December 2023 - three weeks a year
- from 1 January 2024 - 31 December 2024 - four weeks a year
- from 1 January 2025 - five weeks a year

The benefit is paid in the period between the end of maternity/paternity leave until the child reaches the age of 8 years old or in the case of a child with disability until the age of 18 years old.

In the case of a child with a disability, the duration of parental leave allowance is extended four weeks provided that the child has been certified by the Disability Assessment System of the Department of Social Integration of Persons with Disabilities, as a person with a severe disability or with a moderate mental disability.

Means test

The benefit is not means-tested.

Tax treatment

The benefit is not taxable.

Interactions with other components of the tax-benefit system

If an insured person is entitled to parental leave allowance as well as to another periodical benefit out of the Social Insurance Fund during the same period, he/she is paid the benefit with the higher rate. This does not apply in case of widow's/widower's pension or missing person's allowance. In this case the insured person is paid both benefits for the same period and the increase for dependants is payable only to the benefit where the increase for dependants is at a higher rate.

Combining benefit receipt and employment/starting a new job

The parental leave allowance is not paid if the person concerned receives their full remuneration during the period in which parental leave allowance is granted. If they receive a reduced remuneration, the sum of that remuneration and the allowance must not exceed the full wage.