



National Health Insurance System ("NHIS")

Introduction

The National Health Insurance System ("NHIS") Law is introduced in 2019 and transforms the existing public health care system. Patients will have the freedom to choose their health care provider, from the private as well as the public health care sector, from those providers registered with the Health Insurance Organization ("HIO").

The NHIS is a national healthcare system, financed mainly through compulsory contributions of employees, employers, self-employed persons, pensioners, persons earning other types of income and the government.

Who can benefit from the NHIS

The beneficiaries for participation in NHIS, as defined in the relevant legislation, are listed below:

1. a citizen of Cyprus
2. a European Union citizen who is employed or self-employed in Cyprus or who retains such status or has acquired the right of permanent residence in Cyprus
3. a third-country citizen who has legally acquired his/her right of permanent residence in the areas controlled by the Republic of Cyprus
4. a third-country citizen who has acquired a legitimate right for equal treatment in the area of social security
5. a recognized refugee or person with a supplementary protection status
6. members of the families of the persons specified in paragraphs 1,2 and 4 above
7. members of the families of the persons defined in paragraph 3 above and who have legally acquired the right of permanent residence in the areas controlled by the Republic of Cyprus
8. any citizen of Cyprus who has his habitual residence in the territory of the Sovereign British Sovereign base areas in Cyprus and any member of their family

'Member of the family' means a spouse, children under the age of 21 as well as children over the age of 21 who are dependent on that person.

Payment of NHIS

According to the NHIS, employer and employee contributions for the implementation of the system started from 1 March 2019 and increased from 1 March 2020 as per table below:

Category	Apply on	As from 1 March 2019	As from 1 March 2020
(i) Employees	Own emoluments	1,70%	2,65%
(ii) Employers	Employees' emoluments	1,85%	2,90%
(iii) Self-employed	Own income	2,55%	4,00%
(iv) Pensioners	Pension	1,70%	2,65%
(v) Persons holding office*	Officers' remuneration	1,85%	2,90%
(vi) Republic of Cyprus or Physical/Legal person responsible for the remuneration of persons holding an office	Officers' remuneration	1,85%	2,90%
(vii) Persons earning rental, interest, dividend and other income	Rental, Interest, Dividend income etc.	1,70%	2,65%
(viii) Republic's Consolidated Fund	Emoluments/Pensions of persons (i), (iii), (iv) and (v)	1,65%	4,70%

* Relates to holders of public or local authority office or other office, the income out of which does not come within the scope of (i) employees, (iii) self-employed, (iv) pensioners, (vii) persons earning rental, interest, dividend and other income.

Applicability of NHIS on various sources of income

Category of income	Cyprus Tax Resident (domiciled and non-domiciled)	Non-Cyprus Tax Resident
Salary sourced in the Republic	√	√
Salary sourced outside the Republic	√	X
Benefits in Kind or other earnings (sourced in the Republic) not falling under the definition of insurable earnings under the Social Insurance Law	√	√
Benefits in Kind or other earnings (sourced outside the Republic) not falling under the definition of insurable earnings under the Social Insurance Law	√	X
Income earned from self-employment activity in Cyprus	√	√
Income earned from self-employment activity outside Cyprus	√	X
Income earned in the capacity of a person's office sourced in Cyprus	√	√
Income earned in the capacity of a person's office sourced outside Cyprus	√	X
Pension sourced from employment in the Republic	√	√
Overseas pension	√	X
Dividend income sourced in Cyprus	√	X
Deemed Dividends as per Special Defence Contribution Law	√	X
Dividend income sourced outside Cyprus	√	X
Rental income from properties in the Republic	√	√
Rental income from overseas properties	√	X
Interest income from deposits held in Cyprus	√	X
Interest income from deposits held outside Cyprus	√	X
Other income subject to withholding tax on the basis of Article 24 of Income Tax Law	Not applicable	√
Amount on consideration in respect of any trade goodwill	√ (goodwill sourced in Cyprus/abroad)	√ (goodwill sourced in Cyprus)
Sources of income not fall under Article 5 of the Income Tax Law, e.g. income from preserved buildings, income (dividends) from shipping companies	Not applicable	Not applicable

Collection of NHIS contributions

Contributor	NHIS Law	Sub-category	Type of income	Contributions' collection Responsibility
Employee & Employer	19 (1) (a)	Employees not at the Republic's service	Earnings as defined by the Social insurance legislation	Social Insurance Services
	19 (1) (b)			The Republic's Treasury Department
Employee & Employer	19 (1) (a)	Employees at the Republic's service	Earnings as defined by the Social insurance legislation	Social Insurance Services
	19 (1) (b)			Department of Taxation under the Provisional declaration (TD.213) and self-assessment (TD.313) process
Self-Employed	19 (1) (c)	Insurable earnings as defined by the Social Insurance legislation	Insurable earnings as defined by the Social Insurance legislation	Social Insurance Services
		Emoluments over the amount of insurable earnings	Income as defined in Article 5.1.a/5.2.a of Income Tax Law (exceeding the amount of insurable earnings as defined by the Social Insurance Law)	Department of Taxation under the Provisional declaration (TD.213) and self-assessment (TD.313) process
Pensioner	19 (1) (d)	Pensioner receiving pension from Social Insurance Services or Social Pension	Pension as defined by Article 5 of the Income Tax Law	Social Insurance Services (deducted at source)
		Pensioner receiving pension from the Republic's Treasury (Πάγιο Ταμείο) (exempt Social Pension)		The Republic's Treasury Department (deducted at source)
		Pensioner receiving pension from a natural or legal person or a Fund in the Republic		Department of Taxation under the PAYE system (TD.701)
		Pensioner receiving pension from overseas, including persons who are under the provisions of EC 883/2004 and EC 987/2009		Department of Taxation under Provisional declaration (TD.213) and Self-Assessment (TD.313) process
Officer and the Republic or persons responsible for the payment of the Officer's emoluments	19 (1) (e)	Officer, the emoluments of whom are paid by the Republic	Earnings as defined by Articles 5.1.b and 5.2.b of the Income Tax Law	The Republic's Treasury Department Social Insurance Services (deducted at source)
	19 (1) (f)	Officer, the emoluments of whom are paid by persons, other than the Republic		Department of Taxation under the PAYE system

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Officer and the Republic or persons responsible for the payment of the Officer's emoluments	19 (1) (e)	Officer, the emoluments of whom are paid by the Republic	Earnings as defined by Articles 5.1.b and 5.2.b of the Income Tax Law	The Republic's Treasury Department Social Insurance Services (deducted at source)
	19 (1) (f)	Officer, the emoluments of whom are paid by persons, other than the Republic		Department of Taxation under the PAYE system
Persons receiving other Income	19 (1) (g)	Benefits from employed services that do not fall under the definition of earnings under the Social Insurance legislation	Income from sources as defined by Articles 5.1.b, 5.1.g, 5.2.b and 5.2.g of the Income Tax Law that do not fall under the definition of earnings under the Social Insurance legislation	Department of Taxation under the PAYE system
		Income of Cyprus tax resident from employment outside the Republic (with a non-Cyprus tax resident employer)	Income from sources as defined in Articles 5.1.b and 5.1.g of the Income Tax Law	Department of Taxation under the Provisional (TD.213) and Self-Assessment (TD.313) process
		Amount or consideration in respect of any trade goodwill	As defined in Articles 5.1.f and 5.2.e of the Income Tax Law	Department of Taxation under the Provisional (TD.213) and Self-Assessment (TD.313) process
		Income of non-Cyprus tax resident from services subject to withholding of income tax subject to Article 24 of the Income Tax Law	As defined in Article 5.2.f of the Income Tax Law	Department of Taxation – Withheld at source (TD.710)
		Interest income of a Cyprus tax resident payable by an individual, Company or the Republic	As defined in Article 5.1.c of the Income Tax Law	Department of Taxation – Withheld at source upon payment (TD.702)
		Other interest income of a Cyprus tax resident, including interest income from overseas		Department of Taxation under Self-Assessment process (on 30/6 and 31/12 every year (TD.712)
		Dividends to a Cyprus tax resident payable by a Cyprus tax resident Company		Department of Taxation – Withheld at source (TD.703)

Contributor	NHIS Law	Sub-category	Type of income	Contributions' collection Responsibility
Persons receiving other Income	19 (1) (g)	Other dividends to a Cyprus tax resident, including those payable by a non-Cyprus tax resident Company	As defined in Article 5.1.c of the Income Tax Law	Department of Taxation under the Self-Assessment process (on 30/6 and 31/12 every year) (TD.713)
		Deemed Dividends to a Cyprus tax resident (deemed to be) payable by a Cyprus tax resident Company or the Republic	As defined in Article 3 of the Special Defence Contribution Law	Department of Taxation under the Self-Assessment process (on Feb 1 st following the date of the Deemed Dividend Declaration) (TD.723)
		Rental income from property situated in and outside the Republic payable to a Cyprus tax resident from a Cyprus Company, partnership, local authority or the Republic	As defined in Article 5.1.e of the Income Tax Law	Department of Taxation – Withheld at source upon payment (TD.714)
		Rental income from property situated in the Republic payable to a non-Cyprus tax resident from a Cyprus Company, partnership, local authority or the Republic	As defined in Article 5.2.d of the Income Tax Law	Department of Taxation – Withheld at source upon payment (TD.714)
		Rental income from property situated in the Republic payable to a Cyprus tax resident or a non-Cyprus tax resident, not subject to withholding of applicable NHIS contributions	As defined in Articles 5.1.e and 5.2.d of the Income Tax Law	Department of Taxation under the Self-Assessment process (on 30/6 and 31/12 every year) (TD.704)
		Rental income from property situated outside the Republic payable to a Cyprus tax resident, not subject to withholding of applicable NHIS contributions	As defined in Articles 5.1.e of the Income Tax Law	Department of Taxation under the Self-Assessment process (on 30/6 and 31/12 every year) (TD.704)

Other practical matters

Description	Application
NHIS contributions on dividends, interest and rent paid to Cyprus tax residents with bob-domicile status	The non-domicile status is not relevant for the purposes of NHIS contributions. NHIS contributions will be applied consistently to Cyprus tax residents
Persons earning salary and dividends from the same entity	NHIS contributions are calculated separately for each type of income up to the point each source of income exceeds €180.000 A physical person contributing in total on incomes exceeding €180.000 has the right of refund of the amount of NHIS contributions over-payment, from the Health Insurance Organization
Persons earning salary from two or more employers	NHIS contributions are calculated separately by each employer up to the point where the employee's remuneration from each employment separately exceeds €180.000 A physical person contributing in total on incomes exceeding €180.000 has the right of refund of the amount of NHIS contributions over-payment from the Health Insurance Organization
NHIS contributions on a person's income sourced in the Republic who holds an A1 or S1 certificate (income insured in other EU member state) and who does not pay any social insurance contributions in Cyprus	NHIS contributions are deducted either in the normal course of PAYE process or under the self-assessment process (if not subject to PAYE regulations)
NHIS contributions on sources of income exempt under Article 8 of the Income Tax Law	Exemptions provided under Article 8 of the Income Tax Law are ignored for the purposes of NHIS contributions
Applicability of 1/6 rule on NHIS contributions	The tax deductibility of NHIS contributions is subject to 1/6 rule
NHIS contributions on Benefits in Kind	NHIS contributions are applied on Benefits in Kind, whether these are treated as insurable earnings (in such case paid to Social Insurance Services) or non-insurable earnings (paid through PAYE)

Let's Talk

We are at your disposal to discuss with you the relevant tax implications of NHIS contributions.

For a deeper discussion of how the above might affect you or your business, please contact:

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