

EUROMOD

COUNTRY REPORT



CYPRUS (CY)

2017-2020

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EUROMOD is a tax-benefit microsimulation model for the European Union (EU) that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole.

EUROMOD has been enlarged to cover 28 Member States and is updated to recent policy systems using data from the European Union Statistics on Income and Living Conditions (EU-SILC) as the input database, supported by DG-EMPL of the European Commission.

The European Commission is in the process of taking over responsibility for carrying out the annual update and release of EUROMOD. The transfer of responsibility is expected to be complete by the end of 2020 and the transition is being facilitated by close cooperation between the University of Essex and the Joint Research Centre (JRC) of the European Commission as well as Eurostat.

This report documents the work done in one annual update for Cyprus. This work was carried out by the EUROMOD core developer team, based in ISER at the University of Essex and at JRC-Seville, in collaboration with a national team.

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The results presented in this report are derived using EUROMOD version I3.0 EUROMOD is continually being improved and the results presented here may not match those that would be obtained with later versions of EUROMOD.

For more information, see: <https://www.euromod.ac.uk>

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1. BASIC INFORMATION

1.1 Basic information about the tax-benefit system

- The Cypriot tax-benefit system is a unified, national system; policy rules do not vary across regions or municipalities.
- The “tax year” starts on the 1st of January of each year and ends on the 31st of December.
- The statutory retirement age is 65 for both males and females, but retirement at the age of 63 is possible under certain conditions and financial disincentives (actuarial reductions in pensions). However, for certain occupations (i.e. police officers, military officers, miners), the statutory retirement age is lower.
- Definitions of benefit units may differ slightly across policies. The most important definition in terms of social policy is that of dependent children. In most cases children are considered to be dependent if they are under the age of 18 years or aged 18-23 years if in military service or in full-time education. Individuals deprived of their subsistence capabilities are considered dependent regardless of age.
- The income tax is calculated on an individual basis (spouses are assessed independently).
- Taxable income is taxed progressively, while corporate profits, dividends and interests are taxed at a flat rate.
- The levels of benefits, pensions as well as wages in the public sector are periodically revised through statutory indexing regimes that take into account inflation and/or cost of living.
- Income for the purpose of means-testing is assessed in annual or monthly basis depending on the context of each policy. Means-testing is based on past income. The definition of income is not uniform, i.e. it varies according to the context of each policy.

1.2 Minimum Wage

Cyprus lacks a national minimum wage as the relevant legislation covers only specific occupations. Specifically, the minimum wage legislation applies only to shop assistants, clerks, child-care workers (assistant baby and child minders), personal care workers (nursing assistants), security guards and cleaners.

The minimum monthly wage upon recruitment is €870, and after the completion of six months of employment in the same employer it increases to €924. The minimum wage

for security guards is set at an hourly rate of €4.90 and is increased to €5.20 upon the completion of a six-month period of employment. The corresponding hourly rates for cleaners are €4.55 and €4.84.

1.3 Social Benefits

The section briefly describes a number of basic (simulated and non-simulated) social benefits, excluding minor benefits which affect small population groups and whose relevance is limited. Specific parametric information (e.g. benefit rates) can be found in section 2.

1.3.1 Contributory insurance-based benefits

Short-term benefits

Unemployment benefit (*ανεργιακό επίδομα*): Unemployment benefit is payable to persons between the ages of 16 and 63 for involuntary unemployment. Period of payment extends to 156 days for each spell of unemployment. The benefit rate is calculated as a proportion of insurable earnings and it is increased for dependent spouses and children. Eligibility is defined on certain contribution conditions, namely the person should (i) have been insured for at least 26 weeks and has paid up to the date of unemployment contributions not lower than 26 times the weekly amount of the basic insurable earnings; and (ii) has paid contributions in the previous contribution year on insurable earnings no less than 20 times the weekly amount of basic insurable earnings. These contribution conditions apply to other insurance-based benefits, too.

Maternity benefit (*επίδομα μητρότητας*): The maternity benefit is a contributory benefit payable to employed and self-employed mothers of new-borns during the maternity leave period. The duration of the benefit is 18 weeks. Adoptive mothers are also covered by the scheme. The eligibility criteria require that the recipient should be on maternity leave and not receiving a full salary from her employer. Furthermore, certain contribution-related conditions should be satisfied. The amount of the benefit is calculated on the basis of the insurable earnings of the recipient. However, the sum of the reduced wage (if any) and the benefit cannot exceed the full wage.

Paternity benefit (*επίδομα πατρότητας*): The paternity benefit is a contributory benefit payable to employed and self-employed married fathers of new-borns during the parental leave period. The duration of the benefit is 2 weeks. The same qualifying conditions apply as for the maternity benefit. The scheme was introduced in August 2017.

Birth grant (*βοήθημα τοκετού*). The birth grant is a lump-sum flat-rate contributory benefit payable to mothers of new-borns. Eligibility is based on mother's or fathers' insurance record.

Special birth grant to unmarried mothers (*ειδικό βοήθημα τοκετού σε άγαμες μητέρες*). The special birth grant is payable to unmarried mothers who are not eligible for the birth grant. The level of the special birth grant is the same as the birth grant.

Parental leave (*γονική άδεια*): The scheme provides to each parent an unpaid leave up to 18 weeks (which can be extended in certain occasions). The leave can be claimed until the child turns the age of 8 (different claiming periods apply for adoptive parents or parents with children with disabilities). During the period of a parental leave, assimilated insurance is credited to the beneficiary.

Other benefits to parents include: the honorary allowance to mothers, allowance to care for disabled children or older relatives and grants for the care of children placed with foster families. There is also a funeral grant.

Sickness Benefit (*επίδομα ασθενείας*): The sickness benefit is payable to persons not capable for work. The payment period cannot exceed 156 days. Eligibility is defined on the basis of the standard contribution conditions (see above). The rate of the benefit is calculated as a proportion of insurable earnings, increased in the presence of dependents.

Orphan Benefit (*επίδομα ορφάνιας*): Orphan benefit is payable to underage¹ children whose parents died, or one parent deceased due to employment accident and the other parent is not entitled to widow pension. Eligibility requires that at least one of the parents is insured. The rate of the benefit is calculated as a proportion of insurable earning, but certain ceilings exist. The benefit is paid until the child satisfies age requirements unless the beneficiary is permanently incapable of working.

Employment injury benefit (*επίδομα σωματικής βλάβης*): This benefit is payable to any employed person who is incapable of work as a result of an employment accident or occupational-related disease. The benefit is payable for up to 12 months from the date of accident/disease. The recipient should be employed on the day he/she had the accident/disease; and, as a result of the injury cannot work and does not receive a full wage for this period. The rate of injury benefit is the same as for the sickness benefit.

Disability benefit (*βοήθημα αναπηρίας*): The disability benefit is payable to employed persons who, as a result of an employment injury, suffered a loss of physical or mental capacity which results to a degree of disability between 10% and 19%.. The benefit takes the form of a lump sum transfer.

¹ Underage child is a child under 15 years old; unmarried son age between 15 and 25 who is under full time education or on military service; unmarried daughter age 15 to 23 who is under full time education and unmarried person independently of age who is permanently incapable for self-supporting.

Pensions

Old age pension (σύνταξη γήρατος): Old age pension is payable to insured persons having completed the pensionable age (65 year of age for employees of the private sector and satisfying all the required contribution conditions. The contribution conditions are complex and have been subject to several law amendments during the last decade). Old age pension has two components: the basic and the supplementary. The basic is calculated as 60% of the average of insurable earnings in the lower band earning increased by 1/3, 1/2 and 2/3 for one, two or three dependants respectively. The supplementary is 1/52 of 1.5% of the total insurable earnings (of the beneficiary in the upper band).

Incapacity pension (σύνταξη ανικανότητας): Invalidity pension is payable to persons who have been incapable for work for at least 156 days and are expected to remain permanently incapable for work. Besides the typical contribution conditions (see other benefits) the claimant should have been insured for at least 156 weeks up to the date of invalidity and the number of insurance points collected the period between 5 October 1964 (or, if he/she reached the age of 16 after 5 October 1964, on the first day of the year in which he/she reached that age) and the week before he/she becomes incapable, is equal to at least 25% of the years included in that period. The level of invalidity pension is calculated similar to old age pension.

Widow/widower pension (σύνταξη χηρείας): Widows' pension is payable to the widow, and under certain conditions to the widower, of a person who until the date of his/her death satisfied the relevant contribution conditions. Widows' pension comprises of a basic and supplementary part. The basic is calculated as a proportion of insurable earnings increased by one third, one half and two thirds for one, two or three dependants respectively.

Disability pension (σύνταξη αναπηρίας): Entitled to disability pension are all employed persons who as a result of a work-related injury suffered a loss of physical or mental capacity resulting to a degree of disability of 20% or more. There are not any insurance conditions that need to be satisfied for granting eligibility. The recipients of the disability pension can receive the disability pension even if they keep working.

Honorary benefit for war veterans (τιμητικό επίδομα βετεράνων πολεμιστών του 1974): This is a means-tested benefit for people who receive old age pension and are war veterans. Due to the Turkish Invasion in 1974 they had served more time at the National Guard - at least more than a month - and/or were war prisoners and/or disabled warriors. The benefit was implemented in June 2018.

1.3.2 Non-contributory social benefits:

GMI (ελάχιστο εγγυημένο εισόδημα): The GMI scheme is a means-tested benefit targeting families with income not enough to cover their basic needs. The benefit is defined as the difference between the basic income and the (actual) family income. The derived amount is supplemented with a housing allowance. The recipient unit is the family, which is defined as couples (or single persons) living with unmarried children up to the age of 28 or children in full time education or in military service. In defining eligibility criteria, movable and immovable property is taken into account.

Child Benefit (επίδομα τέκνου): Child benefit is a non-contributory means-tested benefit paid to all families with children that reside permanently in Cyprus. It consists of a basic part and a supplementary part. The basic part is paid for each child that lives under the same household, while the supplementary part is payable only to families with annual gross income below a certain threshold which is set by the Law.

Students Grant (φοιτητική χορηγία): Student grant is a non-contributory means-tested benefit payable to families with students, irrespectively if the latter study in private or public tertiary institutions. It consists of a basic and a supplementary part. The basic part is a flat amount and the supplementary part depends on income and other criteria.

Social pension (κοινωνική σύνταξη): Social pension provides a minimum pension to elderly persons residing in Cyprus who are not entitled to a contributory pension or other retirement income. Beneficiaries should satisfy the following residence conditions; have resided legally in Cyprus for at least 20 years from the date on which the applicant reached the age of 40; or have resided legally in Cyprus for at least 35 years from the date the applicant reached the age of 18. Social pension is paid at a flat rate to all beneficiaries. The social pension for 2019 is €340.41.

Single parent benefit (επίδομα μονογονιού): Single parent benefit is a non-contributory means-tested benefit that provides income support to single parents provided that are Cypriots, EU citizens or have been residing in Cyprus the last three years. Single parents might unmarried, divorced or widowed and reside with her/his dependent children without a spouse or partner.

Low pension benefit (επίδομα χαμηλοσυνταξιούχου): The low pension benefit is a means-tested non-contributory benefit targeting families with incomes below the poverty limit with at least one person in the family receiving pension. The regulation was introduced in Cyprus on the 1st December of 2009 and was implemented on the 1st March of 2010.

Easter benefit (πασχαλινό επίδομα): The Easter benefit is a means-tested benefit which is given to pensioners with low incomes just before Easter. The benefit introduced in Cyprus on the year 2010 and is voted each year by the Ministry Council.

1.4 Social contributions

Employee social contributions (*ασφαλιστικές εισφορές εργαζομένων*): The compulsory contribution rate for employees amounts to 21.5%, of which 8.3% is paid by the employee, 8.3% by the employer and 4.9% from the Consolidated Fund of the Republic (*Πάγιο Ταμείο της Δημοκρατίας*). In cases of trainees, the employer must additionally pay employee's contribution, that is, a total of 12.6%.

Self-employed social contributions (*ασφαλιστικές εισφορές αυτοτελώς εργαζομένων*): Contribution rate for self-employed amounts to 20.5%, of which 15.6% is paid by the self-employed and 4.9% from the state. The insured earnings of self-employed, that is, the earnings for which their contributions are calculated, are based on their profession. For every professional category there is an obligatory minimum amount of insured earnings. The self-employed is allowed to pay contributions on a higher amount of insured earnings up to the maximum limit of social earnings. If the real income of a self-employed person is lower than the minimum amount of the corresponding professional category then he/she can ask to pay contributions based on his/her real income.

Optionally insured person social contributions (*προαιρετικές ασφαλιστικές εισφορές*): The contribution rate that applies to optionally insured persons working in Cyprus is 18.4%, from which 14% is paid by the optionally insured person and 4.4% by the state. Also, the contribution rate that applies to optionally insured persons working abroad for Cypriot employers is 21.5%, from which 16.6% is paid by the optionally insured person and 4.9% by the state. The amount of insured earnings for which social contribution is paid optionally is chosen by the insured person. However this cannot be higher than the weekly amount of his/her past insured earnings.

Employer social contributions (*ασφαλιστικές εισφορές εργοδοτών*): Employers are obliged to contribute to the following Funds (Social Insurance Fund, Annual Holidays Fund, Redundancy Fund, Human Resource Development and Social Cohesion Fund) for all employees whose earnings exceed €2 per week or €7 per month. For trainees/apprentices the employer has to pay contributions to the Social Insurance Fund even if the employee has no earnings. The liability of the employer for paying contributions to the Social Insurance Fund ceases on the day the employee reaches the pensionable age.

Credited social contributions (*πιστωμένες ασφαλιστικές εισφορές*): Contributions can be credited to insured persons in the following cases: 1) for any period after the age of 16 for which he/she studies full time or attends training courses; 2) for any period he/she receives sickness benefit, unemployment benefit, maternity benefit, physical injury benefit or incapacity pension from the Social Insurance Fund; 3) for any period of declared unemployment or sickness for which the person is not allowed to receive a benefit. In such case the credit period cannot exceed six months.

Provident fund contributions (*ασφαλιστικές εισφορές ταμείων πρόνοιας*): Provident funds provide cash benefits to employed persons in case of termination of employment, permanent incapacity for work, retirement or death and are financed by periodical contributions paid by the employer and the employed persons. The Provident Fund Law sets the general legislative framework but does not specify the rates of contribution/benefits, which are subject to collective agreements between employees and employers.

General health system (*γενικό σύστημα υγείας*): The general health system is a comprehensive and financially sustainable healthcare system aiming at meeting the expectations of Cypriot citizens for equal access to treatment and provision of high quality healthcare. The participation in the GHS is mandatory for all individuals who are resident and have incomes in Cyprus. The main GHS source of financing is contributions. The collection of contributions associated with the implementation of the first phase of GHS started on March 1st, 2019, and for the final implementation on June 1st, 2020.²

1.5 Taxes

Personal Income Tax (*φόρος εισοδήματος*): The personal income tax applies to all Cyprus tax residents for their income accrued or derived from all sources in Cyprus and abroad. Taxable income includes wages and salaries, income from self-employment and business activities, rents and pensions. The social benefits provided in the form of a lump sum or for a short period of time (i.e. sickness benefit) are not included in the tax base.

Special Contributions for defence (*ειδική εισφορά για την άμυνα*): Special contribution for defence is levied on the income from dividends, interest, and the rental income of tax residents (individuals and legal entities). Dividends are taxed at 17%, income from interest at a rate of 30% excluding the interest from corporate bonds (as from 26 June 2019), Cyprus government savings and development bonds, and interest earned by a provident fund, which is taxed at a rate of 3% (other minor exemptions also exist), and finally, income from rents at a rate of 3% (but only 75% of the rental income is subject to the contribution).

Real Property Tax (*φόρος ακίνητης περιουσίας*): Property owners, regardless of whether they reside in Cyprus or not, are liable to pay an annual tax based on the total value of all their immovable property. The real property tax was abolished as of 1st of January 2017.

Value Added Tax (*φόρος προστιθέμενης αξίας*): Value added tax is imposed on the provision of goods and services in Cyprus, on the acquisition of goods from the European

² The final implementation was initially scheduled on March 1st 2020 but has been postponed by three months due to the COVID-19 crisis,

Union and on the importation of goods into Cyprus. In most cases, the VAT is 19%, but there are also reduced rates of VAT of 5% and 9% for several basic goods.

Capital Gains Tax (*φόρος κεφαλαιακών κερδών*): Capital gains (e.g. from selling immovable property) are taxed at a rate of 20%. Individuals may claim several deductions.

Special contribution (*Ειδική εισφορά*): The special contribution is part of the fiscal consolidation measures that were undertaken after 2011. It is imposed on the monthly emoluments of the private and public employees, self-employed and pensioners. The contribution rate is zero below a certain threshold and thereafter increases with the level of emoluments. The special contribution was abolished as of 1st January 2017.

1.6 Covid-19 temporary measures

Following the onset of the Covid-19 pandemic the Cyprus government introduced several schemes in order to provide economic support to the workers and businesses affected. Initially, five such schemes were introduced for the period between March 16th and April 12th of 2020, which were later extended to cover also between April 13th and May 10th of the same year. Additional schemes were subsequently introduced in phases, covering up to the end of the year.

Regarding the schemes that were implemented during the first two phases (March 16th – May 10th), four of those were directed towards the businesses affected and their employees, and a fifth one to the self-employed workers:

- **Special Unemployment Benefit Scheme:** Two variants of this scheme were aimed at businesses that suspended their operations either completely or partially due to COVID-19 and (a subset of) their employees were put on temporary leave (furlough).
- **Special Child-Care-Leave Allowance Scheme:** This was aimed at employees with children under the age of 15 or with disabilities (regardless of age), and whose nature of work did not allow teleworking, or working from home, or working flexible hours. Its introduction was deemed necessary due to the suspension of attendance at schools, nurseries and child-care centres.
- **Special Sick-Leave Allowance Scheme:** This was aimed at employees belonging to vulnerable health groups, whose nature of work did not allow teleworking, or working from home, or working flexible hours.

- **Special Unemployment Benefit Scheme for the Self-employed:** This scheme was aimed at the self-employed who implemented either a complete or partial suspension of their activities.

Under each of the first four schemes employers were relieved of their obligation to pay the salary to their employees who instead received the relevant benefit. Employers were also relieved of paying the relevant social insurance contributions. Under the fifth scheme the beneficiaries received the Special Unemployment Benefit and were also relieved of their obligation to pay the relevant social insurance contribution for the self-employed.

2. SIMULATION OF TAXES AND BENEFITS IN EUROMOD

2.1 Scope of simulation

EUROMOD model simulates a collection of policy instruments (taxes, social benefits and social insurance contributions). The choice between simulating or not an instrument depends on the available information in the dataset. Eligibility rules are not always possible to simulate given the enormous demand of informational input some policies require. A characteristic example is pensions, whose meaningful simulation would require knowing the contribution record of each individual until the pensionable age. Other benefits are built upon complex rules which are only partially simulated by the model. A characteristic example is the GMI benefit, which alongside a basic monetary benefit and a housing allowance provides to recipients to a whole range of other minor in-cash and non-cash benefits, corresponding to recipients' individualised needs (long-term care cash benefits to recipient units with dependent elderly persons, child care benefits and other), which cannot be simulated by the model. In such cases, the simulation of the instrument is partial and should be interpreted as such.

2.1.1 Part simulated tax-benefit components

Some benefits use eligibility information from the data due to lack of information in the data to simulate all eligibility rules. This is the case for the unemployment benefit in Cyprus. Unemployment benefit is only simulated for those with receipt of the benefit in the data and based on their imputed previous earnings.

Table 1: Simulation of benefits in EUROMOD

		2017	2018	2019	2020	Why not fully simulated?
GMI	bsamm_s	S	S	S	S	Lack of information on the particular needs of the recipient.
Low pension benefit	bsaoa_s	S	S	S	S	-
Easter benefit	bsals_s	S	S	S	S	-
Unemployment benefit: From SIF	bunct_s	PS	PS	PS	PS	Not possible to define contribution record and past earnings.
Unemployment: other	bunot	I	I	I	I	No information to define eligibility
Maternity benefit	bma	I	I	I	I	Paid SICs cannot be defined perfectly, no available information
Paternity benefit	-	-	-	-	-	Introduced in 2017, not yet part of input data.
Child benefit	bch_s	S	S	S	S	Relevant income may not be defined exactly
Military service grant	bml	I	I	I	I	Not enough information to define the exact amount of the grant.
Students grant	bedet_s	S	S	S	S	-
Special unempl scheme: Employees	bwkmcse_s	-	-	-	S	Introduced during COVID-related lockdown in 2020.
Special unempl scheme: Self-empl	bwkmcse_s	-	-	-	S	Introduced during COVID-related lockdown in 2020.
Special grant to blind persons	Pdi	I	I	I	I	Eligibility cannot be defined.
Sickness benefit	Bhl	I	I	I	I	Eligibility cannot be defined.
Physical injury benefit	Bhl	I	I	I	I	Eligibility cannot be defined.
Disability pension	Pdi	I	I	I	I	Eligibility cannot be defined.
Disability benefit	Pdi	I	I	I	I	Eligibility cannot be defined.
Widow/widower pension	psuwd	I	I	I	I	Depends on the SICs of the deceased.
Orphan benefit	psuor	I	I	I	I	Eligibility cannot be defined.
Parent pension	psuot	I	I	I	I	Eligibility cannot be defined.
Honorary benefit	-	-	-	-	-	Introduced in 2019, not yet part of input data. Eligibility cannot be defined
Birth grant	bchba_s	S	S	S	S	-
Maternity benefit	bmact_s	S	S	S	S	Eligibility: difficult to define work history
Paternity benefit	bpact_s	-	S	S	S	Eligibility: difficult to define work history
Other benefits for parents	bfamh	I	I	I	I	Eligibility cannot be defined.
Widow pension for public empl.	psuwd	I	I	I	I	Eligibility cannot be defined.
Orphan pension for public employees	psuor	I	I	I	I	Eligibility cannot be defined.
Old age pension	Poa	I	I	I	I	Pension's level depends on the SICs which are not known.
Social pension	poasp	I	I	I	I	Eligibility cannot be simulated
Incapacity pension	Pdi	I	I	I	I	Eligibility cannot be defined.
Single parent benefit	bchlp_s	S	S	S	S	-

Notes: “-”: policy did not exist in that year; “E”: excluded from the model as it is neither included in the micro-data nor simulated; “I”: included in the micro-data but not simulated; “PS” partially simulated as some of its relevant rules are not simulated; “S” simulated although some minor or very specific rules may not be simulate.

Table 2: Simulation of taxes and social contributions in EUROMOD

Social Insurance Contributions (SICs)		2017	2018	2019	2020	Why not fully simulated?
Employee SICs: General	tscee00_s	S	S	S	S	
Employee SICs: Widow and pension fund	tsceepi_s	S	S	S	S	
Employee SICs: General Health System	tsceehl_s	-	-	S	S	
Employer SICs: General	tscer00_s	S	S	S	S	
Employer SICs: Annual Holidays Fund	tscerhe_s	S	S	S	S	Contributors randomly chosen
Employer SICs: Redundancy Fund	tscersv_s	S	S	S	S	
Employer SICs: Human Resources Fund	tscerot_s	S	S	S	S	
Employer SICs: Social Cohesion	tscerir_s	S	S	S	S	
Employer SICs: General Health System	tscerhl_s	-	-	S	S	
Self-employed SICs:	tscse00_s	S	S	S	S	
Self-employed SICs: General Health System	tscsehl_s	-	-	S	S	
Pensioner SICs: General Health System	tscpehl_s	-	-	S	S	
Other Income SICs: General Health System	tscothl_s	-	-	S	S	
State SICs: General	tscgv00_s	S	S	S	S	
State SICs: General Health System	tscgvhl_s	-	-	S	S	
Optionally insured person SICs	-	E	E	E	E	Non-sufficient information available from data
Credited SICs	-	E	E	E	E	Non-sufficient information available from data
Provident-fund contributions	-	E	E	E	E	Non-sufficient information available from data
Special contr. (public employees)	txcpb_s	S	-	-	-	
Special contr. (priv. employees)	txceeps_s	S	-	-	-	
Special contr. (priv. employers)	txcerps_s	S	-	-	-	
Special contr. (self-employed)	txcseps_s	S	-	-	-	
Contribution for public pensions	tpipb_s	S	S	S	S	
Personal Income Tax	tin_s	S	S	S	S	
Corporate income tax		E	E	E	E	Out of scope of the model
Property tax	-	E	E	E	E	No information about the value of property
Special contribution for defence	txc_s	S	S	S	S	No information on legal entities
Value Added Tax	-	E	E	E	E	Out of scope of the model
Excise duties	-	E	E	E	E	Out of scope of the model
Other indirect taxes	-	E	E	E	E	Out of scope of the model
Indirect taxes	-	E	E	E	E	Out of scope of the model

Notes: “-” policy did not exist in that year; “E” policy is *excluded* from the model’s scope as it is neither included in the microdata nor simulated by EUROMOD; “PS” policy is *partially simulated* as some of its relevant rules are not simulated; “S” policy is *simulated* although some minor or very specific rules may not be simulated.

2.2 Order of simulation and interdependencies

The spine structure has remained stable between 2017 and 2020. The order of simulation is: initially, the model simulates social insurance contributions, (note that cuts in public sector employees’ wages and pensions are simulated before SICs). Then, income tax and the special contribution to defence are deducted from income. Thereafter, cash benefits are simulated with the following order: birth grant, child benefit, single parent benefit, student grant and GMI. Finally, we note that the unemployment benefit is switched off (in the baseline scenario) across all years. The following table describes the order in which the main instruments of the Cypriot tax-benefit system are simulated.

Table 3: EUROMOD Spine: order of simulation

Policy	2017	2018	2019	2020	Description of the instrument and main output
<i>payout_cy</i>	On	On	On	On	Cuts in public wages and pensions of public employees ¹
<i>yemcomp_cy</i>	n/a	n/a	n/a	On	Special unemployment benefit scheme for employees (only produces results with the LMA add-on)
<i>ysecomp_cy</i>	n/a	n/a	n/a	On	Special unemployment benefit scheme for self-employed (only produces results with the LMA add-on)
<i>tscee_cy</i>	On	On	On	On	Employee social insurance contributions
<i>tscer_cy</i>	On	On	On	On	Employer social insurance contributions
<i>tscse_cy</i>	On	On	On	On	Self-employed social insurance contributions
<i>tscpe_cy</i>	n/a	n/a	On	On	Pensioner social insurance contributions
<i>tscot_cy</i>	n/a	n/a	On	On	Other income social insurance contributions
<i>tscgv_cy</i>	On	On	On	On	SICs paid by the government
<i>txcbp_cy</i>	Na	Na	Na	Na	Special contribution of public employees
<i>txcps_cy</i>	Na	Na	Na	Na	Special contribution of private sector
<i>txcpe_cy</i>	Na	Na	Na	Na	Special contribution on pensions
<i>tpipb_cy</i>	On	On	On	On	Contribution to government employees pension plan
<i>tin_cy</i>	On	On	On	On	Income Tax
<i>txc_cy</i>	On	On	On	On	Special contribution for defence
<i>bchba_cy</i>	On	On	On	On	Birth grant
<i>bmact_cy</i>	Off	Off	Off	Off	Maternity benefit
<i>bpact_cy</i>	n/a	Off	Off	Off	Paternity benefit
<i>bunct_cy</i>	Off	Off	Off	Off	Unemployment benefit
<i>bch_cy</i>	On	On	On	On	Child benefit
<i>bchlp_cy</i>	On	On	On	On	Single parent benefit
<i>bfamh_cy</i>	On	On	On	On	Correct double counting of family benefits
<i>bedet_cy</i>	On	On	On	On	Student grant
<i>bsa_cy</i>	n/a	n/a	n/a	n/a	Social assistance benefit
<i>bsamm_cy</i>	On	On	On	On	Guaranteed Minimum Income
<i>bsaoa_cy</i>	On	On	On	On	Low Pension benefit
<i>bsals_cy</i>	On	On	On	On	Easter benefit

Notes: A number of policies, which are included into the model but not used in the EUROMOD baseline output, are marked as “switched off”. (1) See Y6 Country report for more information on the wage cut.

2.3 Policy switches

- **FYA (Full Year Adjustments):** The baseline simulation refers to policy rules on 30th June. This switch accounts for policy changes occurred during the year. In particular, the switch takes into account the introduction of social security contributions (SIC) for the General Health System (GHS) on 1st March 2019 and the further increase of GHS-related SIC rates on 1st June 2020. The switch is set to off by default.
- **MWA (Minimum Wage Adjustment):** The switch allows simulating (hypothetical) minimum wage models in policy yem_cy. The switch is set to off by default.
- **PBE (Parental leave benefits):** The switch allows to switch on parental leave related policies not simulated in the baseline: bmacro_cy and bpact_cy. The switch is set to off by default.

2.4 Social benefits

2.4.1 Unemployment benefit/Επίδομα ανεργίας (*bunct_s*)

Table 4: Characteristics of the unemployment benefit

		2017	2018	2019	2020
Eligibility	Contribution period	26 contribution weeks with employment income liable to SIC.			
	Contributed amount	20 times the weekly amount of basic insured earnings (see below).			
	Other conditions	Aged 16-63 (65 if not eligible for old-age pension), not incapable to work, not on leave, no other employment income			
	Eligibility of self-employed	No.			
Payment	Contribution base	Average weekly paid and credited insured earnings (employment income) of the previous contribution year.			
	Basic amount	60% of the contribution base			
	Additional amounts	<u>Supplementary amount</u> in case of: <ul style="list-style-type: none"> • dependent spouse: 20% • dependent child/other dependants up to 2: 10% • 50% of the contribution base that exceeds the basic insured earnings up to the level of the insured earnings. 			

	Floor	No minimum amount.
	Ceiling of the basic amount (€):	60% of <i>basic insurable earnings</i> of:
	<i>in weekly terms:</i>	174.38 174.38 175.11 175.90
	<i>in annual terms:</i>	9,068 9,068 9,106 9,147
Duration	Standard (in months)	156 working days (Sundays are not included, 6 months)
Subject to	Taxes	No.
	SIC	No.

- **Definitions**

The unemployment benefit is payable to insured employees working in Cyprus, or voluntary contributors that work abroad in the services of a Cypriot employer. Insured persons should be between 16 and 63 years old in order to be eligible for the benefit. Yet, the age limit of 63 can be expanded to 65 years old, in case that the applicant is not eligible for old-age pension. Any insured person may apply for unemployment benefit for the days he/she is unemployed, able to work and willing to accept employment. But he/she is not considered to be unemployed:

- 1) When he/she is incapable for work due to sickness;
- 2) On Sundays;
- 3) When he/she is on leave
- 4) The days during which he/she works in any occupation that he/she practiced in addition to his/her usual work and from which he/she receives salary at least equal to 1/12 of the amount of basic insurable earnings.
- 5) On any day for which the employer pays for employee's contributions.

Dependents of the insured person are considered: the spouse, the children aged below 15, unmarried daughter aged 15-23 if she is student, unmarried son age 15-25 if he is student or soldier, unmarried child if he/she is permanently incapable of self-support independently of his/her age, the disabled spouse if he/she is supported by the spouse, the father/mother of the insured person if he/she is incapable of employment and financially supported by him or her and the underage younger brother or sister if he/she is financially supported by the insured person.

- **Eligibility conditions**

The requirements needed for the payment of unemployment benefit are:

- 1) At least 26 weeks must have passed between the day when the person became insured and the day on which he or she became unemployed. During that period, the total amount of insured earnings has to be at least equal to 26 times the weekly amount of the basic insured earnings.
- 2) The applicant has paid³ or been credited⁴ with contributions in previous contributions year⁵. During this period insured earnings should not be lower than 20 times the weekly amount of basic insurable earnings.

In the requirements mentioned above the contributions of the self-employed are not taken into consideration while the contributions of optionally insured persons are taken into consideration only if they are for work abroad with a Cypriot employer.

Notes on Euromod implementation: The model controls for the first condition using a variable on working history. As far as the second is concerned, it uses the employment income.

The benefit is payable for 156 working days in each period of interruption of employment.

Unemployed person who has exhaust his right to unemployment benefit can be allowed to it again if he/she works and pay contributions on earnings that on their total are not less than 26 times the weekly amount of basic insured earnings and at least 26 weeks have passed since the last day that the person received the benefit.

In the case where the unemployed person is above 60 years old and is not allowed to pension from any professional plan, he/she gains the right to unemployment benefit if he/she worked and has paid contributions on earnings that on their total are not less than 26 times the weekly amount of basic insured earnings and at least 13 weeks have passed since the last day that the person received the unemployment benefit.

Notes on Euromod implementation: The above described rules are not simulated in the model.

The applicant loses entitlement of the unemployment benefit for up to six weeks if he/she:

- 1) loses his/her employment by his/her own blame or abandons it without excuse;
- 2) refuses or omit to submit application for proper employment or to accept proper employment offer to him/her;

³ The paid insured earnings are the earnings for which contributions had been paid.

⁴ Every insured person is allowed to be credited with insured earnings for every period of full time education after the age of 16, for the period under military service and for the period for which he/she is receiving sickness benefit, unemployment benefit, maternity benefit, physical injury benefit or incapability pension from the Social Insurance Fund and for the period that he/she is absent from his/her employment with parental leave or leave due to force majeure.

⁵ For the first semester of every year, the previous contributions year is the penultimate calendar year and for the second semester is the last calendar year, i.e. for the first semester of 2006 the previous contributions year is 2004 while for the second semester of 2006 is the 2005.

- 3) fails or neglects to be employed in a suitable job;
- 4) refuse or omits, without excuse, to attend professional training lessons.

Notes on Euromod implementation: Euromod model does not control for these conditions.

- ***Income test***

There is no income test.

- ***Benefit amount***

The amount of the unemployment benefit is calculated on the basis of the weekly mean of paid and credited insured earnings of the insured person during the previous contribution year. The unemployment benefit includes a basic and a supplementary amount. The weekly amount of the basic benefit is equal to 60% of the weekly mean of the insurable earnings (up to the basic insurable amount) during the previous contribution year and increases by 20% for the dependent spouse and by 10% for every child or other dependant⁶ (the maximum number of dependent children/other dependants is 2)⁷. In case that both spouses are eligible to receive unemployment benefits, the increase for dependents is paid only to the spouse that is allowed the highest increase. The weekly amount of the supplementary amount is equal to 50% of the weekly mean of insurable earnings of the beneficiary that exceeds the basic insured earnings, but the complementary amount should not be higher than the weekly amount of basic insured earnings.

In case that the insured person is entitled not only to unemployment benefit but also to other provisions of the Social Insurance Fund, then only the benefit with the higher rate is paid. This rule does not hold if the beneficiaries are entitled to unemployment benefit and widow pension or missing person allowance. In that particular case, both provisions are paid to the person.

Note on Euromod implementation: Dependants other from children of spouse and children of the recipient were not taken into account in the implementation. However, these cases are very rare in practice [see, footnote (9)].

⁶ Other dependents refer to the cases of a) recipient's younger brothers, b) recipient's parent(s) if he/she or they are incapable of work. In both cases a) and b) the dependents should prove that they are financially supported by the recipient.

⁷ The usual definition of dependent child applies.

2.4.2 Child benefit/Επίδομα Τέκνου (*bch_s*)

- **Definitions**

Child benefit is a non-contributory benefit provided to families with dependent children. The benefit is means-tested and is provided to families residing in Cyprus at least for three consecutive years. Starting from 1st January 2018: The residence condition changed from 3 years to 5 years residing in Cyprus. The relevant law defines “dependent children” as the persons aged:

- 1) up to 18 years old,
- 2) up to 19 years old, if they still attend secondary education,
- 3) up to 21 years old, if they are serving in the National Guard.
- 4) regardless of age, if they are permanently deprived of the ability to maintain themselves (e.g. children with disabilities).

The amount of the benefit depends on the number of children and the gross annual family income. It consists of a basic part and a supplementary part. The benefit is paid to the mother or, in absence of the mother, to the father or the person who is in charge of the children in case that both parents are dead. Finally, the child benefit is not taxable.

- **Eligibility conditions**

A family is entitled to the benefit only if their *annual family income* (before taxes) does not exceed:

- €49,000 for families with only one dependent child,
- €59,000 for families with two, three or four dependent children,
- Starting from 1st January 2018: The threshold increases by €5,000 for each additional child for families with three or more children (e.g. the threshold is €64,000 for a family with 3 dependent children and €69,000 for 4 dependent children).

Additionally, a family is not eligible for the benefit if its *total property* (real estate property, shares, bonds, securities and deposits) exceeds €1.2 million.

- **Income test**

Family income is defined as the total annual gross income acquired one year before the year of applying for the benefit and includes wages and salaries of all family members, pensions, capital income, rents and social benefits (including GMI). The child benefit is paid annually and it is not taxable.

- **Benefit amount**

The benefit amount depends on the number of dependent children and the family income as shown in the following Table.

Table 5: Benefit levels for 2017-2020 (annual amounts per child, in EUR)

	Benefit amounts for families with income:			
	up to 19,500	19,500.01 - 39,000	39,000.01 - 49,000	49,000.01 - 59,000*
2017-2019				
Family with 1 child	475.00	425.00	380.00	0.00
with 2 children	570.00	520.00	380.00	345.00
with 3 children	1,045.00	995.00	760.00	690.00
with 4+ children	1,675.00	1,525.00	1,260.00	1,135.00
2020				
Family with 1 child	482.17	431.42	385.74	0.00
with 2 children	578.61	527.85	385.74	350.21
with 3 children	1,060.78	1,010.02	771.48	700.42
with 4+ children	1,700.29	1,548.03	1,279.03	1,152.14

Note: * From 2018, this income threshold increases by €5,000 for each additional child for families with three or more children.

Notes on Euromod implementation: The current income is used for the income-test (instead of the previous year income). The benefit is given to the head of the tax unit. Also, the student grant is considered for the means-testing of the benefit, while the opposite is not true. Social assistance is not included in the income list. The period of residency in Cyprus is not taken into account in the model.

2.4.3 Single parent benefit/Επίδομα μονογονεϊκής οικογένειας (*bsalp_s*)

- **Definitions**

The single parent benefit is a non-contributory means-tested benefit given to single parents with dependent children. Single parent families consist of one parent who cohabits with at least one dependent child. The single parent may be unmarried, widowed or divorced. Eligible recipients should have already applied for the child benefit (meaning that the same definition of dependent children applies to both benefits). The benefit is not taxable.

- **Eligibility conditions**

The recipients should be eligible for the child benefit. The definition of single parent family is as described above. The recipients can be either Cypriots or EU citizens who reside in Cyprus at least for the last three years. Starting from 1st January 2018, the residence condition changed from 3 to 5 years.

- **Income test**

The benefit is means-tested. The gross family income (acquired one year before the application for the benefit) is used. The definition of family income is the same as for the child benefit. The value of the benefit depends on the value of the gross family income.

- **Benefit amount**

Table 6: Benefit levels for 2017-2020 (yearly amounts per child, in EUR)

Family income	2017-2019	2020
0 - 39,000	80	182.72
39,000 - 49,000	60	162.42

Notes on Euromod implementation: The period of residency in Cyprus is not taken into account in the model.

2.4.4 Student grant/Φοιτητική χορηγία (*bedet_s*)

- **Definitions**

Student grant is a means-tested non-contributory benefit aiming at providing income support to families with children in higher education. Responsible for its administration is the Ministry of Education and Culture. The description of the policy rules (2016-2019) is based on the Provision of Student Grant (modifying) Law of 2012⁸ and the State Student Care Law of 2015⁹.

The student grant is given either to student's parents or to any person paying student's expenses. Students should either live in the same household with their parents or, in case that they live separately, they should be financially supported by their parents.

The Law considers the following family units:

- couples with children,
- lone parents (divorced, widowed or unmarried) and their children,
- student whose parents are deceased or missing or he or she (the student) has been abandoned by his/her parents.
- Married student and his/her spouse and his/her child(ren),

The 2015 Law added:

- Divorced, widowed student and his/her child(ren).

⁸ Ο περί Παροχής Φοιτητικής Χορηγίας (Τροποποιητικός) Νόμος του 2012 (Ν. 181(Ι)/2012)

⁹ Ο περί Κρατικής Φοιτητικής Μέριμνας Νόμος του 2015 (Ν. 203(Ι)/2015)

Furthermore, for the purposes of the Law, children are defined as follows:

- children up to 18 years old,
- children up to 19 years old, provided that they attend secondary education,
- children up to 21 years old, provided that they are serving in the National Guard,
- children irrespectively of age who are considered students eligible for receiving the student grant,
- children irrespectively of age who are disable or permanently deprived of the ability to maintain themselves.

- ***Eligibility conditions***

Eligible students should be Cypriot citizens or EU citizens who have their permanent residence in Cyprus (permanent residents are considered those persons who had been staying in Cyprus for at least 30 months the past 3 years before the beginning of their studies). In case that the student is a non-EU citizen, then s/he may be eligible for the grant if at least one of his/her parents has Cypriot or EU citizenship. Furthermore, the recipient should have graduated from a secondary school in Cyprus. The student should be enrolled in a recognized higher education institution. The grant is paid only for the normal duration of studies which may vary across faculties, but the period of payment may be extended in special cases (health reasons). Note that the student grant is not paid to students that:

- attend language learning programmes that are prerequisites for entering to a educational institution;
- attend tertiary foundation certificates or similar courses
- attend distance learning courses or open university courses;
- attend courses as external students and not as normal students;
- are enrolled in PhD programs.

Finally the recipients should satisfy certain asset criteria. In particular, the total value of family immovable and movable property should not exceed 1.2 million EUR.

- ***Income test***

The eligibility and level of the student grant is defined on the basis of the total gross family income of the recipient. Total gross family income (acquired in the year before the 1st of January of the relevant academic year) includes the following components: employment income, pensions, rents, income from interest or dividends, alimonies, the GMI benefit, the public assistance, the child benefit¹⁰, the single parent benefit and other benefits or grants. The following income sources are excluded: income from the employment of children who are full-time students, scholarships or other student benefits

¹⁰ Note that the child benefit was excluded in the definition of family income according to the 2011 Law. The 2015 Law added the child benefit in the definition of family income.

and any disability and chronic diseases benefits or grants who are received by any family member. Income thresholds are presented in the following Tables.

- **Benefit amount**

The student grant consists of a basic and an additional amount. The additional amount is paid to families which either bear the cost of tuition fees or have more than three dependent children (multi-child families). If the student completes her studies during the first semester of the academic year, then the family is allowed to half of the grant. If the case of part-time studies, the grant is paid when the period of studies corresponds to one year of normal studies. The following Table shows the level of the student grant corresponding to each income group for the period 2017-2020.

Table 7: Benefit Rates for 2017-2020 (in EUR)¹¹

Family income	Annual amount per student	Additional amount for tuition payment or for families with more than 3 dependent children
0 - 39,000	1,710	855
39,000.01 - 49,000	1,580	790
49,000.01 - 59,000*	1,450	725

* By 2015, the maximum income threshold increased by 3,000 EUR for each additional child above the second child. Starting from 2019 this amount increased to 5,000 EUR. For example, the maximum income threshold for a three-child family becomes 64,000 EUR.

Note on Euromod implementation: The model cannot fully control for the provisions of the Law. According to the implementation, the grant is attributed to families with dependent children that attend an educational programme that corresponds to the ISCED values 5 or 6. Since it is not possible to control for the payment of fees, the only additional amount simulated is the one for multi-child families. Note also that social assistance is not taken into account in the calculation of family income. Eligibility to students aged 19 and older is furthermore restricted to those without own original income following the assumption that those will be supported by the parents.

2.4.5 Maternity grant/Βοήθημα Τοκετού (bchba_cy)

- **Eligibility conditions**

The birth grant is a contributory benefit paid to the mother of a new-born child (if she or her husband is insured), independently of the category of insurance (employee, self-employed, optionally insured).

¹¹ http://www.moec.gov.cy/ypiresia_foitetikis_merimnas/foitetiki_chorigia.html

The requirements for the payment of the birth grant are:

1. The birth of an alive child or a child born dead after at least 28 weeks of pregnancy;
2. The applicant has to be insured for not less than 26 weeks. The total amount of insured earnings has to be at least equal to 26 times the weekly amount of the basic insured earnings.
3. The applicant has paid or been credited with contributions in the previous contribution year. During this period, the insured earnings should not be lower than 20 times the weekly amount of the basic insurable earnings.

- ***Income test***

No income test applies.

- ***Benefit amount***

The amount of the maternity grant (per child in the case of twins) is equal to:

- €544 for the period 2017-2018
- €546 for 2019
- €548.82 for 2020

Notes on Euromod implementation: this benefit is given to all heads of families with children aged 0 where at least one of the parents has working history at least equal to 6.5 months (26 weeks) and annual earnings equal at least to 20 times the weekly amount of basic insured earnings.

2.4.6 Special maternity grant for unmarried mothers/Ειδικό βοήθημα τοκετού σε άγαμες μητέρες (bchba_cy)

- ***Eligibility conditions***

Women who gave birth and reside in Cyprus for the last 12 consecutive months are entitled to the special maternity grant provided that they are not entitled to the maternity grant from the Social Insurance Services.

- ***Benefit amount***

The amount of the special maternity grant for 2020 is equal to the maternity grant for the same year, i.e., €548.82, and payable upon birth as lump-sum.

Notes on Euromod implementation: The period of residency in Cyprus is not taken into account in the model.

2.4.7 Maternity allowance /Επίδομα μητρότητας, (bmact_s)

- **Definitions**

Maternity benefit is a contributory benefit covering women who are employees, self-employed or voluntarily insured at the service of a Cypriot employer abroad. Adoptive mothers are also covered by the scheme. The duration of the benefit is 18 weeks, but it can be extended to 21 weeks in certain occasions (i.e. due to premature delivery or other health-related issues). The benefit compensates mothers for the loss of income during the period of maternity leave.

- **Eligibility conditions**

Eligible recipients should:

- Be on maternity leave and not receiving a full wage from her employer. In case of reduced wage (possible under certain collective agreements), the sum of reduced wage and the benefit cannot exceed the full wage;
- have paid and/or accumulated social insurance contributions for at least 26 weeks before the week in which their maternity leave begins,
- have paid and /or accumulated contributions up to the date of their maternity benefit of at least 26 times the weekly amount of basic insurable earnings¹² (0.5 insurance points¹³);
- have paid and /or assimilated contributions of at least 20 times the weekly amount of basic insurable earnings (0.39 insurance points) in the previous contribution year. The last two conditions are similar to the eligibility rules of the unemployment insurance benefit.

- **Income test**

There is no income test.

- **Benefit duration**

The duration of the benefit is 18 weeks but it can be extended to 21 in certain occasions (such as premature delivery, other health problems). In case of twins the duration is extended for 4 weeks, and by 8 weeks in case of triplets. In any case, 2 weeks of the duration have to be taken before birth.

- **Benefit amount**

The maternity benefit consists of a basic and a supplementary part calculated on a weekly basis (note that a single payment is credited to the recipient, the distinction between basic

¹² Basic weekly insurable earnings was at €175.90 in 2020.

¹³ One insurance point is equal to 52 times the weekly basic amount (for 2020: € 9,147).

and supplementary serves only in the calculation of the amount as different conditions apply). In particular:

The weekly rate of the basic benefit is equal to 72% of the weekly basic insurable earnings of the last year. This rate increases to 80%, 90% and 100% for one, two or three dependants respectively (maximum three dependants) if the mother is a lone parent or the father is considered a dependent spouse. A spouse is considered dependant if he is neither working nor receiving any other contributory benefit.

The weekly rate of the supplementary part is equal to 72% of average weekly insurable earnings which are exceeding the basic insurable earnings of the last year up to the maximum amount (€1,055 weekly amount in 2020).

- ***Subject to taxes/SIC***

The benefit is not subject to taxes or SICs.

- ***Take up***

There are no data on take-up. However, the take up rate is expected to be very high.

2.4.8 Paternity allowance /Επίδομα πατρότητας (bpact_s)

- ***Definitions***

Paternity benefit is a contributory benefit covering married fathers of newborns who are employees, self-employed or voluntarily insured at the service of a Cypriot employer abroad. Adoptive fathers are also covered by the scheme. The duration of the benefit is 2 weeks. The benefit compensates fathers for the loss of income during the period of paternal leave. The benefit was introduced in August 2017.

- ***Eligibility conditions***

The same eligibility conditions regarding maternity benefits should be satisfied.

- ***Income test***

There is no income test.

- ***Benefit duration***

The duration of the benefit is 2 weeks.

- ***Benefit amount***

The paternity benefit is calculated as the maternity benefit.

- *Subject to taxes/SIC*

The benefit is not subject to taxes and SICs.

- *Take up*

There are no available data on take-up.

2.4.9 Guaranteed Minimum Income/Ελάχιστο Εγγυημένο Εισόδημα (bsamm_cy)

- *Definitions*

The Guaranteed Minimum Income (GMI) scheme is a means-tested top-up non-contributory benefit targeting individuals or families with income not enough to cover their basic needs. Basic need is defined on the basis of a minimum consumption basket. The GMI scheme substituted the Social Assistance in 2014.

Unit of assessment is the family consisting of:

- The claimant
- His/her spouse
- Children under the age of 18
- Unmarried children up to the age of 27 irrespectively if they reside with their parents or not (excluding children which live abroad).

- *Eligibility conditions*

The following categories of persons can apply for the benefit (provided that they have resided in the republic the five previous years):

- Every citizen of the republic.
- EU citizens provided that they have resided in Cyprus the last five years.
- Third country nationals if they have received the status of long-term resident or are refugees (excluding asylum seekers)
- Victims of human trafficking.

Furthermore, the claimant should belong to one of the following categories:

- at least 28 years old
- married irrespectively of age
- single parent irrespectively of age
- orphan irrespectively of age

- disabled irrespectively of age
- adult person who before becoming 18 years old was under the care of Social Welfare Services.

Finally, there are several special categories not eligible for the benefit, such as monks, persons serving their military service in the National Guard, and students (excluding those who are either under the care of Social Welfare Services, or orphans, or disabled, or voluntarily unemployed).

● *Income test*

GMI is a top-up benefit. Social welfare services calculate recipients' basic needs and family income. The difference is given to the eligible recipients as a top-up to their current income. Family income is the sum of the monetary incomes of all the members of the family (recipient) unit. Income from employment is exempted from the definition of family income, according to following schedule:

Table 8: Exempted labour income (in EUR)

Working earnings disregard for working poor (other than children aged 18-28)		Working earnings disregard for children aged 18-28	
Monthly earnings	Retention rate	Monthly earnings	Retention rate
Up to 50	100%	Up to 480	50%
51 – 200	40%	481 - 1000	90%
201 – 500	20%	1001 - 2000	85%
501 and above	0%	2001 and above	80%

Source: Ministry of Labour and Social Insurance

Example: If claimant's income from employment is €200, then €110 (€50 plus the 40% of €150) are exempted, meaning that only €90 are taken into account for the calculation of GMI. Another example is if the claimant has a child under the age of 28 (irrespectively if he/she resides with him/her) with monthly earnings of €1000. Then, only €292 (€240+€52) will be accounted as family income.

Furthermore, the following benefits/pensions are not taken into account in the calculation of family income:

- Funeral grant
- Birth grant
- Student grant
- Military grant
- Financial aid to low income pensioners
- Donations to philanthropic institutions
- Alimonies (only in case that the claimant can prove that they are not paid to her)

- Benefits to disabled persons
- Income from participation in employment or training schemes.
- Assistance through the Welfare Lottery Fund.

● *Asset test*

The total value of family immovable property should not exceed €100,000 (€100,000 are exempted from the calculation if it concerns mortgage and therefore cannot be used). The house in which the family lives in is exempt if the house is under 300 sq.m.

The movable property should be below €5,000, and this amount increases by €1,000 for each member of the family. However, €20,000 are excluded if those:

- are for mortgage (which occurred before the law implementation 2014)
- belong to minors of the family (which occurred before the law implementation 2014)
- belong to minors of the family and acquired after fundraiser or other special conditions
- are used for student loans and last
- are in the same account with an old age parent (which occurred before the law implementation 2014).
- are necessary for health reasons, or rehabilitation, or treatments, or for people with disabilities.

Notes on Euromod implementation: The asset test is not taken into account in the model, due to lack of information on the assets.

● *Benefit amount*

Basic income is calculated as the minimum monetary income necessary to ensure recipients' access to a complete consumption basket of goods and services that correspond to the minimum standard of living accepted by the society. The current value of the basket is equal to €480 for a single individual and increases with the size of the recipient unit in accordance with the OECD equivalence scales. The OECD scales assign a value of 0.5 to each additional adult and 0.3 to each additional child. Children are defined as persons below 14 years old. For example, for a couple with 13-year-old child, the basic amount is equal to $480+0.5*480+0.3*480=864$.

If the basic amount is larger than the family income, then the difference is paid to the eligible recipient. Furthermore, the amount of the benefit is supplemented with a housing allowance (see following Table). Eligible for the housing allowance are renters or homeowners who cannot repay their mortgage loans.

Table 9: Housing Allowance (in EUR)

Family Unit type	Nicosia (4.06/m ²)	Limassol (4.41/m ²)	Famagusta (2.94/m ²)	Larnaca (3.50/m ²)	Paphos (2.94/m ²)	Average (3.88/m ²)
Single or couple without children	223.30	242.55	161.70	192.50	161.70	213.48
Couple/single parent with 1 child	324.80	352.80	235.20	280.00	235.20	310.48
Couple/single parent with two minor children of the same sex	324.80	352.80	235.20	280.00	235.20	310.48
Couple/single parent with 2 adult children	406.00	441.00	294.00	350.00	294.00	388.13
Couple/single parent one adult child and one minor child	406.00	441.00	294.00	350.00	294.00	388.13
Couple/single parent with one adult child and two minor children of different sex	406.00	441.00	294.00	350.00	294.00	388.13
-> for each person with disability	101.50	110.25	73.50	87.50	73.50	97.00
-> larger families (for each additional child or two additional minor children of the same sex)	81.20	88.20	58.80	70.00	58.80	77.66

Source: Ministry of Labour and Social Insurance, Notes: minor child=child<18, adult child>=18

Notes on Euromod implementation:

- *Due to the lack of information the model does not account for the complex asset criteria of the benefit. Also, regional differences cannot be taken into account. Thus, we apply a weighted average.*
- *Some special categories of recipients (e.g. orphans, disabled persons, persons under the Care of Social Welfare Services) cannot be identified by the model.*
- *Furthermore, according to the premises of the model claimants cannot be students and all unemployed persons are considered involuntarily unemployed.*
- *For the purposes of the simulation we adopted the following income list: original income (without excluding alimonies paid), old age pensions, survivor pensions, health benefits, unemployment benefits, scholarships, housing benefits, child benefits and family related benefits.*
- *Finally, all the families with are eligible to the basic benefit and paying mortgage interests are considered eligible to the housing allowance.*

2.4.10 Low pension benefit/ Επίδομα χαμηλοσυνταξιούχου (bsaoa_cy)

- **Definitions**

The low pension benefit is a non-contributory benefit targeting families with incomes below the poverty limit. This specific benefit is a means-tested benefit provided to families with at least one person in the family receiving pension. The regulation was introduced in Cyprus on the 1st December of 2009 and was implemented on the 1st March of 2010. With the introduction of the GMI, a person may apply either for GMI or for the low pension benefit. The higher benefit is paid out in cases where a person is considered eligible for both benefits. In the past, people eligible for both benefits would receive the low pension benefit and only the difference between this benefit and the public assistance.

Unit of assessment is the family consisting of:

- The claimant
- His/her spouses
- Children under the age of 18
- Children up to 19 years old provided that they attend secondary education
- Children up to 21 years old provided that they are serving at the National Guard

- Children irrespectively of their age who are considered students eligible for receiving the student grant
- Children irrespectively of their age who are disabled or permanently deprived of the ability to maintain themselves

• *Eligibility conditions*

An individual is considered eligible if he/she receives any kind of pension from the following three categories:

- Pension by the Social Insurance Services
- Social pension
- Pension by an occupation plan as it applies in Cyprus

The following categories of people can apply for the benefit (provided that they are Cypriot residents for the last five years):

- Every citizen of the republic
- EU citizens provided that they have been living in Cyprus for the last five years
- Third country nationals if they have received the status of long term resident or are refugees (excluding asylum seekers)
- Victims of human trafficking

• *Income test*

The eligibility and level of the low pension benefit is defined on the basis of the total income of the family in the previous year. The income needs to be below the poverty threshold agreed by the Council of Ministers, currently standing at €10,324 for single person households.¹⁴ The threshold is however adjusted based on the composition of the household. A household with one person is assigned a value of 1 unit, 0.5 units to each additional person aged 14 or older and 0.3 units to children below the age of 14.

The considered family income includes any kind of pension received in Cyprus or abroad, the Easter benefit, incomes from employment, rents, incomes from interest or dividends and other benefits (orphan benefit, unemployment benefit, sickness benefit, disability benefit, child benefit, student grant, maternity and employment injury benefit).

• *Benefit amount*

The table below describes the low pension benefit which is given according to the yearly incomes of the family and is paid out 13 times a year. The total family income (incl. the benefit itself) must not exceed 120% of the poverty threshold (adjusted for

¹⁴ NB: This is linked to the national poverty threshold, which has been the same since 2017.

household composition). Thus, the benefit level in the highest income bracket is reduced accordingly.

Table 10: Benefit amount of low pension benefit (monthly benefit amount, paid out 13 times – in EUR)

Yearly Income (for one person)	Before 2016	2016-2018	2019-2020
0 - 5,162	150.00	170	220.00
5,163 - 5,678	141.67	160	210.00
5,679 - 6,195	133.33	150	200.00
6,196 - 6,711	125.00	140	190.00
6,712 - 7,227	116.67	130	180.00
7,228 - 7,742	108.33	120	160.00
7,743 - 8,259	100.00	110	150.00
8,260 - 8,775	91.67	100	140.00
8,776 - 9,291	83.33	90	130.00
9,292 - 10,324	Up to 75	Up to 75	Up to 95.00

Source: Ministry of Labour and Social Insurance.

Notes on Euromod Implementation: The resident status of migrants is not taken into account in the simulation.

2.4.11 Easter Benefit/Πασχαλινό Επίδομα (bsals_cy)

- **Definitions**

Besides the low pension benefit there is also the Easter benefit which is given to pensioners with low incomes just before Easter. Similar to the low pension benefit, it was implemented in 2010.

- **Eligibility conditions**

Eligible persons are those who already receive low pension benefit or GMI.

- **Income test**

Low pension benefit receivers are eligible if their family income from the previous year is below 6,500 EUR for one person. Similar to the low pension benefit, this threshold is adjusted by the household composition. The income threshold increases by 0.5 units for each depended under the age of 14 and by 0.3 units for each person in the family above the age of 14. The definition of family income is the same as for the low pensioner benefit (this also applies to the definition of the family unit).

• *Benefit amount*

The one-off benefit amount for the years 2017-2020 is 190 EUR per pensioner.

2.5 Social contributions

Participation in the Social Insurance Scheme is mandatory for all working population. The insured persons are divided into two categories: the employees and the self-employed. Voluntary insurance is allowed to persons that are willing to continue insurance after a prescribed period of compulsory insurance. The social insurance contributions are estimated as a proportion of insurable earnings. Insurable earnings are earnings on which contributions are calculated and include any remuneration from employment as well as contributions paid to the Central Holiday Fund. The insured person, the employer and the state each pay a portion of the overall contribution.

2.5.1 Employee social contributions

The insurable earnings include a lower limit known as the basic insurable earnings. The basic insurable earnings separate the basic part and the earnings-related part of the scheme. The amount of annual basic insurable earnings is set every year:

- €9,068 per year (or €174.38 per week) for the period 2016-17,
- €9,106 per year or (€175.11 per week) for the period 2018,
- €9,147 per year or (€175.90 per week) for 2019.

These amounts are used for determining the eligibility and the level of old-age pensions, and other social insurance benefits, received in the following year. Accordingly:

- €9,068 the amount used for the period 2017-18,
- €9,106 the amount used for the period 2019,
- €9,147 the amount used for the period 2020.

○ *Liability to contributions*

Social insurance contributions to Social Insurance Fund (SIF) are compulsorily paid by all employers and employees of private and public sector and self-employed persons¹⁵. Moreover, employees in the broad public sector are additionally covered by the Government Employees Pension Scheme (GEPS). However, as of the 1st of September 2011, newcomers in the public sector are not covered by the GEPS and pay contributions only to the SIF.

○ *Income base used to calculate contributions*

The insurable earnings of the employee include anything paid to the employee for his/her labour, i.e. basic salary, cost of living allowance, overtime, commissions, 13th salary, 53rd/56th week, the contribution of the employer to the Central Holiday Fund and holiday unions' funds. Only ex gratia payments are not included. Also, the Law sets a maximum amount of earnings for contribution purposes which is revised annually:

- €4,533 per month or €1,046 per week for the period 2016-2018,
- €4,554 per month or €1,051 per week for 2019,
- €4,572 per month or €1,055 per week for 2020.

In case that employee's earnings are higher than the maximum amount then contributions are not paid for the extra amount.

○ *Contribution rates*

The Social Insurance Scheme is financed by contributions paid by the employees, the employers and the State (through the Consolidated Fund of the Republic, “*Πάγιο Ταμείο της Δημοκρατίας*”). Currently the total contribution rate stands at 21.5% of insurable earnings (8.3% paid by the employer, 8.3% by the employee and 4.9% by the state). Employees who are additionally covered by an occupational scheme provided by the employer without the payment of contributions on the part of the employee (effectively, public sector employees who were hired before 2011) still contribute 21.5% of insurable earnings but 12.4% are paid by the employer, 4.2% by the employee and 4.9% by the state. It is worth mentioning, despite that it is not simulated in the model, that the government has planned a gradual increase in the contribution rates which will be implemented the coming years aiming at ensuring the long-run fiscal sustainability of the social insurance scheme. The contribution rates are summarized in the next two tables:

¹⁵ The employer is liable to pay contributions to the Social Insurance, Annual Holidays with Pay, Redundancy, Human Resource Development and Social Cohesion Funds for each of his/her employees, whose remuneration is not less than €2 per week, or not less than €7 per month if s/he is a salaried employee, (Social Insurance in Cyprus, Ministry of Labour and Social Insurance).

Table 11: Social Insurance Contribution rates (Employees)

	After 1st April 2009	After 1st January 2014	After 1st of January 2019	After 1st of January 2024	After 1st of January 2029
Employee	6.80%	7.80%	8.30%	8.80%	9.30%
Employer	6.80%	7.80%	8.30%	8.80%	9.30%
Government	4.30%	4.60%	4.90%	5.20%	5.50%
Total	17.90%	20.20%	21.50%	22.80%	24.10%

Table 12: Social Insurance Contribution rates (Employees additionally covered by an occupational scheme which does not require the payment of contributions from the employee.)

	After 1st April 2009	After 1st January 2014	After 1st of January 2019	After 1st of January 2024	After 1st of January 2029
Employee	3.45%	3.95%	4.20%	4.45%	4.70%
Employer	10.15%	11.65%	12.40%	13.15%	13.90%
Government	4.30%	4.60%	4.90%	5.20%	5.50%
Total	17.90%	20.20%	21.50%	22.80%	24.10%

EUROMOD notes: Data do not allow us to discern whether an employee is covered by a pension plan from the employer. For this reason the reduced contribution of 4.2% is applied only to civil servants.

2.5.2 Employer social contributions

○ Liability to contributions

Employers are obliged to pay contributions to the Funds (Social Insurance, Annual Holidays with Pay, Redundancy, Human Resource Development and Social Cohesion) for every one of his/her employees whose earnings are at least €1.71 per week¹⁶. The liability of the employer for paying contributions ceases the day employees reach pensionable age. The employer is not obliged to pay contributions to the Central Holiday Fund if he obtains exemption from the Minister of Labour and Social Insurance. Exemption is granted in the cases where the employer provides annual holidays to his employees on more favourable terms than those provided under the Annual Holidays with Pay legislation.

○ Income base used to calculate contributions

Insurable earnings have a maximum that is revised annually (contributions to Social Cohesion Fund are calculated on total earnings without maxima). Earnings include the

¹⁶ For trainees and apprentices, the employer has to pay contributions to the Social Insurance Fund even if the employee has no earnings.

basic salary, the cost of living allowance, commissions, the 13th and 14th salary or the 53rd/56th week, overtime etc. The gross amount of earnings (i.e. before the deduction of taxes and contributions) is taken into consideration. The amount of contributions paid by the employer to the Central Holiday Fund is considered as part of insurable earnings. Earnings payable to the employee for periods exceeding one week or one month, such as the 13th salary, earnings of the 54th week, commissions etc., are taken into consideration, up to the amount that when added to the earnings of the employee for the period in question, these are not higher than the maximum amount for that period.

○ **Contribution rates**

Contributions payable by the employers to the above mentioned Funds are calculated as a percentage on the earnings of the employee as explained below. Contributions under (a), (b), (c) and (d) are computed on insurable earnings up to the maximum amount specified above, while contributions under (e) are computed on actual earnings without any upper limit. The rates under (c), (d), and (e) apply to trainees with low earnings and are applied to their actual earnings.

(a) Social Insurance Fund

Since the 1st of January 2014, the contribution rate for employees, changed to 20.2%, of which 7.8% is paid by the employee, 7.8% by the employer and 4.6% from the Consolidated Fund of the Republic. In case an employer implements an occupational pension scheme without payment of contributions by the employees, then the employer pays 11.65% and the employee 3.95%. After the 1st of January 2019, the contribution rate for employees, changed to 21.5%, of which 8.3% is paid by the employee, 8.3% by the employer and 4.9% from the Consolidated Fund of the Republic. In case an employer implements an occupational pension scheme without payment of contributions by the employees, then the employer pays 12.4% and the employee 4.2%.

(b) Central Holiday Fund

The rate of contribution to the Central Holiday Fund varies according to the length of annual leave to which the employed person is entitled, as shown in the following Table:

Table 13: Rate of contribution to the Central Holiday Fund for employees with a 5-day/6-day working week

Rate of contribution to the Central Holiday Fund for employees with a 5-day working week			
Duration of annual leave (days)	Rate of contribution (%)	Duration of annual leave (days)	Rate of contribution (%)
20	8.0	31	12.5
21	8.5	32-33	13.0
22-23	9.0	34	13.5
24	9.5	35	14.0

25	10.0	36	14.5
26	10.5	37-38	15.0
27-28	11.0	39	15.5
29	11.5	40	16.0
30	12.0		
Rate of contribution to the Central Holiday Fund for employees with a 6-day working week			
Duration of annual leave (days)	Rate of contribution (%)	Duration of annual leave (days)	Rate of contribution (%)
24	8.0	37-38	12.5
25-26	8.5	39	13.0
27	9.0	40-41	13.5
28-29	9.5	42	14.0
30	10.0	43-44	14.5
31-32	10.5	45	15.0
33	11.0	46-47	15.5
34-35	11.5	48	16.0
36	12.0		

The rate of contributions for leave longer than 40 days for 5-days working week and 48 days for 6-days working week are increased accordingly.

The contribution to the Central Holiday Fund is payable wholly by the employer.

(c) Redundancy Fund

The contribution to the Redundancy Fund (rate 1.2%) is payable wholly by the employer.

(d) Human Resource Development Fund

The contribution to the Human Resource Development Fund (rate 0.5%) is payable by the employer.

(e) Social Cohesion Fund

It was introduced on 1.1.2003. The contribution to the Social Cohesion Fund (rate 2%) is payable wholly by the employer. *Notes on Euromod implementation: Central Holiday Fund: The same contribution rate (8%) was used for all the employers. Data do not provide information on whether an employee is covered by a pension plan from the employer. For this reason, the reduced contribution of 12.4% is applied only to civil servants. Trainees cannot be identified in the dataset; the special rules applying to them are not simulated.*

○ **Random assignment**

The eligibility to pay contribution to the Central Holiday Fund is randomly simulated among the non-civil servants on the basis of the ratios presented in the next Table (the 2019 values are also used for 2020 as no information is available for that year).

Table 14: Number of Employees covered by Central Holiday Fund

	Number of Employees covered by Central Holiday Fund	Employees private and semi-public sector	Ratio
2012	98,845	356,704	0.277
2013	n.a.	n.a.	-
2014	80,187	332,266	0.241
2015	76,829	338,799	0.227
2016	74,462	356,786	0.209
2017	80,556	385,805	0.209
2018	88,437	413,625	0.214
2019	96,707	430,537	0.225
2020	n.a.	n.a.	-

2.5.3 Self-employed social contributions

○ Liability to contributions

Self-employed are liable to social insurance contributions. Their insured earnings are set on the basis of their profession and workplace.

○ Income base used to calculate contributions

For each professional category a compulsory minimum amount of insured earnings is set and the self-employed is allowed to pay contributions on a higher amount of insured earnings up to a maximum. If the real income of a self-employed is lower than the minimum corresponding to his/her professional category then he/she can ask to pay contributions based on his/her real income.

○ Contribution rates

As of January of 2014, the total contribution of self-employed persons is 19.2% of their insured earnings. From this percentage, 14.6% is paid by the self-employed and 4.6% by the state. From the 1st of January 2019 the total contribution of self-employed increased at 20.5% of their insured earnings; 15.6% is paid by the self-employed person and the rest 4.9% by the state. An insured person has the right to pay contributions until the retirement age of 65. However, in cases where an insured person is not eligible for the old age pension (because of the requirements) the insured person pays contributions until the requirements are satisfied. This cannot exceed the age of 68.

The contribution rate for self-employed will change as follows:

- As of January of 2024; 21.8%, of which 16.6% is paid by the same and 5.2% from the Consolidated Fund of the Republic.
- As of January of 2029; 23.1%, of which 17.6% is paid by the same and 5.5% from the Consolidated Fund of the Republic.
- As of January 2034; 24.4%, of which 18.6% is paid by the same and 5.8% from the Consolidated Fund of the Republic.
- As of January 2039; 25.7%, of which 19.6% is paid by the same and 6.1% from the Consolidated Fund of the Republic.

The *maximum contribution base* for the self-employed differs by professional category (doctors, managers, teachers, farmers etc.). The following limits are applied:

- €446.50 per week in 2015-2018,
- €448.37 per week in 2019,
- €450.40 per week in 2020.

Notes on Euromod implementation: *An average maximum contribution base is applied across professions. This is calculated as the simple average, across occupations, of the minimum compulsory amount of insured earnings.*

2.5.4 Government social contributions

The Social Insurance Scheme is also financed by contributions paid by the State. In both cases of employed and self-employed persons, the contribution paid by the government, since 2014, was 4.6% of insurable earnings and, from 2019 increased to 4.9%. Note also that contributions to the Annual Holidays Fund are part of the earnings that are considered for the estimation of government contributions.

2.5.5 Contributions to the General Health System (Γενικό Σύστημα Υγείας)

The GHS is a comprehensive and financially sustainable healthcare system aiming at meeting the expectations of Cypriot citizens for equal access to treatment and provision of high-quality healthcare by using all available resources, in the best possible way. For the implementation of the GHS, a special fund was established for purposes of gathering the relevant contributions, from which all payments to providers of healthcare services will be made. The GHS fund will be administered by the Health Insurance Organisation (HIO). The Health Insurance Organization (OAS) was established in Cyprus according to the General Health system law (N.89 (I)/2001). The participation in the GHS is mandatory for all individuals who are resident and have incomes in Cyprus.

According to the provisions of the General Healthcare System (Amending) Law of 2017, the GHS shall be implemented in two stages.

The first stage of GHS implementation, starting from 1st June 2019, provides outpatient healthcare, i.e. the provision of healthcare services by personal doctors and outpatient specialists, pharmacists and laboratories.

The second and final stage of GHS implementation, beginning from the 1st June 2020, includes all the other remaining healthcare services, i.e. services offered by allied health professionals (clinical dietitians, occupational therapists, speech pathologists, physiotherapists, and clinical psychologists), nurses and midwives, the accident and emergency departments, ambulance services, dentists, palliative healthcare services and medical rehabilitation services.

The collection of the contributions for the first stage will start on the 1st March 2019 and for the complete implementation of the GHS on the 1st June 2020. The complete implementation was initially scheduled on 1st March 2020, but has been delayed by three months due to the events related to COVID-19).

Beneficiaries of the System:

- Every citizen of the republic
- European citizens who work or have the right of permanent residence
- Third-country nationals who have acquired a legal right of permanent residence or the right to equal treatment
- Refugees and people with subsidiary protection status

- *Liability to contributions*

The main GHS source of financing is contributions. Contribution will be paid by those who have income (those who do not contribute i.e. unemployed are also beneficiaries).

The Contributors' Categories are (see table below for more information):

- Employees
- Employers
- Self-employed
- Pensioners (excl. pensioners who only receive the social pension)
- Income-earners (incomes from rent, assets, investments)
- Civil-servants

On top of these groups, the state is paying additional contributions for specific categories.

- *Income base used to calculate contributions*

Gross incomes.

○ *Contribution rates*

The contribution rates for each category of contributors as they have been set by the General Healthcare System (Amending) Law of 2017 are shown in the following Table.

Table 15: Contribution rates to the General Health System

Contributors Categories	First Phase (1/3/2019-31/5/2020)	Full Implementation (from 1/6/2020)	Explanation
Employee	1.70%	2.65%	Earnings
Employer	1.85%	2.90%	Earnings of employees
State	1.65%	4.70%	On earnings, self-employment income, pensions
Self-employed	2.55%	4.00%	Self-employment income
Pensioners	1.70%	2.65%	Pensions
Income earners	1.70%	2.65%	Incomes from various sources
Government Officials	1.70%	2.65%	On their remuneration
Employer of Government Officials	1.85%	2.90%	On the remuneration of the Government Official

Source: Health Insurance Organisation (HIO) and Ministry of Health

Example: An employee with as gross salary €1000 will contribute to GHS an amount equal to €17.00 ($€1.000 \times 1.7\%$) and €18.50 by his/her employer ($€1000 \times 1.85\%$).

For every natural person, if the total annual amount being received is over €180.000, then contributions will have to be paid only on the amount of € 180.000 (using the income source specific contribution rate starting with employment income, followed by self-employment income, pensions and incomes from other sources).

In case the natural person is not a tax resident of Cyprus, he/she will pay contributions only for the income, earnings and pensions that derive from the Republic of Cyprus, excluding dividends and interest.

Furthermore, every natural person has the right to deduct from her taxable income the amount that contributes to the GHS (only the amount that is paid the person herself). The maximum deductible income is set to €180.000 meaning that a maximum of €3060 can be deducted.

Notes on Euromod implementation: *The introduction of GHS occurred on 1st March 2019 and the GHS-related SIC rates have been further increased on 1st June. As a general rule, EUROMOD baseline models refer to policy rules on 30th June of the respective year. A FYA (Full Year Adjustments) switch is available to account for the fact that GHS-related SIC increases in 2019 and 2020 are effective only for parts of the year (see section 2.3). The switch is set to off by default.*

2.6 Personal income tax

2.6.1 Tax unit

Personal Income Tax in Cyprus is based on an individual system. Every citizen of the Republic of Cyprus is subject to income tax for incomes from sources inside and outside the country. Persons permanently settled in the Republic can choose to be treated as citizens of the Republic as concerns income taxation. Note also that contributions paid by the employer to the Annual Holidays Fund are part of the tax base.

2.6.2 Exemptions (non-taxable income)

The following types of income are exempt from income tax:

- the benefit paid to public employees for service abroad;
- the pensions and benefits paid according to the Suffering Relief Law;
- widow pensions paid from Social Insurance;
- any amount paid as lump sum, pension, compensation due to death or physical injury;
- income from scholarship or any other educational grant;
- payments to persons arising from tax deductions;
- earnings of foreign officers of any institution that operates in the Republic;
- income of any religious, charitable or educational institution with a public character;
- income of a registered cooperative bank arising from transactions with its members;
- income of a company that operates in order to promote art, science or sports;
- earnings of foreign diplomatic representatives; and
- income from interests and 50% of the income of a company from interests.

Notes on Euromod implementation: *the tax base is computed as the sum of employment income, income from self-employment, pensions and 80% of rent income.*

2.6.3 Tax allowances

The following amounts are deducted from a person's income:

1. Any amount spent for the repair of premises, machines, plants and transport equipment or for the renewal or repair or transformation of any tool, utensil or other objects used in order to raise income;

2. The annual contributions paid by the employee to the various Funds;
3. Bad debts;
4. Expenditures for scientific research;
5. Expenditures for acquiring a patent or copyright;
6. Charity payments or contributions to educational institutions or payments for other charity purposes;
7. Expenditures for the maintenance of a building for which a maintenance order is issued and for the maintenance of an ancient monument;

An amount equal to 20% is deducted from the income acquired from renting buildings before anything else is deducted from this.

Deductions are offered for the decrease of value and damages on assets due to usage from personal income from the operation of a company. An amount equal to the annual amount of the paid premiums and contributions is deducted in order to find the taxable income of any person who has:

1. insured his/her life or the life of the spouse for an amount payable on his/her death;
2. paid contributions to a pension, widow and orphan fund;
3. paid contributions to a pension or provident or any other insurance fund;
4. paid premia or any other contributions to an insurance company for the issuance of a specific insurance contract;
5. paid premia or any other contributions to an insurance company for a pension or the medical plan; and
6. paid contributions to the general health plan;

In the case of a life insurance contract where the insured person will receive a payment of a predetermined amount on his/her death then the amount of the deduction cannot exceed 7% of this amount. The total deduction for contributions and premiums cannot exceed 1/6 of the taxable income. In case of encashment of a life insurance contract within 3 years from the date of the contract then 30% of the premium paid for which a deduction was given is added to the income of the person. This is reduced to 20% if the encashment is made on the 4th or 5th or 6th year of the contract.

Notes on Euromod implementation: due to data limitations, the only deductions taken into account in the implementations are those of the social insurance contributions, as well as the contributions to individual private pension plans up to an amount that cannot exceed 1/6 of the taxable income. As well as the 20% deduction on property income.

2.6.4 Tax base

The tax base is defined as taxable income minus the various deductions (tax allowances). Taxable income is total income minus the various exemptions.

2.6.5 Tax schedule

Income taxation is progressive, with higher marginal tax rates applying to higher income brackets. The tax rates were stable during 2017-2020.

Table 16: Tax rates and income brackets for 2017-2020 (in EUR)

Income brackets	Tax rate
0-19,500	0%
19,501 – 28,000	20%
28,001 – 36,300	25%
36,301 –60,000	30%
60,001 – above	35%

2.6.6 Tax credits

Tax credits exist in case of double taxation and are not considered in the simulations within Euromod.

2.7 Other taxes

2.7.1 Special contribution to defence

Special Contribution to defence is imposed on income earned by individuals and legal entities based on Cyprus. Non-tax residents are generally exempt. It is charged at the following rates:

1. 17% on income from dividends
2. 30% on income from interest (paid or credited). Interest received by a person from the normal operation of his/her company is not considered as interest. Persons with annual income (including interest) not exceeding 12,000 Euro have the right to refund amounts withheld as contribution for defence on interest income above 3% of this income.

3. 3% on income from corporate bonds (as from 26 June 2019), Cyprus government savings and development bonds, as well as all interest earned by a provident fund.
4. 3% on gross rents reduced by 25%.

Money paid as special contribution for defence is taxable.

Notes on Euromod implementation: contributions under point 1 and 3 are not simulated. The contributions of legal entities are out of the scope of the model; therefore, special contributions for defence are partly simulated.

2.7.2 Contribution of public employees to Government Employees Pension Plan

Starting from 1st October 2011, all broad public sector employees who are covered by the Government Employees Pension Plan (here note that employees hired in the public sectors after 30th September 2011 cannot be subscribed in the scheme) pay 3% of their gross employment income to the Government as a support to the Government Employees Pension Plan. Typically, these payments are not considered as contributions to the Government Employees Pension Plan (since the pension benefits from the Government Employees Pension Plan do not depend on the amount of this payment). Finally, if the employee has contributed over 400 monthly social insurance contributions, then s/he is exempted from the contribution.

Notes on Euromod implementation: The distinction between public sector employees who started before or after 1st October 2011 is carried out by the imputed variable lcs10. See the Data section for further information on the variable. The exemption of those who contributed above 400 months is simulated by making use of the employment history of the person.

2.7.3 Contributions of public employees to the Widows and Orphans Government Fund

All broad public sector employees pay a contribution to the Widows and Orphans Government Fund. Before 1st October 2011, the contribution was equal to 0.75% of the gross wage. In case that the gross wage exceeded the maximum amount of insurable earnings then a rate of 1.75% was applied to the part of the gross wage which exceeded the maximum amount. A brief example describes how the contribution is calculated: Let the gross wage be 5000€, then the contribution is:

$C = 0.75\% * 4,442$ (this was the maximum amount of insurable earnings in 2012) + $1.75\% * (5,000 - 4,442)$.

As of the 1st October 2011, the rules simplified. The contribution increased at 2% of the gross wage without any minima/maxima. Again, if the employee has contributed over 400 monthly social insurance contributions then she is exempted from the contribution.

Note to Euromod Implementation: This instrument is implemented within the policy tscee_cy and included in the variable tscee_s (employees' social insurance contributions). The exemption of those who contributed for over 400 months is simulated by making use of the employment history of the person.

2.7.4 Scaled reduction in emoluments of public and broader public sector pensioners and employees

Starting from 1st December 2012, the government implemented a scaled reduction in the emoluments of public sector employees and pensioners. The reduction is applied on gross wages and pensions. The term 'gross' refers to income before all taxes and contributions. On 30th April 2013, the House of Representatives voted for a modification of the law that changed the reduction rates. After 1st June 2013, the scaled reduction appearing in the third column of the following table substituted the one voted in 2012. From 1st January 2014, emoluments in the public sector (including pensions of the public sector) decreased by another 3 per cent, total reduction appears in the fourth column. From July 2018, the scaled reduction started decreasing and by the 1st of January of 2023 is expected to be abolished.

Table 17: Scaled reductions

Income brackets	12/2012	06/2013	01/2014	07/2018	01/2019	01/2020	01/2021	01/2022
	- 05/2013	- 12/2013	- 06/2018	- 12/2018	- 12/2019	- 12/2020	- 12/2021	- 12/2022
0-1,000	0%	0.8%	3.8%	1.8%	0%	0%	0%	0%
1,001-1,500	6.5%	7.3%	10.3%	8.3%	5.8%	3.3%	0.8%	0%
1,501-2,000	8.5%	9.3%	12.3%	10.3%	7.8%	5.3%	2.8%	0%
2,001-3,000	9.5%	10.5%	13.5%	13.5%	13.5%	11%	8.5%	5%
3,001-4,000	11.5%	13%	16%	16%	16%	13.5%	11%	7.5%
4,001-above	12.5%	14.5%	17.5%	17.5%	17.5%	15%	12.5%	9%

2.8 Covid-19 temporary measures

2.8.1 Special unemployment benefit scheme for employees (Ειδικό Σχέδιο Πλήρους ή Μερικής Αναστολής των Εργασιών της Επιχείρησης, yemcomp_cy)

• *Definitions*

The policy was aimed at businesses that suspended (part of) their operations due to COVID-19 and (a subset of) their employees were put on temporary leave (furlough). It provided compensation to employees for their foregone employment income in the form of a Special Unemployment Benefit. It also relieved the participating businesses of paying the corresponding social insurance contributions.

Two schemes were introduced under this policy: one directed towards the businesses that were required by Government Decree to suspend their operations completely, and another for those that suspended their operations only partially.

Both schemes were initially introduced to cover the period between March 16th to April 12th of 2020 (Phase 1), and were subsequently extended to cover the period between April 13th to May 12th (Phase 2). Variants of these schemes were subsequently implemented in phases, covering up to the end of the year.

• *Eligibility conditions (Phases 1 and 2)*

Different eligibility conditions applied depending on the scheme:

Complete suspension of activities:

Any business that was required to suspend all its operations by a Government Decree was eligible to participate. While participating such firms were obliged not to dismiss any of their employees. This restriction also extended for the period following the end of participation in the scheme, with the same length as the participation period plus one month.

Furthermore, for businesses employing up to nine employees all of them could be covered, while only up to 90% of them for businesses with larger workforce.

Partial suspension of activities:

Any business that suspended its operations partially due to COVID-19 was eligible to participate. “Partial suspension” was defined as a decline in the businesses’ turnover of more than 25% compared to the same period of the previous year (or to the period between January and March 2020 for those not operating during 2019). While participating such firms were obliged not to dismiss any of their employees. This restriction also extended for the period following the end of participation in the scheme, with the same length as the participation period plus one month.

Furthermore, for businesses employing up to fifty employees only up to 75% of them could be covered; for businesses with larger workforce the relevant threshold was 60%.

• *Income test (Phases 1 and 2)*

There was no income test.

- **Benefit duration (Phases 1 and 2)**

For the beneficiaries in each phase this was equal to the duration of that phase.

- **Benefit amount (Phases 1 and 2)**

For the employees meeting the eligibility conditions that apply for the regular unemployment benefit¹⁷ the Special Unemployment Benefit was also equal to 60% of their insurable earnings (i.e. equal to the regular unemployment benefit). For those not meeting these conditions the calculation of the benefit was based on the most recent past salary for which there was evidence in the register of Social Security Services. In any case the benefit amount could not be less than € 360, and more than € 1214 in each phase.

- **Social insurance contributions and taxation (Phases 1 and 2)**

The employers whose employees receive the Special Unemployment benefit were relieved of their obligation to pay the corresponding contributions to the Social Security Fund. The recipients of the Special Unemployment Benefit are liable to pay personal income tax on the total amount they receive.

Notes on Euromod Implementation: This policy can only produce results if the model is run in combination with the LMA add-on. The individuals that are selected to undergo transitions to monetary compensation schemes are defined in the TransLMA_cy policy, which is switched on automatically by the add-on. For more information about the modelling of labour market transitions please consult the ‘Simulating labour market transitions in EUROMOD’ document.

2.8.2 Special unemployment benefit scheme for self-employed (Ειδικό Σχέδιο Στήριξης Αυτοτελώς Εργαζομένων, ysecomp_cy)

- **Definitions**

This policy was aimed at the self-employed workers whose business was substantially affected by COVID-19. It provided for a Special Unemployment Benefit to be paid to those affected, as well as relieving them of their obligation to pay Social Insurance Fund contributions.

The scheme was first introduced to cover the period between March 16th to April 12th of 2020 (Phase 1) and was subsequently extended to cover between April 13th to May 12th (Phase 2). Variants of this scheme were subsequently implemented in phases, covering up to the end of the year.

- **Eligibility conditions (Phases 1 and 2)**

Self-employed workers who suspended their operations completely in accordance to the Decrees of the Minister of Health and the relevant decisions of the Council of Ministers. Also self-

¹⁷ See Section 2.4.1 for details on the regular Unemployment Benefit.

employed workers who suspended their work “partially” due to COVID-19, which was defined as experiencing a decline in their turnover of more than 25% compared to the same period of the previous year (or to the period between January and March 2020 for those with no such record).

- ***Income test (Phases 1 and 2)***

There was no income test.

- ***Benefit duration (Phases 1 and 2)***

For the beneficiaries in each phase this was equal to the duration of that phase.

- ***Benefit amount (Phases 1 and 2)***

This was equal to 60% of the weekly amount of the insurable remuneration for which the payee was obliged to pay contributions to the Social Security Fund for the fourth quarter of 2019. In addition, this amount could not be less than € 300, and more than € 900, for a four-week period.

- ***Social insurance contributions and taxation (Phases 1 and 2)***

The beneficiaries were relieved of their obligation to pay the corresponding contributions to the Social Security Fund. The recipients of the Special Unemployment Benefit are liable to pay personal income tax on the total amount they receive.

Notes on Euromod Implementation: *This policy can only produce results if the model is run in combination with the LMA add-on. The individuals that are selected to undergo transitions to monetary compensation schemes are defined in the TransLMA_cy policy, which is switched on automatically by the add-on. For more information about the modelling of labour market transitions please consult the ‘Simulating labour market transitions in EUROMOD’ document.*

3. DATA

3.1 General description

The EUROMOD database is drawn from the UDB version of SILC. The following Table includes information about period of collection, income reference period, sample size and response rate.

Table 18: EUROMOD database description

EUROMOD database	CY_2018_a1
Original name	UDB_cCY18 version of 2019-11
Provider	Eurostat
Year of collection	2018
Period of collection	n/a
Income reference period	2017
Sample size	9,317 IND, 4,192 HH
Response rate	n/a

3.2 Data adjustment

Data adjustments were kept to a minimum. All monetary values in the EU-SILC database are expressed in annual terms, but for the purposes of the EUROMOD database, were converted into monthly basis.

3.3 Imputations and assumptions

A number of variables, shown in next Table, were imputed using other EU-SILC aggregated variables. In EU-SILC data, soldier's allowance (bml) is recorded as employee cash or near cash income, (variable py010g). We set bml equal to py010g/12 if the individual a) has never worked as employee, b) has spent a positive number of months in compulsory military service and c) declares employee (cash or near cash) income. If the individual has spent a positive number of months in compulsory military service and has also worked as an employee then variable bml is set equal to the basic monthly soldier's allowance (around 157 euro in 2017) times the months spend in the army divided by 12.

Since the 2016 EU-SILC dataset release, monetary variables for benefits are disaggregated to four categories based on eligibility conditions (means tested or not and contributory or not).

Variable py111g includes contributory and means tested survivor's benefits, py112g contributory and non-means tested survivor's benefits, py113g includes non-contributory and means tested survivor's benefits, and py114g includes non-contributory and non-means tested survivor's benefits. Survivor's benefits are grouped into three variables, survivor's benefit to widow (psuwd), survivor's benefit to orphan (psuor) and other survivor's benefits (psuot).

- psuwd is set equal to $py112g/12 + py113g/12$, if py112g and/or py113g is positive, the marital status (pb190) is widow(er) or the individual is married but no partner's id (rb240) is recorded in the data.

- psuor is set equal to $py112g/12 + py113g/12$, if $py112g$ and/or $py113g$ is positive, the individual is not a widow(er), and is aged less than 25.
- psuot is equal to $py110g/12 - psuwd - psuot$, if $py110g$ is positive¹⁸.

EU-SILC variable $py140g$ (and the disaggregated variables $py141g$, $py142g$, $py143g$ and $py144g$) includes all education related allowances for tertiary education (student grant and scholarships). Based on this variable we impute two variables, one for the student grant ($bedet$) which is given to parents with children in tertiary education and one for scholarships ($bedsl$) which are received by the students. If an individual with positive value of $py143g$ is a student then this is income from scholarships and thus $bedsl$ is set equal to $py143g/12 + py144g/12$. On the other hand, if an individual with positive $py143g$ is not a student (i.e. is the parent of a student) then $bedet$ is equal to $py143g/12$ ¹⁹.

All child and family related benefits are recorded in the harmonised variable $hy050g$ and also in the disaggregated variables $hy052g$, $hy053g$, and $hy054g$. We use these variables to impute a variable for child benefit (bch), for birth grant ($bchba$), for maternity allowance (bma), for single parent benefit ($bchlp$) and for other family related allowances ($bfamh$). We impute the received family birth grant by multiplying the amount of birth grant (around 544 euro per month in 2017) with the number of children in family aged less than 1. If the imputed birth grant is lower or equal to $hy052g$ then we set $bchba$ equal to the imputed birth grant. In case that the imputed birth grant is higher than $hy052g$ then we set $bchba$ equal to $hy052g$. The maternity allowance is set as the difference between $hy052g$ and birth grant. The imputation of child benefit (bch) is based on the child benefit policy defining eligibility and benefit rates. We simulate the amount of the child benefit for each eligible family and we compare it with the $hy053g$. If $hy053g$ is higher than the simulated child benefit then bch is set equal to the simulated child benefit. If $hy053g$ is lower than the simulated child benefit then bch is set equal to $hy053g$. The imputation of single parent benefit ($bchlp$) is based on the single parent benefit policy defining eligibility and benefit rates. We simulate the amount of the single parent benefit for each eligible family and we compare it with the $hy053g$ excluding the bch amount received by the family. If $hy053g$ (subtracting bch) is higher than the simulated single parent benefit then $bchlp$ is set equal to the simulated single parent benefit. If $hy053g$ (subtracting $bchlp$) is lower than the simulated single parent benefit then $bchlp$ is set equal to $hy053g$. We set $bfamh$ equal to $hy050g$ minus bch , $bchba$, $bchlp$, and bma .

All old-age benefits are included in variable $py100g$ and in the disaggregated variables $py101g$, $py102g$, $py103g$ and $py104g$. Three old-aged variables are generated, the social pension ($poasp$), the taxable old aged pension ($poatx$) and the non-taxable old aged pension ($poant$). Variable $poasp$ is set equal to $py104g$ if the amount of $py104g$ is close to the amount of social pension (around 339 euro per month in 2017). For imputing $poatx$ and $poant$ we compare the net and gross amount of $py100g$ variable. The difference of $py100g$ and $py100n$ gives us the tax paid and by reversing the income tax policy we found the taxable amount. We set $poatx$ equal to this taxable amount and the difference of $py100g - poatx - poasp$ is set equal to $poant$ ($poant = py100g - poatx - poasp$).

In EU-SILC data the unemployment benefits are recorded in variable $py090g$ and in the disaggregated variables $py091g$, $py092g$, $py093g$ and $py094g$. For unemployment benefits two

¹⁸ No contributory and means tested ($py111g$) survivor benefits do not exist in Cyprus.

¹⁹ No contributory and means tested ($py141g$) or contributory and non-means tested ($py142g$) education related allowances exist in Cyprus.

variables are generated; the unemployment benefit paid by the Social Insurance Fund (bunct) and from other sources (bunot). Taking into account the unemployment benefit policy we find the maximum monthly amount an individual with positive py092g can receive as unemployment benefit. We compare this maximum unemployment benefit amount with the monthly unemployment benefits reported in the data, i.e. py092g, divided by the reported numbers of months in unemployment but constraining this duration to be up to six months (unemployed can receive unemployment benefits for up to six months). If the maximum monthly unemployment benefit amount is lower than reported monthly unemployment benefit then we set bunot equal to the difference of the two amounts (multiplied with the duration of unemployment and divided by 12) and bunct equal to the maximum monthly unemployment benefit amount (multiplied with the duration of unemployment and divided by 12). If the maximum monthly unemployment benefit amount is equal or higher than the reported monthly unemployment benefit then we set bunot equal to zero and bunct equal to the reported monthly unemployment benefit (multiplied with the duration of unemployment and divided by 12). In addition, in bunot, benefit amounts included in py093g/12 and py094g/12 are added. Using the unemployment benefits paid by the Social Insurance Fund (bunct) the monthly wage before unemployment (yempv) is obtained by reversing the unemployment benefit policy²⁰.

EU-SILC do not provide information whether someone works in the public sector or in the private sector. We impute if someone is a civil servant (variable lcs) using the economic activity variable (pl110) and status in employment. If the individual is employee working in public administration and defence, compulsory social security or in education then we assume he/she is a civil servant.

Based on the already available information, we also construct a variable indicating whether a civil servant had been hired in the public sector during the last 12 months (variable lcs10). For this imputation we used information whether someone is a civil servant (lcs=1) and about his/her work history (number of months [liwwh]). Thus, if someone is a civil servant and has work history less than 12 months then we assume that he/she was hired in the public sector in the last 12 months. The indicator variable for military conscripts (young man enlisted in the army) (l01) is created based on the information provided by individuals about their current activity status in the labour market (variable pl030). When pl030=7 then the individual is in compulsory military service. Finally, variable l02 denotes whether someone is pensioner of the public sector or not. Pensioners who are former civil servants usually receive higher pension income than other pensioners because they receive a pension from the SIF (Social Insurance Fund) as well as a pension from the Government Employees Pension Plan. Using this information we define as former civil servants those who (i) are pensioners (les=4) and (ii) their monthly old age pension is higher than the sum of the minimum full pension from the SIF plus the minimum full pension from the Government Employees Pension Plan.

Table 19: List of imputed variables

Variable name	Description
bml	BENEFIT/PENSION : Soldier allowance
psuwd	BENEFIT/PENSION : Survivors : widow
psuor	BENEFIT/PENSION : Survivors : orphan

²⁰ No contributory and means tested (py091g) or non-contributory and means tested (py093g) unemployment benefits exist in Cyprus.

psuot	BENEFIT/PENSION : Survivors : other
bedet	BENEFIT/PENSION : Education : student grant
bedsl	BENEFIT/PENSION : Education : scholarship
bch	BENEFIT/PENSION : Child benefit
bchba	BENEFIT/PENSION : Maternity : birth grant
bchlp	BENEFIT/PENSION: Child: Single parent benefit
bma	BENEFIT/PENSION: Maternity allowance
bfamh	BENEFIT/PENSION : Family : Family related allowances
poasp	BENEFIT/PENSION : Social Pension - Old Age
poatx	BENEFIT/PENSION : Taxable old Age
poant	BENEFIT/PENSION : Non taxable old Age
bunct	BENEFIT/ SIC: unemployment benefit
bunot	BENEFIT: Other unemployment benefit
yempv	INCOME: monthly wage from previous work
lcs	LABOUR MARKET : Civil Servant
lcs10	LABOUR MARKET : Newly hired (in the last 12 months) Civil servant
lc01	LABOUR MARKET : Military
l02	LABOUR MARKET: Pensioner – former civil servant

3.3.1 Time period

The EU-SILC information on demographic variables refers to the time of data collection, while the income reference period is year 2017. Accordingly, the same reference period applies for income taxes and social insurance contributions, as well as taxes on wealth.

3.3.2 Gross incomes

The EU-SILC survey contains information on gross and net monetary income. In the very few cases where gross income was impossible to collect, net income was recorded and converted to gross by applying the tax as well as social insurance contributions rules of the system.

3.3.3 Disaggregation of harmonized variables

As discussed earlier, several harmonized EU-SILC variables were disaggregated into their components. These are:

- Survivor's benefits are recorded in harmonized variable *py110g* and in disaggregated variables *py112g*, *py113g* and *py114g*. The information included in these variables is decomposed into three parts, survivor's benefit to widow, survivor's benefit to orphan and other survivor's benefits.
- Education-related variables are recorded in harmonized variable *py140g* and in disaggregated variables *py143g* and *py144g*. The information is decomposed into the student grant and income from scholarships.

- Child and family related variables are recorded in harmonized variable *hy050g* and in disaggregated variables *hy052g*, *hy052g*, *hy052g* and *hy054*. We decompose these variables into child benefit, birth grant, maternity allowance, single parent benefit and other family related allowances.
- Old-age benefits are included in harmonized variable *py100g* and in disaggregated variables *py101g*, *py102g*, *py103g* and *py104g*. The information is decomposed into two parts the taxable old aged pension part and the non-taxable old aged pension part.
- Unemployment benefits are included in harmonized variable *py090g* and in disaggregated variables *py091g*, *py092g*, *py093g* and *py094g*. The information is decomposed into two parts the unemployment benefit from SIF part and the other unemployment benefits part.

3.4 Updating

The income variables in the EU-SILC dataset refer to 2017. This information has been updated in order to take into account changes that have taken place between the year of the data and the year of the simulated tax-benefit system. Updating factors are generally based on changes in the average value of an income component between the year of the data and the policy year. Annex 1 provides detailed information about each updating factor.

4. VALIDATION

4.1 Aggregate Validation

EUROMOD results, which include simulated outcomes and non-simulated quantities from the input data (SILC), are validated against external benchmarks. In particular, the number of individuals receiving/earning a given income component, or pay a given tax or social insurance contribution, and the corresponding total yearly amounts, are compared to the values of external official statistics. Next, we discuss the main discrepancies identified from these comparisons, and provide potential explanations.

4.1.1 Components of disposable income

Table 20**Error! Reference source not found.** shows the components comprising disposable income in SILC, based on SILC 2017.

Table 20: Components of disposable income

	EUROMOD	EU-SILC
	ils_dispy	HY020
Employee cash or near cash income	+	+
Employer's social insurance contribution	0	0
Company car	0	+
Contributions to individual private pension plans	0	0
Cash benefits or losses from self-employment	+	+
Pension from individual private plans	0	0
Unemployment benefits	+	+
Old-age benefits	+	+
Survivor' benefits	+	+
Sickness benefits	+	+
Disability benefits	+	+
Education-related allowances	+	+
Income from rental of a property or land	+	+
Family/children related allowances	+	+
Social exclusion not elsewhere classified	+	+
Housing allowances	+	+
Regular inter-household cash transfer received	+	+
Interests, dividends, etc.	+	+
Income received by people aged under 16	+	+
Regular taxes on wealth	-	-
Regular inter-household cash transfer paid	-	-
Tax on income and social contributions	-	-
Repayments/receipts for tax adjustment	+	+

4.1.2 Validation of incomes inputted into the simulation

Tables 4.2-4.6 in Annex 3 report figures on the number of earners/recipients, and the total annual amounts of non-simulated incomes and benefits for the simulation years 2017-2020. As the numbers of earners/recipients are not simulated, the model uses the same value for all simulation years (see single column under the heading “EUROMOD” in Tables 4.2, 4.3, and 4.5). This value is equal to the corresponding number of earners/recipients in the input data, derived from SILC and referring to 2017 (the base year). Similarly, the total annual amount for each of these incomes/benefits is based on the corresponding total amount from SILC for year 2017. However, this is adjusted (uprated) in order to account for changes that occur over time (e.g., due to price inflation, income growth, etc) and, as a result, the statistics calculated for each simulation year may vary slightly from each other (see columns under the heading “EUROMOD” in Tables 4.4 and 4.6). Note also that all statistics originating from the input data are weighted so that they refer to the entire population.

Tables 4.2-4.6 also include the values of official statistics that are used in the validation exercise. These are collected from various administrative sources, such as the Ministry of Labour, Welfare and Social Insurance, the Statistical Service of Cyprus, the Ministry of Finance, and the Tax Department. It should be stressed from the outset that the scope of macrovalidation is considerably

reduced by the limited supply of administrative data²¹, the timeliness of official data publications and, in some cases, by the differences in the statistical definitions between the various sources of data.

Starting with Table 4.2, this provides information on the number of employed and unemployed individuals. As can be seen, the number of those employed in the input data is very close to the value of the corresponding external statistic for 2017, and slightly below for 2018-2020. On the other hand, the number of those unemployed in the input data is considerably higher than the external statistic for 2017 (by 45%), and even higher for 2018-2020 (by more than 100% in the case of the latter two years).

Tables 4.3 and 4.4 provide information on the number of earners, and the total annual amount of market incomes used in the model. The numbers of earners of employment income for 2017 and 2018 are moderately overstated in the input data (by no more than 20%), whereas the average employment incomes for 2017-2019 are understated by around 18%. At the same time, the number of self-employed individuals is highly overstated in the input data for the years 2017 and 2018; no external information on their total annual employment income is available.

Turning next to Tables 4.5 and 4.6, these report figures on the number of recipients, and the total annual amounts of the non-simulated benefits used in the model. Regarding family related allowances, the total annual amount is moderately overstated in the input data for 2017 (by 17%); no external information is available for the subsequent years, nor about the number of recipients in any of the years examined. Also, the input data moderately overstates the number of recipients of the maternity benefit for each year 2017-2019 (at most, by 27%). At the same time, it overstates by 10% and understates by 21% the corresponding total annual amounts for years 2017 and 2018, respectively – the amount for 2019 is captured well.

In the case of the sickness benefit, the input data understates the number of recipients considerably for each of the years 2017 to 2019 (at most, by 43%); at the same time, the total annual amounts for 2018 and 2019 are almost equal to the corresponding external statistic, while the amount for 2017 is overstated (by 10%). The number of recipients and the total annual amount of, both, the unemployment benefit and social old age pension are captured well. On the other hand, the number of recipients of the Taxable Old Age Pension are moderately understated for years 2017-2019 (by 21% to 29%), while the total annual amounts for the same years are moderately overstated (by 17% to 27%).

The number of orphan allowance recipients are moderately overstated for each of the years 2017-2019 (at most, by 18%), while the total annual amount is considerably understated (at most, by 36%). This might be due to differences in the definitions of the statistics coming from the two sources. The opposite is observed for the widow pension, where the input data slightly understates the number of recipients for each of the three years (by up to 11%), while it moderately overstates the corresponding total annual amounts (by up to 24%).

²¹ In some cases, EM variables represent groups of benefits (e.g. housing allowances, pensions and family-related allowances). Meaningfully macrovalidating these variables requires the timely collection of official data from a variety of public service; an endeavor severely constrained by practical limitations.

4.1.3 Validation of outputted (simulated) incomes

The scope of this section is to compare simulated incomes with corresponding official statistics. In addition to the limitations outlined in section 4.1.2 (i.e., with regard to data availability), this comparison might also be challenging for the following reasons:

a) Using a sample for calculating totals requires caution. The use of grossing factors (weights) is necessary to compute a population total using a sample. The basic statistical utility of grossing factors is to alter the proportions of different groups (i.e. to adjust for unequal selection probabilities or non-response). Despite that, by default, the grossing factors add up to the total population, it might be the case that several sub-groups are under- or over-represented. That could cause differences between the simulated and official data, irrespectively of the precision of the microsimulation process²².

b) Administrative data are collected using accounting procedures that serve the needs of public authorities. This might mean that the underlying statistical definitions may not be suitable for the purpose of macrovalidating a microsimulation model. For example, in Cyprus statistics of annual public spending on various benefits refer to the total value of payments for each benefit that took place within a particular year. Yet, many of these payments refer to benefit entitlements of previous years (for example; a family is entitled a birth grant in 2017, but the amount is credited to family's bank account in 2018).

Based on the above, the comparison between estimates of EM totals and administrative data is meaningful insofar we compare only the order of magnitude between the two figures. In cases that differences are large, we have an indication that the simulation might not be perfect and possibly some adjustments are due (for example, the benefit in question is characterised by considerable non take-up, more detailed data are needed, etc.). Bearing these in mind, the model appears overall to provide relatively good estimates of the simulated instruments, despite that several discrepancies arise. Our long-run purpose is to gradually improve the model, exploiting our better understanding of the social protection system, as well as incorporating in the model new advances in microsimulation techniques.

Tables 4.7 and 4.8 in Annex 3 report the number of recipients/payers, and the corresponding total annual amounts of various simulated benefits/taxes/contributions, against the values of statistics derived from administrative data. For completion, the corresponding values for 2017 (base year) from SILC are also reported. Unfortunately, the statistics based on administrative data are only available for a limited number of benefits/taxes/contributions. Overall, the model tends to overestimate the number of recipients/payers of the simulated benefits/taxes. It is reassuring, to some extent, that the model also tends to overestimate the corresponding total annual amounts.

Looking more closely at the results, and starting with the birth grant, we note that both the number of recipients and total annual spending are moderately overestimated. Similarly, in the cases of the child benefit and the low pension benefits, both statistics are overestimated but to a larger extent, as is also the number of recipients of the single parent's benefit. One hypothesis for explaining such overestimation patterns is that they might be due to increasing incidence of non-

²² For example, the sample may underestimate the total number of persons with disabilities. If this is the case, then the number of recipients of disability benefits will be underestimated, even if the microsimulation procedure is very precise.

take up. These benefits are means-tested and, in general, the government has tightened the means testing criteria in the last years. Having said that, in the case of the single parent's benefit there is a large discrepancy in the opposite direction regarding the total annual amount, which is underestimated by almost 90%. Also, the total annual amount of the GMI benefit is underestimated by 20%-25% for years 2017-2019.

The model captures relatively well the number of recipients of the Easter benefit, but slightly underestimates the total annual amount for 2017. It also captures well the total annual amount for 2018, and moderately underestimates it for 2019.

With regard to the statistics that record various components of the Social Insurance Contributions (SIC), we note that the number of contributing employees is underestimated by 10% for year 2017; on the other hand, the corresponding total annual amount is overestimated by the same amount. Both the number of self-employed workers paying the General SIC, and the corresponding total annual amount, are hugely overestimated for that year (by 83%, and 101% respectively). This might be explained by the overrepresentation of the group of self-employed in SILC 2018 (see discussion of Table 4.3 earlier). At the same time, the total annual amounts of General SIC paid by employers, and the Government, are well captured, with discrepancies between the estimated and actual amounts not larger than 5%.

Moving on to the remaining simulated benefits, the number of recipients of wages from the annual holiday fund for 2017 is slightly overestimated (by 7%); the corresponding total annual amounts for each of 2017-2019 are overestimated by more than 30%. The total annual amount of the redundancy fund is estimated accurately for 2017, but slightly underestimated for 2018 and 2019. Also, the total annual amounts for both the Human Resource Development Fund and the Social Cohesion Fund are moderately overestimated for 2017 (by 29% and 36%, respectively). Finally, the Special Contribution for Defence is underestimated by almost 90%.

4.2 Income distribution

All income distribution results presented here are computed for individuals according to their household disposable income (HDI), equivalised by the “modified OECD” equivalence scale. HDI is calculated as the sum of all income sources of all household members net of income tax and social insurance contributions. The weights in the OECD equivalence are: first adult=1; additional people aged 14+ = 0.5; additional people aged under 14 = 0.3.

4.2.1 Income inequality

EUROMOD estimates on income inequality, as reflected on decile shares and the Gini index reported in Table 4.9 (Annex 3), are very close to the EUROSTAT estimates.

4.2.2 Poverty rates

Table 4.10 (Annex 3) reports a collection of poverty rates that are based on the simulated distribution of Household Disposable Income (HDI), and are calculated with respect to different specifications of the poverty line. As can be seen, the poverty rates calculated with respect to the

poverty lines defined as either the 60th or 70th per cent of the median of that distribution are indeed very close to the corresponding rates reported by EUROSTAT. On the other hand, those calculated with respect to the poverty lines defined as either the 50th or 40th per cent of that median are lower. It therefore appears that the HDI distribution simulated by EUROMOD has less mass concentrated at its left tail compared to the HDI distribution that is used by EUROSTAT to produce the poverty rates used here.

In general, distributional discrepancies (underestimating or overestimating incomes at certain parts of the income distribution) might be due to that the current version of the model does not make any adjustments for tax evasion and non-take-up. As regards the issue of tax evasion, according to Pashardes and Polycarpou (2008) the size of black economy in Cyprus is estimated at around 6.7% - 8.1% of GDP, with income from self-employment being under-reported by 44.8%, and capital income by 40.3% (NB: the highest under-reporting rate – of 59.9% – was estimated for agricultural income). No official results are currently available regarding the extent of benefit non-take-up in Cyprus, to the best of our knowledge.

4.3 Summary of “health warnings”

The model simulates several policy instruments of the tax and benefit system of Cyprus. It is a valuable tool that enables the user to estimate the first-round distributional and fiscal effects of potential policy reforms. Nevertheless, the following caveats should be taken into consideration in order to interpret the results meaningfully:

- Issues of data comparability

The validation of the model requires to compare the results of microsimulation (e.g., the total number of recipients, and total annual spending per benefit) with data that is external to the model that usually come from administrative sources. Due to the lack of data availability, and difficulties in collecting administrative data in a systematic manner, the process of macrovalidation is imperfect.

- Partly simulated instruments

Several instruments were not fully simulated due to data limitations. For example, the public assistance benefit is only partly simulated since it is not possible to gather information about the special needs of the recipients (which are nevertheless covered by the Public Assistance Law). A similar issue pertains with the simulation of the GMI benefit which again can only be imperfectly simulated. Another example regards the eligibility conditions of several contributory benefits which depend on having knowledge on the contributory record of the potential recipient. Of course, such information is not (and could have been) included in the underlying database.

- Imperfect targeting and tax evasion

The model does not account for imperfect non-take-up, income underreporting, and tax evasion. This may cause differences between simulated and actual values. In practice, welfare programmes are subject to Type I and Type II errors. Type I errors arise from “false” negatives, meaning that the benefit is not attributed to an eligible recipient. On the other hand, Type II errors

arise from “false” positives, that is the benefit is attributed to non-eligible persons. Lastly, the existence of tax evasion may cause biases to distributional statistics.

- The simulation of special unemployment benefit (yemcomp_de and ysecomp_cy) is triggered by the simulation of labour market transitions defined in policy TransLMA_cy. This policy becomes operational if the model is run in conjunction with the LMA add-on. The nature of these simulations is still experimental and only partially validated. Users are encouraged to refer to the “Simulating labour market transitions in EUROMOD” document prior to their use.
- Labour market transitions are switched OFF in EUROMOD baselines. As a consequence, the simulation of monetary compensation schemes does not produce any effect in baseline simulations. Since all policies not linked to labour market transitions are fully functional, it is possible for disposable income in 2020 to be higher than disposable income in previous years.

5. REFERENCES

Pashardes, P. & Polycarpou, A. (2008) “Income Tax Evasion, Inequality and Poverty”, Cyprus Economic Policy Review, University of Cyprus, Economics Research Centre, 2(2): 37-49.

- *Sources for tax-benefit descriptions/rules*

Ministry of Labour and Social Insurance:

<http://www.mof.gov.cy/mlsi>

Ministry of Finance, Grants and Benefits Service:

http://www.mof.gov.cy/mof/mof.nsf/page24_gr/page24_gr?OpenDocument

Legal acts in English:

http://www.mlsl.gov.cy/mlsi/sws/sws.nsf/dmlindex_en/dmlindex_en?OpenDocument

ANNEX 1: UPDATING FACTORS

Table A1.1 Updating factor values and sources, 2017-2020

Index	Reference	2017	2018	2019	2020	Source
CPI (2005=100)	\$f_CPI	113.77	115.41	115.69	115.23	Republic of Cyprus, Statistical Service, Economy & Finance, Consumer Price Index [https://www.mof.gov.cy/mof/cystat/statistics.nsf/economy_finance_14main_en/economy_finance_14main_en?OpenForm&sub=4&sel=2]
Unadjusted average quarterly earnings	\$f_EmplInc	1891.25	1937.75	1978.50	1956.00	Republic of Cyprus, Statistical Service, Labour, Labour cost and earnings, average monthly earnings by quarter [https://www.mof.gov.cy/mof/cystat/statistics.nsf/labour_34main_en/labour_34main_en?OpenForm&sub=4&sel=2]
Basic annual child benefit for 1 child	\$f_childben	380.00	380.00	380.00	385.74	Ministry of Labour, Welfare and Social Insurance
Average annual amount of the student grant	\$f_studgrant	1710.00	1710.00	1710.00	1710.00	Ministry of Education [http://www.moec.gov.cy/ypiresia_foititikis_merimnas/foititiki_chorigia.html]
Monthly public assistance benefit amount for head	\$f_bsa	0.00	0.00	0.00	0.00	Ministry of Labour and Social Insurance, Department of Social Insurance Services, Statistical data, archived statistical data
Basic amount of several benefits	\$f_ben	418.51	418.51	420.26	422.16	Ministry of Labour and Social Insurance, Department of Social Insurance Services, Statistical data [http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/page21_gr/page21_gr?OpenDocument]
Basic monthly amount of orphan grant	\$f_psuor	279.01	279.01	280.18	281.44	Ministry of Labour and Social Insurance, Department of Social Insurance Services, Statistical data [http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/page21_gr/page21_gr?OpenDocument]
Basic amount of birth grant	\$f_bchba	544.08	544.08	546.36	548.82	Ministry of Labour and Social Insurance, Department of Social Insurance Services, Statistical data [http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/page21_gr/page21_gr?OpenDocument]
Basic monthly amount of social pension	\$f_poasp	338.99	338.99	340.41	341.95	Ministry of Labour and Social Insurance, Department of Social Insurance Services, Statistical data [http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/page21_gr/page21_gr?OpenDocument]

EUROMOD Country Report – CYPRUS

Average yearly income from employment, previous year	\$f_yempv	1878.36	1891.25	1937.75	1978.50	Lagged value of "Unadjusted average quarterly earnings"
Basic amount of military grant	\$f_bml	157.00	157.00	157.23	157.23	Ministry of Defence
Empl Income civil servants	\$f_EmplInc_Publ	1891.25	1937.75	1978.50	1956.00	Republic of Cyprus, Statistical Service, Labour, Labour cost and earnings, average monthly earnings by quarter [https://www.mof.gov.cy/mof/cystat/statistics.nsf/labour_34main_en/labour_34main_en?OpenForm&sub=4&sel=2]
Taxable public pensions	\$f_poatx_publ	418.51	418.51	420.26	422.16	Ministry of Labour and Social Insurance, Department of Social Insurance Services, Statistical data [http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/page21_gr/page21_gr?OpenDocument]
GDP at market values	\$f_GDP	4980.50	5345.30	5494.40	5517.10	Republic of Cyprus, Statistical Service, Economy & Finance, National Accounts [https://www.mof.gov.cy/mof/cystat/statistics.nsf/economy_finance_11main_en/economy_finance_11main_en?OpenForm&sub=1&sel=2]
Average pension from SIF	\$f_avgpen	9527.70	9627.93	9751.95	9877.57	Ministry of Labour and Social Insurance, Department of Social Insurance Services, Statistical data [http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/page21_gr/page21_gr?OpenDocument]
Monthly Guaranteed Minimum Income benefit amount for head	\$f_bsamm	480.00	480.00	480.00	480.00	Ministry of Labour and Social Insurance, Department of Social Insurance Services, Statistical data [http://www.mlsi.gov.cy/mlsi/sid/sidv2.nsf/page21_gr/page21_gr?OpenDocument]
Single parent benefit	\$f_bchlp	180.00	180.00	180.00	182.72	Ministry of Labour, Welfare and Social Insurance
Maternity allowance	\$f_bma	1891.25	1937.75	1978.50	1956.00	Republic of Cyprus, Statistical Service, Labour, Labour cost and earnings, average monthly earnings by quarter [https://www.mof.gov.cy/mof/cystat/statistics.nsf/labour_34main_en/labour_34main_en?OpenForm&sub=4&sel=2]

NB: Some of the figures for the latter two years are either provided by the source as “preliminary” or are projected.

ANNEX 2: POLICY EFFECTS IN 2019-2020

Table 1 and Figure 1 show the *ceteris paribus* effect of the 2020 policies on mean equivalised household disposable income by income component and income decile group. The effect is estimated as the difference between the simulated household disposable income under the 2020 tax-benefit policies (incomes have been deflated using the Eurostat's Harmonized Index of Consumer Prices, HICP²³) and the simulated household disposable income under the 2019 policies, and then this difference is measured as a percentage of the mean equivalised household disposable income in 2019.

The overall estimated effects of policy changes from 2019 to 2020 are relatively small, and considerably smaller than those between 2018 and 2019 (see Country Report of 2019). This might be explained by that the policy changes that took place in 2020 were only marginal, while most benefit levels, income thresholds, and tax rates have remained unchanged. The exemption, and main driver of the overall decrease of disposable income – by around 0.5% – is the increase in the contribution to the General Health System. The negative effect on disposable income is estimated to be larger for the median income groups (around 0.8%). This can be explained by the way the GHS is designed, where after a certain amount of income the obligation for paying contributions is stable.

The decreases due to the new Social Insurance contributions (which includes the contribution to GHS) are to some extent counterbalanced by lower taxes (at the top of the distribution), and higher means-tested benefits (at the bottom of the distribution). The contribution base for the calculation of the income tax is earnings after SIC, hence the lower taxes.

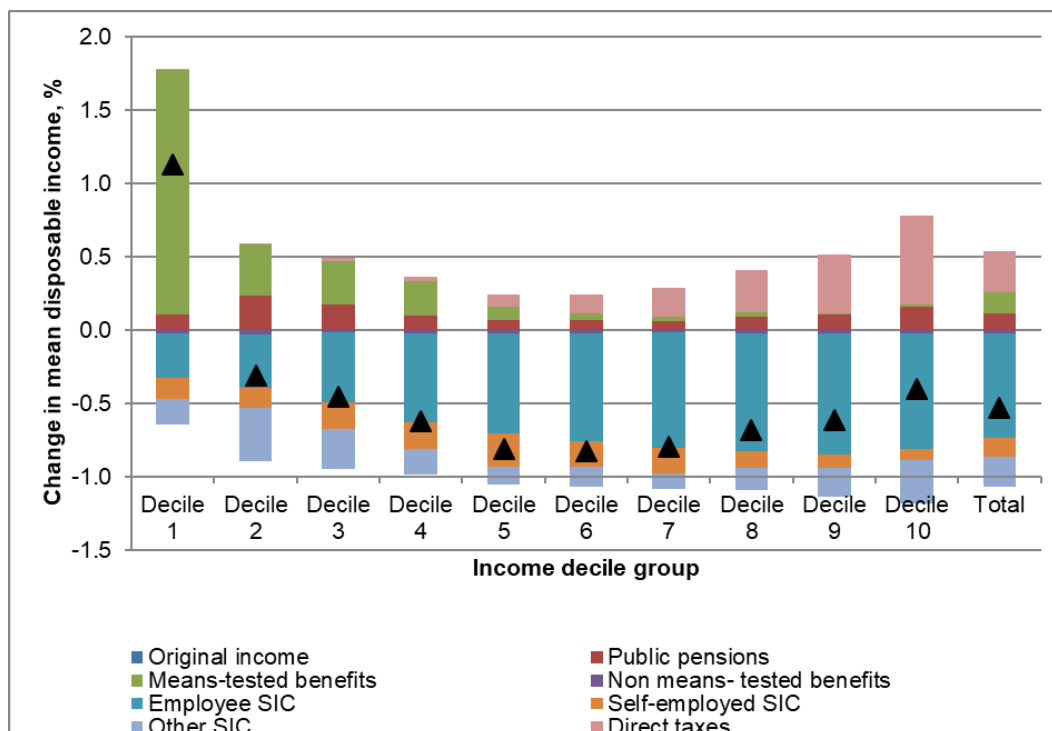
²³ Annual average retrieved from Eurostat website, AMECO forecast for 2020 data.

Table 1: Policy effects in 2019-2020, using the CPI-indexation, %

Decile	Original income	Public pensions	Means-tested benefits	Non means-tested benefits	Employee SIC	Self-employed SIC	Other SIC	Direct taxes	Disposable income
1	0.00	0.11	1.66	-0.02	-0.30	-0.14	-0.17	0.00	1.13
2	0.00	0.23	0.35	-0.03	-0.36	-0.14	-0.37	0.01	-0.31
3	0.00	0.17	0.29	-0.02	-0.48	-0.18	-0.28	0.03	-0.45
4	0.00	0.10	0.23	-0.02	-0.60	-0.18	-0.18	0.03	-0.62
5	0.00	0.07	0.09	-0.02	-0.68	-0.22	-0.12	0.08	-0.81
6	0.00	0.07	0.04	-0.02	-0.74	-0.18	-0.13	0.13	-0.82
7	0.00	0.06	0.03	-0.02	-0.78	-0.17	-0.11	0.20	-0.80
8	0.00	0.09	0.03	-0.02	-0.80	-0.11	-0.15	0.29	-0.68
9	0.00	0.11	0.01	-0.02	-0.83	-0.10	-0.19	0.41	-0.62
10	0.00	0.16	0.01	-0.02	-0.79	-0.07	-0.30	0.61	-0.40
Total	0.00	0.12	0.14	-0.02	-0.71	-0.13	-0.21	0.28	-0.53

Notes: shown as a percentage change in mean equivalised household disposable income by income component and income decile group. Income decile groups are based on equivalised household disposable income in 2019, using the modified OECD equivalence scale. Each policy system has been applied to the same input data, deflating monetary parameters of 2020 policies by Eurostat's Harmonized Index of Consumer Prices (HICP).

Figure 1: Policy effects in 2019-2020, using the CPI-indexation, %



ANNEX 3: VALIDATION STATISTICS

Table 4.2-Number of employed and unemployed

	EUROMOD		External			Ratio			
	2017	2017	2018	2019	2020	2017	2018	2019	2020
Number of employed	383	380	401	416	418	1.01	0.96	0.92	0.92
Number of unemployed	68	47	37	32	32	1.45	1.87	2.16	2.16

Source: Labour Force Survey.

Table 4.3-Market income in EUROMOD - Number of recipients (in thousands)

	EUROMOD		External			Ratio			
	2017	2017	2018	2019	2020	2017	2018	2019	2020
Employment income	396	330	348	N/A	N/A	1.20	1.14	N/A	N/A
Self-employment income	78	39	42	N/A	N/A	1.99	1.86	N/A	N/A
Rent income	42	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income	97	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Labour Force Survey.

Table 4.4-Market income in EUROMOD - Annual amounts (in mil.)

	EUROMOD				External				Ratio			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Average employment income	18,653	19,112	19,514	19,292	22,692	23,208	23,748	23,220	0.82	0.82	0.82	0.83
Employment income	7,393	7,574	7,734	7,646	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Self-employment income	882	904	923	913	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Rent income	226	229	230	229	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income	115	123	126	127	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Labour Force Survey and Social Insurance Services.

Table 4.5-Tax benefit instruments included but not simulated in EUROMOD -Number of recipients/ payers (in thousands)

years		EUROMOD		External			Ratio			
		2017	2017	2018	2019	2020	2017	2018	2019	2020
Benefits										
bedsl	Education related scholarship	25	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bfamh	Family Related allowance	19	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bma	Maternity benefit	8	6	7	6	N/A	1.27	1.12	1.21	N/A
bhl	Sickness benefits	33	47	57	55	N/A	0.69	0.57	0.59	N/A
bho	Housing allowances	22	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bml	Military Grant	13	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bunct	Contributory unemployment benefit	36	34	35	35	N/A	1.07	1.02	1.02	N/A
bunot	Other unemployment related benefits	7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
pdi	Disability benefits	18	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
poant	No taxable old age pension	29	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
poasp	Social Pension old age	17	16	16	16	N/A	1.07	1.06	1.06	N/A
poatx	Taxable Old age pension	85	113	116	120	N/A	0.75	0.73	0.71	N/A
psuor	Orphan Allowance	1	1	1	1	N/A	1.07	1.13	1.18	N/A
psuot	Other survivor benefit	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
psuwd	Widows pensions	27	30	30	31	N/A	0.90	0.90	0.89	N/A
Taxes and Social Insurance contributions										
tpr	Regular taxes on wealth	196	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Ministry of Labour and Social Insurance, Ministry of Finance, Ministry of Defence.

Table 4.6-Tax benefit instruments included but not simulated in EUROMOD -Annual amounts (in mil.)

	EUROMOD				External				Ratio			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Benefits												
Education related scholarship	71	71	71	71	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Family Related allowance	57	58	58	58	49	N/A	N/A	N/A	1.17	N/A	N/A	N/A
Maternity benefit	24	25	25	25	22	30	24	N/A	1.10	0.81	0.99	N/A
Sickness benefits	35	36	36	36	30	35	36	N/A	1.15	0.98	0.98	N/A
Housing allowances	34	35	35	35	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Military Grant	15	15	15	15	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributory unemployment benefit	86	88	90	89	81	76	84	N/A	1.05	1.13	1.03	N/A
Other unemployment related benefits	77	79	81	80	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Disability benefits	158	158	159	159	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
No taxable old age pension	360	360	361	363	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Pension old age	70	70	70	71	70	71	72	N/A	1.00	0.98	0.97	N/A
Taxable Old age pension	1,332	1,332	1,338	1,344	1,047	1,088	1,138	N/A	1.27	1.22	1.17	N/A
Orphan Allowance	3	3	3	3	4	4	4	N/A	0.64	0.67	0.70	N/A
Other survivor benefit	11	11	11	11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widows pensions	256	256	257	258	206	210	216	N/A	1.24	1.22	1.19	N/A
Taxes and Social Insurance contributions												
Regular taxes on wealth	18	19	19	19	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Ministry of Labour and Social Insurance, Ministry of Finance, Ministry of Defence.

Table 4.7-Tax benefit instruments simulated in EUROMOD -Number of recipients/ payers (in thousands)

years		EUROMOD				SIC	Ratio	External				Ratio			
		2017	2018	2019	2020	2017	2017	2017	2018	2019	2020	2017	2018	2019	2020
Benefits															
bedet	Student Grant	24	23	23	23	1	17.82	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bchba	Birth Grant	8	8	8	8	7	1.18	8	7	7	N/A	1.05	1.15	1.21	N/A
bsa	Public Assistance	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bsamm	GMI	38	37	34	36	15	2.45	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bsaoa	Low pension benefit	42	42	42	41	0	N/A	33	N/A	N/A	N/A	1.28	N/A	N/A	N/A
bsals	Easter benefit	11	11	11	11	0	N/A	13	N/A	N/A	N/A	0.85	N/A	N/A	N/A
bch	Child benefit	88	88	87	87	78	1.13	66	N/A	N/A	N/A	1.34	N/A	N/A	N/A
bchlp	Single parent benefit	15	15	15	15	7	2.17	11	N/A	N/A	N/A	1.39	N/A	N/A	N/A
Taxes and Social Insurance contributions															
ils_sicee	Employee SIC total	390	390	396	396		N/A	439	N/A	N/A	N/A	0.89	N/A	N/A	N/A
tscee00	General employee SIC	390	390	390	390	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tsceepi	Contributions to widow and pension fund	42	42	42	42	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tsceehl	SIC general health system employees	0	0	396	396	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ils_sicse	Self Employed SIC total	66	66	78	78		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscse00	General self-employed SIC	66	66	66	66	0	N/A	33	N/A	N/A	N/A	2.01	N/A	N/A	N/A
tscsehl	SIC general health system self-employed	0	0	78	78	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ils_sicer	Employer SIC total	396	396	396	396		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscer00	General employer SIC	390	390	390	390	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscerhe	Annual Holidays Fund	86	88	94	94	0	N/A	81	N/A	N/A	N/A	1.07	N/A	N/A	N/A
tscersv	Redundancy Fund	396	396	396	396	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscerot	Human resource development Fund	396	396	396	396	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscerir	Social Cohesion Fund	396	396	396	396	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscerhl	SIC general health system employer	0	0	396	396	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscothl	SIC general health system other income earner	0	0	124	124	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscpehl	SIC general health system pensioner	0	0	163	163	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscgv	Contribution paid by government total	433	433	582	582	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tin	Income Tax	138	144	135	128	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txc	Special Contribution for defence	124	124	124	124	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txcpb	Special contribution public employee	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txceps	Special contribution private employee	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txcerps	Special contribution private employer	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txcseps	Special contribution private self employed	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txcpe	Special contribution from pensioners (private and public)	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tippb	Contribution to public pensions	29	29	29	29	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Ministry of Labour and Social Insurance, Ministry of Finance, Tax Department.

Table 4.8-Tax benefit instruments simulated in EUROMOD - Annual amounts (Mil.)

years		EUROMOD				SILC	Ratio	External				Ratio			
		2017	2018	2019	2020	2017	2017	2017	2018	2019	2020	2017	2018	2019	2020
Benefits															
bedet	Student Grant	47	46	46	46	3	17	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bcbba	Birth Grant	5	5	5	5	4	1	4	4	4	N/A	1.07	1.17	1.24	N/A
bsa	Public Assistance	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
bsamm	GMI	169	165	159	174	113	1	221	220	199	N/A	0.76	0.75	0.80	N/A
bsaoa	Low pension benefit	61	61	81	80	0	N/A	47	50	68	N/A	1.30	1.23	1.19	N/A
bsals	Easter benefit	2	2	2	2	0	N/A	3	2	3	N/A	0.95	1.06	0.75	N/A
bch	Child benefit	101	99	98	100	107	1	82	71	72	N/A	1.23	1.39	1.36	N/A
bchlp	Single parent benefit	4	4	4	4	2	2	31	32	34	N/A	0.13	0.12	0.12	N/A
Taxes and Social Insurance contributions															
ils_sicee	Employee SIC total	529	541	715	780		N/A	484	N/A	N/A	N/A	1.09	N/A	N/A	N/A
tscee00	General employee SIC	509	520	565	560	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tsceepi	Contributions to widow and pension fund	20	20	21	20	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tsceehl	SIC general health system employees	0	0	130	200	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ils_sicse	Self Employed SIC total	105	106	139	151		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscse00	General self-employed SIC	105	106	115	115	0	N/A	57	61	N/A	N/A	1.83	1.73	N/A	N/A
tscsehl	SIC general health system self-employed	0	0	24	37	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
ils_sicer	Employer SIC total	966	990	1,198	1,265		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscer00	General employer SIC	581	594	644	638	0	N/A	610	N/A	N/A	N/A	0.95	N/A	N/A	N/A
tscerhe	Annual Holidays Fund	114	119	130	128	0	N/A	80	91	98	N/A	1.43	1.31	1.32	N/A
tscersv	Redundancy Fund	85	87	89	88	0	N/A	85	93	99	N/A	1.01	0.94	0.90	N/A
tscerot	Human resource development Fund	35	36	37	37	0	N/A	28	N/A	N/A	N/A	1.29	N/A	N/A	N/A
tscerir	Social Cohesion Fund	150	154	157	155	0	N/A	110	N/A	N/A	N/A	1.36	N/A	N/A	N/A
tscerhl	SIC general health system employer	0	0	141	219	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscothl	SIC general health system other income earner	0	0	6	9	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscpehl	SIC general health system pensioner	0	0	37	58	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tscgv	Contribution paid by government total	354	362	551	836	0	N/A	340	372	N/A	N/A	1.04	0.97	N/A	N/A
tin	Income Tax	571	599	561	520	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txc	Special Contribution for defence	29	31	32	32	0	N/A	278	N/A	N/A	N/A	0.11	N/A	N/A	N/A
txcpb	Special contribution public employee	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txceeps	Special contribution private employee	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txcerps	Special contribution private employer	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txcseps	Special contribution private self employed	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
txcpe	Special contribution from pensioners (private and public)	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
tpipb	Contribution to public pensions	26	26	27	27	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: Ministry of Labour and Social Insurance, Ministry of Finance, Tax Department.

Table 4.9-Distribution of equivalised disposable income

		EUROMOD				External				Ratio			
years		2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
D1	D1	3.93	3.89	3.91	3.97	3.80	N/A	N/A	N/A	1.03	N/A	N/A	N/A
D2	D2	5.09	5.04	5.06	5.11	5.10	N/A	N/A	N/A	1.00	N/A	N/A	N/A
D3	D3	5.93	5.94	5.92	5.95	6.10	N/A	N/A	N/A	0.97	N/A	N/A	N/A
D4	D4	7.01	7.02	7.05	6.99	7.10	N/A	N/A	N/A	0.99	N/A	N/A	N/A
D5	D5	8.11	8.12	8.04	8.04	8.20	N/A	N/A	N/A	0.99	N/A	N/A	N/A
D6	D6	9.20	9.24	9.22	9.17	9.20	N/A	N/A	N/A	1.00	N/A	N/A	N/A
D7	D7	10.44	10.36	10.32	10.37	10.40	N/A	N/A	N/A	1.00	N/A	N/A	N/A
D8	D8	11.95	12.06	12.02	11.95	11.90	N/A	N/A	N/A	1.00	N/A	N/A	N/A
D9	D9	14.60	14.61	14.63	14.61	14.50	N/A	N/A	N/A	1.01	N/A	N/A	N/A
D10	D10	23.74	23.72	23.81	23.83	23.70	N/A	N/A	N/A	1.00	N/A	N/A	N/A
Median	Median	15,774	16,111	16,040	15,730	15,336	N/A	N/A	N/A	1.03	N/A	N/A	N/A
Mean	Mean	18,274	18,590	18,590	18,343	17,582	N/A	N/A	N/A	1.04	N/A	N/A	N/A
Gini	Gini	29.31	29.38	29.43	29.33	29.10	N/A	N/A	N/A	1.01	N/A	N/A	N/A
S80/S20	S80/S20	4.25	4.29	4.28	4.23	4.29	N/A	N/A	N/A	0.99	N/A	N/A	N/A

Source: Eurostat Online Database.

Table 4.10-Poverty rates by gender and age

	EUROMOD				External				Ratio			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
40% median HDI												
Total	1.90	2.02	2.11	2.07	2.40	N/A	N/A	N/A	0.79	N/A	N/A	N/A
Males	2.19	2.33	2.49	2.43	2.60	N/A	N/A	N/A	0.84	N/A	N/A	N/A
Females	1.63	1.74	1.75	1.72	2.20	N/A	N/A	N/A	0.74	N/A	N/A	N/A
50% median HDI												
Total	7.18	7.64	7.13	6.04	8.40	N/A	N/A	N/A	0.85	N/A	N/A	N/A
Males	7.43	7.87	7.48	6.32	8.40	N/A	N/A	N/A	0.88	N/A	N/A	N/A
Females	6.94	7.42	6.79	5.78	8.50	N/A	N/A	N/A	0.82	N/A	N/A	N/A
60% median HDI												
Total	16.41	16.78	16.08	15.54	15.40	N/A	N/A	N/A	1.07	N/A	N/A	N/A
Males	16.35	16.66	16.15	15.70	14.80	N/A	N/A	N/A	1.10	N/A	N/A	N/A
Females	16.46	16.91	16.02	15.39	15.90	N/A	N/A	N/A	1.04	N/A	N/A	N/A
70% median HDI												
Total	25.78	26.13	26.21	25.63	25.20	N/A	N/A	N/A	1.02	N/A	N/A	N/A
Males	25.25	25.56	25.71	25.18	24.80	N/A	N/A	N/A	1.02	N/A	N/A	N/A
Females	26.28	26.67	26.68	26.07	25.60	N/A	N/A	N/A	1.03	N/A	N/A	N/A
60% median HDI												
0-15 years	20.66	20.83	20.38	19.84	17.10	N/A	N/A	N/A	1.21	N/A	N/A	N/A
16-24 years	15.61	15.63	15.63	14.72	14.40	N/A	N/A	N/A	1.08	N/A	N/A	N/A
25-49 years	13.69	13.82	13.55	13.34	13.40	N/A	N/A	N/A	1.02	N/A	N/A	N/A
50-64 years	12.67	12.86	12.38	12.25	13.60	N/A	N/A	N/A	0.93	N/A	N/A	N/A
65+ years	23.56	25.32	22.34	20.79	21.40	N/A	N/A	N/A	1.10	N/A	N/A	N/A

Source: Eurostat Online Database.

