

Introduction of General Health System in the Republic - Practical application

Newsletter -
Tax Advisory / Tax Reporting & Strategy Services



Background Information

Further to our previous Newsletter highlighting key information with respect to the introduction of the General Health System (GHS) in Cyprus, our second Newsletter provides more information on the practical implementation of GHS and particularly on:

1. The applicability of GHS contributions on various sources of income of physical persons as indicated in the GHS legislation and subsequent clarifications provided by the Health Insurance Organisation
2. The responsible authority and the method to be used for the collection of GHS contributions for each contributor and type of income
3. Other matters affecting the practical implementation of the GHS legislation with respect to contributions.

1. Applicability of GHS contributions on various sources of income

The table below presents the applicability of GHS contributions on various sources of income of physical persons between Cyprus tax residents and non-Cyprus tax residents:

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

2. Collection of GHS contributions

The method and responsible government authority for the collection of GHS contributions for each type of contributor and source of income is presented in the table below:

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

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

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

3. Other practical implementation matters

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

Let's talk

For a deeper discussion of how this development might affect you, please contact:



Pantelis Evangelou
Partner - Tax, Reporting & Strategy
p.evangelou@pwc.com
T: 26 555 250



Dinos Kapsalis
Partner - Tax Advisory
dinos.kapsalis@pwc.com
T: 25 555 208



Michalis Stavrides
Director - Tax, Reporting & Strategy
michalis.stavrides@pwc.com
T: 25 555 271

Or your usual PwC contact

PwC Cyprus
PwC Central
43 Demostheni Severi Avenue
CY-1080 Nicosia, Cyprus
P O Box 21612
CY-1591 Nicosia, Cyprus
www.pwc.com.cy



This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2019 PricewaterhouseCoopers Ltd. All rights reserved. PwC refers to the Cyprus member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.