

Northern Cyprus

Payroll & Employment Law Guide

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Employer obligations under Labour Law 22/1992, Social Security Law 73/2007 and the Provident Fund

Overview

A reference for employing in Northern Cyprus

TRNC company law rests not on Türkiye's Commercial Code but on Companies Law Chapter 113, which follows the English Companies Act model. Structures with a foreign shareholder trigger a separate capital threshold and consent from the Ministry of Economy. Incorporation is not completed at a single institution but across five successive departments.

40h	34/1993	No cap	5%
STATUTORY WEEKLY HOURS; OVERTIME THRESHOLD	PROVIDENT FUND STANDS IN FOR SEVERANCE	CONTRIBUTION BASE HAS NO UPPER CEILING	SURCHARGE ARISING FOR A FOREIGN WORKER

WHAT THIS GUIDE COVERS

I	Setting Up and Doing Business	TRNC company law rests not on Türkiye's Commercial Code but on Companies Law Chapter 113, which follows the English Companies Act model.
II	Working Conditions and Leave Entitlements	Weekly working time in the TRNC is 40 hours and the daily limit is 8 hours.
III	Tax and Social Security	Wage taxation in the TRNC works on a withholding (P.A.Y.E.) basis under Income Tax Law 24/1982.
IV	Payroll Operations	The payroll cycle in the TRNC runs against three separate institutions: withholding to the Department of Inland Revenue, the contribution return to the Department of Social...
V	Hiring and Termination	On hiring, the worker card is drawn up in three copies and completed within 15 days (art.6).
VI	Compensation and Benefits	The TRNC has no statutory annual increase mechanism for the private sector.
VII	Visas and Work Permits	Employment of foreign workers is governed by the Work Permits of Foreigners Law 63/2006 and by the Work Permits Regulation in its 17 September 2026 version; entry and residence...
VIII	Practical Notes and Common Pitfalls	The most frequent mistake in TRNC payroll is assuming Türkiye's rules can be adapted here.
IX	Incentives and Employer Support Schemes	The TRNC has no general catalogue of employer contribution reductions of the kind found in Türkiye.

I —

Setting Up and Doing Business

TRNC company law rests not on Türkiye's Commercial Code but on Companies Law Chapter 113, which follows the English Companies Act model. Structures with a foreign shareholder trigger a separate capital threshold and consent from the Ministry of Economy. Incorporation is not completed at a single institution but across five successive departments.

PRIVATE LIMITED COMPANY THRESHOLDS

ITEM	AMOUNT OR CONDITION
Founders, capital and fee	2 founders, maximum 50 shareholders; capital TRY 15,000, fee around TRY 450
Language of articles and timing	Turkish; 3 to 4 working days, 7 to 8 working days with a foreign shareholder
Foreign shareholder capital	TRY equivalent of EUR 50,000, with a TRNC bank before incorporation
Sectoral local ownership	51% of capital in construction and tourism agency work
Corporate tax and dividend withholding	10% and 15%; combined around 23.50%
IBC regime	Paid-in capital EUR 20,000, application EUR 500, annual EUR 5,000

The registration chain runs through five departments: the Official Receiver and Registrar, the Department of Inland Revenue, the Department of Labour, the Department of Social Insurance and the Provident Fund Department. Opening a branch requires Council of Ministers approval, and in an IBC the number of foreign staff cannot exceed 3 times the resident TRNC-citizen headcount.

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Workplace notification: Under Labour Law 22/1992 art.5 the opening of a workplace is notified to the Department of Labour within 1 month. The notification fee could not be verified in an official source and is therefore not quoted here; confirm it with the Department of Labour.

II

Working Conditions and Leave Entitlements

W weekly working time in the TRNC is 40 hours and the daily limit is 8 hours. This differs from Türkiye's 45-hour week and directly changes the overtime threshold in payroll. The overtime premium varies with the nature of the day worked.

WORKING TIME, OVERTIME AND LEAVE

ITEM	MEASURE
Normal working time	8 hours/day, 40 hours/week (art.31(1))
Overtime ceiling and premium	4 hours/day, 90 working days/year (art.27); 10% on normal days, 50% on weekly rest and public holidays (art.27(3), 50/2010); irregular-shift allowance 15% (art.29A)
Night and young workers	Night 20:00 to 06:00, maximum 11 hours, 8 hours on shift; under 18 limited to 6 hours/day, 30 hours/week (art.37)
Weekly rest, summer hours, force majeure	Saturday from 13:00 to the end of Sunday (art.33); closed 12:00 to 16:00 between 15 May and 30 September (art.36); force majeure maximum 2 weeks at no less than half pay (art.26)
Public holidays and holiday work	17 days a year under 49/1984: 1 January, 23 April, 1 May, 19 May, 20 July, 1 August, 30 August, 29 October, 15 November for one day each; Ramadan Feast 3, Feast of Sacrifice 4, Mawlid 1 day. Unworked paid in full, worked paid at double (art.40); art.41 excludes overtime, bonuses and social allowances
Annual leave by service	6 months to 5 years 14; 5 to 10 years 18; 10 to 15 years 22; 15 years and over 25 working days (art.43); worker aged 18 or under at least 18 working days
Special, maternity and nursing leave	3 days for marriage, 2 days for bereavement and for a spouse giving birth (art.53); 6 + 6 weeks, then 6 + 6 weeks unpaid (art.56); nursing break of 2 hours a day for 9 months (art.56(2))

Verify before payroll

Maternity and sickness benefits: Maternity benefit requires 120 days of contributions in the preceding 12 calendar months; it is paid for 8 + 8 weeks, with 2 weeks added for a multiple pregnancy. Lump sums on the gross minimum wage are 20% for pregnancy, 40% for birth and 40% for nursing. Sickness benefit requires 90 days of contributions, starts on the 3rd day, runs for 6 months and extends to 18 months where the conditions are met. Accidents at work are reported within 2 working days (art.54).

III

Tax and Social Security

Wage taxation in the TRNC works on a withholding (P.A.Y.E.) basis under Income Tax Law 24/1982. Social security has three pillars: Social Insurance, the Provident Fund, and the contribution payable for foreign workers. There is no single SGK-style institution.

TAX AND CONTRIBUTION PARAMETERS, INSURED / EMPLOYER / STATE

ITEM	RATE OR AMOUNT
Income tax bands	TRY 0 to 45,000 10%; 45,000 to 90,000 20%; 90,000 to 210,000 25%; 210,000 to 400,000 30%; above TRY 400,000 37%
Personal allowance	TRY 655,000/year; monthly TRY 54,583.33 (12 salaries) or TRY 50,384.62 (13 salaries)
Spouse and special allowance	Spouse 8%, that is TRY 52,400; special allowance 10% of net earnings
Sickness, maternity and accidents at work	2.25% and 0.5% / 2.25% and 0.5% plus accident 0.5% to 6% / 2%
Invalidity, old age, death and unemployment	5.5% and 0.75% / 7% and 0.75% / 4%
► Total social insurance (art.78)	9% / 10.5% plus accident rate / 6%
Provident Fund and local contribution	4% / 4%; for foreign nationals 5% from the employer alone in place of the fund / 0
Contribution base (art.82)	Cost-of-living allowance included; incapacity benefits, travel allowances, benefits in kind and one-off death, birth and marriage payments excluded. No ceiling and no floor; daily earning is the monthly amount divided by 30. After a fatal accident from a safety breach the accident contribution rises by 4 points the following year

Verify before payroll

Minimum wage and payment calendar: Effective 1 July 2026 the gross minimum wage is TRY 70,893.00 and the net figure is TRY 61,677.00; the TRY 9,216.09 gap is the 13% social security deduction, and no income tax arises at that level. The minimum wage is set twice a year, in January and July, on the recommendation of the Minimum Wage Determination Commission and by decision of the Council of Ministers. Contributions are paid by the 20th of the month at the latest (art.86(1)); late payment attracts 3% first and then 1.2% a month.

IV — Payroll Operations

The payroll cycle in the TRNC runs against three separate institutions: withholding to the Department of Inland Revenue, the contribution return to the Department of Social Insurance, and a separate deposit return to the Provident Fund Department. The three do not merge into one filing. Equal pay for equal work is set out in art.21, and leave records must be kept (art.52).

PAYMENT, PAYSHEET AND PROVIDENT FUND RULES

ITEM	RULE
Pay period and basis for deductions	Month; reducible to weekly, delay cannot exceed 1 week (art.21). Deductions may rest only on statute, a collective agreement, the employment contract or a court order
Payments on exit	Wage within 7 days, other entitlements within 1 month
Payslip requirement	At every payment, with basic wage, additions and deductions shown separately; a signed wage register suffices at 10 or fewer workers (art.24)
Disciplinary deduction and tips	Three days' wage a month, subject to a board and the right of defence (art.25); the service charge is distributed in full to workers (art.42)
Provident Fund deposit	Under 34/1993 worker 4% and employer 4%; raisable only on an equal basis and to no more than double (art.8(6)(B))
Foreign national worker	Outside the fund; 5% from the employer alone instead of 4% plus 4% (art.5(1)(A), art.8(6)(C)); deposited within 1 month following the month worked, not credited to an individual account, ring-fenced for local employment under art.8(6)(Ç)
Workers outside that rule	Foreign academic staff at universities, pilots and licensed aircraft technicians at local airlines, and foreign nationals in state departments remain in the 4% plus 4% regime

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Filing calendar: The Provident Fund is not a branch of social insurance but an independent third pillar; the balance is held in an individual account, is not attachable and is funded in advance every month. The monthly social insurance return and payment are completed by the 20th of the month and incapacity reports are submitted within 30 days (art.82). The fund payment date and the payroll retention period could not be verified.

V —

Hiring and Termination

On hiring, the worker card is drawn up in three copies and completed within 15 days (art.6). Probation is capped at 3 months and counts toward the six months that qualify for annual leave. The TRNC has no general statutory severance payment; the functional equivalent is the Provident Fund, funded in advance every month.

NOTICE, COLLECTIVE DISMISSAL AND PROVIDENT FUND PAYOUT

ITEM	RULE
Notice and collective dismissal payment (art.12, art.19)	3 to 6 months 1 and 1 week; 6 months to 1 year 3 and 2; 1 to 2 years 4 and 3; 2 to 5 years 5 and 4; over 5 years 6 and 5 weeks
Collective dismissal threshold	At least 5 workers and at the same time at least 20% of the headcount; both conditions required together
Notice and consequences	At least 1 month to the workers and the Department of Labour, additional to the art.12 notice; 3-month rehiring ban, 15 days for the dismissed worker to apply, burden of proof on the employer
Resignation before 2 years	Own deposits and interest only
Leaving after completing 2 years	Deposits, employer share and interest in full
Health, marriage, birth, education, military service, no job found within 6 months	Payment in full
Termination for misconduct (2 to 10 years)	Graduated from 25% to 100% (art.9(2))

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Unemployment benefit: The conditions are 720 days of contributions in total and 150 days in the last 12 calendar months. The duration is 120, 156 or 180 days depending on the contribution days, and it cannot exceed 180 days in a year. The daily amount is 1/75 of the gross monthly minimum wage; 25% per dependant is added for up to three dependants, and payment is made fortnightly. A dismissal under art.15 removes the right to unemployment benefit.

VI —

Compensation and Benefits

The TRNC has no statutory annual increase mechanism for the private sector. The cost-of-living allowance is statutory in the public sector, while in the private sector it is a right arising from a collective agreement, an individual contract or workplace custom. That distinction determines directly how payroll cost moves through the year.

COST-OF-LIVING ALLOWANCE AND ADDITIONAL PAYMENTS

ITEM	STATUS
Cost-of-living allowance, public sector	Public Servants Law art.25 (as amended by 82/2009); the planning office consumer price index is consolidated into salaries in January and July
Cost-of-living allowance, private sector	Not found in Labour Law 22/1992; rests on contract or custom
13th salary and annual increase	The 13th salary is statutory for public servants only (Public Servants Law art.24A); there is no statutory annual increase, and art.30 keeps expired terms in force
Contribution and exemption base	Where the cost-of-living allowance is paid it enters the contribution base, the severance exemption base and the income tax base; a negative index period is carried forward and offset in the next period. The 2026 rate could not be verified and is not quoted; use the planning office and Ministry of Labour and Social Security publications

Verify before payroll

Severance and tax exemption: Severance payments arising from a contract or an approved personnel rights regulation are recognised under Income Tax Law art.4. The exemption is, for each year of service, the lesser of one month's gross wage including the cost-of-living allowance and the Grade 19 ceiling, and it applies only on actual separation. Benefits in kind sit outside the contribution base while their cash equivalents sit inside it; meal and transport exemption limits could not be verified and are therefore not quoted.

VII · VISAS AND WORK PERMITS

Employment of foreign workers is governed by the Work Permits of Foreigners Law 63/2006 and by the Work Permits Regulation in its 17 September 2026 version; entry and residence rest on a separate instrument, Chapter 105. The permit is obtained by the employer and is tied to a named employer. Before the application, Regulation art.9(1) requires the vacancy to be notified to the Department of Labour's job placement unit and evidenced as unfillable from the local workforce.

VII —

Visas and Work Permits

THE TWO-TRACK PERMIT STRUCTURE

TRACK	INSTITUTION	FUNCTION
Work permit	Department of Labour	Issued in the employer's name (63/2006); first permit 6 to 12 months, renewal up to 24 months after a year worked (Regulation art.15(3), art.17(8))
Entry and residence	Department of Immigration	Right to stay (Chapter 105); the residence period does not automatically match the work permit period
Employment without a permit	Department of Labour	Escalating fine per worker (art.59(3), art.72)
IBC and free zone	Department of Labour and Free Port Directorate	In an IBC foreign staff cannot exceed 3 times resident TRNC headcount; free zones are open to foreign specialists and technical staff
Turkish citizens	Department of Labour	Foreign nationals within the meaning of 63/2006 art.2; Labour Agreement 25/1987 grants no exemption. The only easing is the pre-approval exemption in Regulation art.30(12); application, medical report, residence and fees continue. They fall into the 5% Provident Fund regime
Student permits	Department of Labour	From the second academic year up to 4 hours a day and 24 hours a week; no overtime; students may not exceed 50% of total headcount at a workplace; 40 days after graduation to convert the permit

Verify before payroll

Guarantee and quota: A guarantee or bank guarantee is not a fixed item applied to every application; Regulation art.34 leaves it to the discretion of the Department of Labour and the text sets no amount. There is likewise no general numerical foreign-worker quota; 63/2006 art.14 empowers the Ministry to restrict permits by sector, occupation, branch of activity or region, and the only firm ratio is the 3:1 in an IBC. Fee amounts could not be verified and are therefore not quoted.

VIII · PRACTICAL NOTES AND COMMON PITFALLS

The most frequent mistake in TRNC payroll is assuming Türkiye's rules can be adapted here. The two systems descend from different legal families and the institutions differ.

VIII

Practical Notes and Common Pitfalls

WHERE IT DIVERGES FROM TÜRKİYE

TOPIC	TÜRKİYE	TRNC
Social security and contribution base	SGK single body and single return; ceiling and floor apply, no state share	No SGK, separate filings to three departments; no ceiling and no floor, 6% of the burden from the state budget (art.78)
Working time and overtime	45 hours; a single rate of 50%	40 hours (art.31(1)); 10% on normal days, 50% on weekly rest and public holidays, 15% for irregular shifts
Severance	Statutory severance pay, a lump-sum liability on exit	No general statutory right; the Provident Fund is funded in advance every month
Disabled employment	3% where there are 50 or more workers	1 disabled worker for every full 25, as an absolute number (64/1993 art.6(4))
Company law	Turkish Commercial Code	Chapter 113

Collective agreements are concluded at enterprise level under 42/1996 with no sectoral extension; occupational health and safety sits in a separate notification and risk regime under 35/2008 as amended by 5/2026. A fixed-term contract not renewed within 1 month of expiry, where work in fact continues, is deemed extended for the same period.

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Fines and quotas: Administrative fines in art.72 are indexed to the gross monthly minimum wage at tiers of 1/3, 1/2 and 1 times; in 2026 1 times is TRY 70,893.00, and failing to report an accident at work within 2 working days is penalised at the 1/3 tier without prior warning. Protection of Disabled Persons Law 64/1993 art.6(4) requires 1 disabled worker for every full 25 workers; art.8 allows a fine of up to ten times the monthly minimum wage for each disabled worker owed. The art.20 quota of one relative of a martyr and one ex-convict for every fifty workers at workplaces with 50 or more workers is separate. Legislative texts are in Turkish and disputes go to the competent court (art.68).

IX · INCENTIVES AND EMPLOYER SUPPORT SCHEMES

The TRNC has no general catalogue of employer contribution reductions of the kind found in Türkiye. Most incentives are designed on the investment, tax and customs side and do not reduce payroll cost directly. Only three mechanisms with a direct payroll effect were identified.

IX —

Incentives and Employer Support Schemes

MEASURES THAT REDUCE PAYROLL COST DIRECTLY

MEASURE	SCOPE
R&D and Design Law 16/2019	Half the social insurance employer share covered from the Ministry of Finance budget for 5 years; 90% income tax exemption on personnel wages (Income Tax art.6(16), 6(17)); technology venture support up to TRY 200,000
Disabled Employment Incentive Regulation A.E. 694/2014	Social insurance employer share and Provident Fund employer deposit refunded; under 64/1993 art.6A the period cannot be less than 48 months, and payments fall in February, May, August and November
Employment Support Centre	Contribution support by annual Decree Having Force of Law; 48/2024 identified, the 2026 decree must be confirmed
Investment, region and free port	Investment relief 200% in priority regions and 100% elsewhere; 0% VAT on machinery and equipment, customs and fund exemption, land allocation. Priority regions were set by Council of Ministers Decision H(K-I)482-2017 of 23 February 2017: in the first degree the Karpaz Peninsula, İskele, Güzelyurt, Lefke and Geçitkale. In the 2 free ports at Gazimağusa and Gemikonağı in-zone earnings are fully exempt from corporate and income tax. There are also 15 organised industrial zones and, under 42/2018, 6 technology development zones

Verify before payroll

How localisation works: The TRNC does not impose a numerical local employment quota; the mechanism works through price. For a foreign worker outside the fund the employer's Provident Fund cost is 5% rather than 4%, so the increase is 1 point and not 5, and art.8(6)(Ç) ring-fences the contribution for local employment alone. The 51% local ownership requirement in construction and tourism agency work is an ownership condition, not an employment quota. No free-zone exception was found in 73/2007 or 34/1993, so wage withholding and social security obligations should be assumed to continue and the practice confirmed with the Free Port and Zone Directorate and the Department of Inland Revenue. The investment agency guides applicants, but the incentive certificate is issued by the state planning organisation.

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TRNC payroll rests on the intersection of Labour Law 22/1992, Social Security Law 73/2007, Provident Fund Law 34/1993 and Income Tax Law 24/1982, and it is run against three separate departments. The 40-hour week, the uncapped contribution base, the Provident Fund standing in for severance and the surcharge that arises for a foreign worker all have to sit on one operating calendar. Datassist helps employers manage Northern Cyprus payroll and employment processes from a single centre.

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