

EU Pay Transparency Directive: What Changes for Employers in Cyprus

By:



The **EU Pay Transparency Directive** (Directive (EU) 2023/970) forms a landmark legal framework aimed at strengthening the long-standing EU principle of *equal pay for equal work or work of equal value* between men and women. **Member States must transpose the Directive into national law by 7 June 2026.**

The Directive's core purpose is to uphold the principle of equal pay and prevent direct or indirect pay discrimination on grounds of sex by:

- establishing clear employer obligations, including gender pay gap reporting;
- making pay structures more transparent and improving access to pay information; and
- enhancing legal remedies for employees.

The Directive applies to:

- all employers in the public and private sectors,
- employees under an employment contract or employment relationship as per applicable law or a collective agreement or pursuant to practice, and
- job applicants.

The bill transposing the Directive into national law in Cyprus is titled "The Strengthening of the Implementation of the Principle of Equal Remuneration between Men and Women for Equal Work or Work of Equal Value, through Wage Transparency and Enforcement Mechanisms Law of 2026". It was released for public consultation in November 2025 and the final draft is pending approval.

This Article considers the main provisions of the Directive, as adopted by Cyprus, whilst noting the national-specific provisions from the bill where Cyprus has exercised its discretionary powers.

Key Obligations for Employers

The Directive introduces a set of **minimum standards** that must be adopted into national law. In line with the Directive, the Cyprus bill incorporates the following core provisions:

1. **Pay Transparency in Recruitment:** Employers must disclose the salary or salary range in job advertisements or at least prior to interviews. Employers are also prohibited from asking candidates about their pay history. These measures aim to ensure that employees are able to engage in fair salary negotiations and that historic pay disparities are not perpetuated.

2. **Information Rights for Employees:** Employees have the right to request information on their own pay and benefits and on the average pay levels broken down by sex for comparable roles or work of equal value, and employers must provide this within two months. Employers must also disclose the criteria used to determine pay and career progression, which must be objective and gender-neutral (the Cyprus bill exempts employers with fewer than 50 workers from this obligation). Further, employers shall not prevent employees from disclosing their pay for the purpose of enforcing the equal pay principle (for example, through confidentiality clauses). Employers must inform employees of these rights on an annual basis.
3. **Reporting and Pay Gap Assessments:** In line with the Directive, the Cyprus bill provides for specific pay gap assessments to be conducted and the reports to be provided to the Supervisory Authority, depending on the employer's size, as follows:
 - **Employers with 250 or More Employees:** First report due 7 June 2027, covering pay data from the 2026 calendar year, with annual reporting thereafter.
 - **Employers with 150-249 Employees:** First report due 7 June 2027, covering the 2026 calendar year, with reporting every three years thereafter.
 - **Employers with 100-149 Employees:** First report due 7 June 2031, covering the 2030 calendar year, with reporting every three years thereafter.
 - **Employers with Fewer than 100 Employees:** Reporting is voluntary.

Where a reported gender pay gap exceeding 5% cannot be justified by objective, gender-neutral criteria and corrective measures are not taken within six months, the employer must carry out a joint pay assessment with the employees' representatives.

4. **Systems and Processes:** Employers will need to establish or enhance internal systems relating to:
 - Job evaluation based on skills, effort, responsibility, and working conditions;
 - Data collection and internal reporting; and
 - Objective criteria for pay and career development decisions.

Enforcement and Legal Remedies

The Directive introduces significant changes in the enforcement landscape, which have been adopted by the Cyprus bill:

1. **Burden of Proof Shift:** In pay discrimination cases, the burden shifts to the employer, who must prove that there has been no direct or indirect discrimination.
2. **Compensation:** Employees who successfully prove pay discrimination are entitled to full compensation, including:
 - Recovery of unpaid wages, bonuses, and other related payments;
 - Compensation for lost opportunities and non-material damages; and
 - Interest on arrears.

3. **Collective and Representative Actions:** Member States must ensure that representative bodies or associations can assist employees or bring claims on their behalf.
4. **Protection Against Retaliation:** Employees who exercise their rights or support others in doing so must be protected from victimisation and less favourable treatment. Employers cannot terminate employees for exercising their rights.
5. **Penalties for Non-Compliance:** Member States must introduce effective, proportionate and dissuasive penalties for violations, including fines. The Cyprus bill introduces the following main penalties:
 - A fine of €10.000 and/or six (6) months' imprisonment for any violation of this law (such as for late reporting or failure to provide salary ranges); and/or
 - A fine of €10.000 and/or six (6) months' imprisonment for not cooperating with and/or obstructing the inspector from carrying out their duties; and/or
 - Court Orders to employers to cease the violation, remedy the violation and/or pay the compensation awarded to the employee.

Next Steps for Employers

With the transposition deadline of 7 June 2026 approaching, employers should take proactive measures to ensure compliance by:

- Auditing existing pay structures;
- Updating and/or creating policies establishing objective pay criteria and addressing pay discrimination complaints;
- Designing effective reporting systems;
- Training HR and legal teams on compliance requirements; and
- Engaging proactively with workers' representatives.

Companies complying with the Directive will not only reduce their legal risk but will also actively promote fairness, transparency and longterm business competitiveness.

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