

# Measures of Financial Support to address the impact of Coronavirus

## Introduction

The President of the Republic of Cyprus and the Ministers of Finance, Labor, Welfare and Social Security and Health announced on Sunday 15 March 2020, a series of measures to address the effects of coronavirus.

The measures which have been announced are summarized below. It should be noted that a number of clarifications are expected within the next few days.

## A. Support of business

### 1. Temporary suspension for two months of the obligation to pay VAT

Applies to businesses whose (i) turnover for 2019 was not more than €1m as per the tax returns submitted and (ii) businesses whose turnover reduced by more than 25% from the corresponding turnover of 2019.

Arrangements will be made for the settlement of these debts gradually until 11 November 2020, without the imposition of any penalties or interest.

The VAT tax periods which are covered have not been mentioned, but it is expected to be the quarter ended on 28 February 2020 and the quarter ending on 31 March 2020, with the VAT due to be paid by 10 April 2020 and 10 May 2020 respectively.

### 2. Temporary reduction of VAT rates

The standard VAT rate is temporarily reduced from 19% to 17% for a two-month period and the reduced VAT rate is reduced from 9% to 7% for a period of three and a half months (3 ½), after the relevant legislation is approved by the House of Representatives.

### 3. Scheme for settlement of taxes in arrears

For the duration of the emergency, special arrangements will be made for those who are entitled to the scheme for settlement of taxes in arrears (until the year 2015).

## 4. Student subsidy

A subsidy of €750 will be provided to cover the costs of students attending overseas universities who will not return to Cyprus during the Easter holiday.

## 5. Submission of tax returns

The obligation for the submission of the tax returns by companies which were required to submit them by 31 March 2020 has been extended until 31 May 2020.

This relates to the submission of the tax return for the tax year 2018 by businesses.

## 6. No payment of the additional GESY contribution

The additional GESY contribution from employers, employees and the government which was scheduled for 31 March 2020, is postponed for two months. The time schedule for the implementation of Phase 2 of the GESY is not affected.

## 7. Banking sector

The European Central Bank (“ECB”) has already considered measures for the support of bank lending. In the context of the new measures, the Cypriot financial institutions will be able to obtain liquidity from the Eurosystem on substantially favourable terms. The measures decided by the ECB concern, amongst others, the release of capital stocks, which for the Cypriot systemic banks are estimated by the Central Bank of Cyprus (“CBC”) in excess of €1.3 billion. In addition, the CBC is considering further local measures which will be announced at a later stage.

## B. SUPPORT AND PROTECTION OF EMPLOYEES AND VULNERABLE GROUPS

### 1. Granting of “Special Leave” to parents working in the private sector for the care of children up to 15 years old (up to the third grade of gymnasium) due to suspension of attendance at public and private schools, nursery and child care centers.

For the “special leave”, which can last up to 4 weeks, an allowance will be granted to a parent with a salary of up to €2.500, as follows:

- (i) 60% of the salary will be paid for the first €1.000 of the parent’s salary, and
- (ii) for the next € 1.000 of his salary, a 40% allowance will be paid.

In the case of single parent families, the rate of payment of the allowance varies between 70% and 50% respectively.

The leave will be granted to one of the two parents and if one parent receives the said leave, the other cannot receive the same leave at the same time. Also, if one parent works / receives an unemployment benefit / participates in a Work Suspension Plan and the other does not, the working parent is not entitled to the “special leave”, unless the parent who is not working has himself or herself been infected with the coronavirus or is hospitalized or is a disabled person or is a person under compulsory control.

The said leave will be granted if the nature of their work does not permit teleworking or working from home or working with flexible time schedule and if internal help is not provided.

The leave will be granted in consultation with the employer upon request.

## **2. Business Suspension Plan**

A Business Suspension Plan is implemented for those businesses which it has been decided to suspend their operations and for those that will continue to operate with a turnover reduction of more than 25% in order to avoid the dismissal of employees and at the same time the affected employees to receive an unemployment allowance for as long as the business is suspended.

The businesses which are subject to suspension from 6 am on 16 March 2020 and for a period of 4 weeks are the following:

- Shopping malls and department stores
- Cafes, coffee shops, bars and all catering businesses, restaurants (home delivery services are excluded)
- Entertainment centers
- Cinemas, theaters, auditoriums
- Libraries
- Museums, archaeological and historical sites
- Gaming agencies, casinos etc.
- Sports facilities, sports clubs, cultural associations and other associations
- Theme parks (amusement parks etc.)
- Hairdressers, beauty salons, beauty massage salons

Hotels suspend operations until 30 April 2020. The hotels can continue their operations for a period of 6 days, in order to serve their existing customers.

Essential retail trade services relating to the health and well-being of the community remain open, such as:

- Food retailing, e.g. supermarkets, provided there are no more than one person per 8 square meters of usable space (including employees)
- Pharmacies
- Private health services (clinical laboratories)
- Street markets
- Bakeries and confectioneries (without table seats)
- Gas stations
- Kiosks

Retailers that do not fall into the category of suspension of their work should not have more than five employees in the workplace.

For all private, public and wider public service enterprises which serve the public (banks, public utility payment offices etc.), the presence of people in the service area will not exceed one person per 8 square meters of usable space, including employees.

### **3. Business Support Plan for small businesses**

Small businesses that employ up to 5 people, provided that they retain their employees at work and their turnover has been reduced by more than 25%, the plan provides for a subsidy of 70% of employee salaries. The terms and conditions of the Scheme will be announced shortly.

## **C. OTHER MEASURES**

There are a number of other measures that have been taken and are not detailed in this alert, such as:

- Scheme of remuneration of employees working in the afternoon programs of the Ministry of Education
- Payment of sickness benefit
- Creating mobile teams to serve the elderly and vulnerable persons
- Enhancing the health sector
- Support for tourism recovery
- Introducing ceilings in product prices
- Necessary staff for the Public Service

## **Let's Talk**

We are at your disposal to discuss with you the relevant measures.

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

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