

Cyprus Government Support Measures for the effects of COVID-19 in the Cyprus economy

Issue N-4-2020, 18 March 2020

In brief

The Government announced on 15 March 2020, the first package of € 700m budgetary support for the economy, which corresponds to 3% of GDP, aimed at safeguarding public health and ensuring the economic survival of businesses and employers. Analyzing the package of measures, the Minister of Finance noted that the €450 million will have a net financial impact and another €250 million will relate to business liquidity over the next two months and is not expected to have a financial impact. Some of the measures indicated below are headline announcements and more details are expected to be announced by the Government in the coming days.

In detail

1. Social Insurance and General Healthcare System

(a) Extension of deadline for submission of an objection for social insurance

Self employed individuals are granted a one month extension to submit an objection in relation to their actual amount of insurable earnings from 31 March to 30 April. An amendment of the Law is required for this measure to become effective.

(b) Suspension of increase in the special contribution for General Healthcare System

The increase in special contribution to the General Healthcare System by employees and employers is suspended for two months without an impact on the implementation of the second phase of the General

Healthcare System. We understand the suspension will apply for the months of April and May 2020. An amendment of the Law is required for this measure to become effective.

2. Tax Measures

VAT measures:

The VAT measures will require legislative amendments. The draft law is expected to be voted in Parliament this coming Thursday 19 March 2020.

(a) Obligation to pay VAT

Temporary suspension for two months of the obligation to pay VAT for reasons of business liquidity, without the imposition of any penalties and interest. It relates to companies whose turnover did not exceed € 1 million according to tax declarations submitted in 2019 and whose turnover was reduced by more than 25%. It is noted that arrangements will be made so that the debts will be paid progressively until November 11, 2020.

(b) Reduction of VAT rates

Temporary reduction of VAT rates from 19% to 17% for a period of two months and from 9% to 7% for a period of three and a half months, as soon as the relevant legislation has been passed, to enhance the purchasing power of citizens and stimulate consumption.

Direct Tax Measures

(a) Tax return submission

Extension of the deadline for the submission of tax returns due by 31.3.2020 by two months to 31.5.2020.

3. Business and Other Measures

(a) Benefit for students remaining abroad during the Easter holidays

A benefit amounting to €750 per student will be granted for those students opting to remain abroad during the Easter Holidays.

(b) Schedule of Debts

For the duration of the emergency situation, special arrangements will be made for those who are included in the Schedule of Debts.

(c) Guarantees

Suspension of the requirement to withhold guarantees in the context of contracts between the public and private sector for the supply

(d) Supply of special leave for parents working in the private sector to take care of children up to 15 years of age due to the closure of schools

The special leave (under conditions) may last up to four weeks (not including weekends and public holidays) and a benefit will be given which will be calculated as follows: for a parent with a salary up to €2.500 for the first €1.000 60% of the salary and for the remaining €1.000 40%. It is noted that in case of single parent families the benefit will be adjusted to 70% and 50% respectively.

(e) Suspension Plan

For those businesses that, as part of the measures decided by the Government had to suspend their operations and for those businesses that continue to operate however suffer a turnover reduction of more than 25%, a special Business Suspension Plan applies, in order to avoid layoffs and at the same time affected workers to receive an unemployment allowance for as long as their employer company suspends its operations.

(f) Measure aimed to support Small Businesses

Applicable for businesses that employ less than five individuals, provided the employees remain in the employer's service and the businesses suffer a reduction in turnover of more than 25%. The measure provides for a 70% subsidy of the salary of each individual. The conditions will be announced with the implementation of the measure.

(g) Benefit for those working on afternoon programs of the Ministry of Education

A benefit equal to the full emoluments of these individuals will be granted

(i) Sickness benefit on average of €800 per month

Will be available to persons that, following the measures issued by the Government and the Ministry of Health have to take leave from their employment under conditions. The benefit will be also available under conditions to self-employed individuals.

The takeaway

We will be closely monitoring the developments in this area and actively updating you when relevant Laws have passed and /or clarifications have been provided in regards to the practical implementation of the measures.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

Theo C Parperis, Nicosia
Partner
Head of Tax & Legal
theo.parperis@pwc.com

Marios S Andreou, Nicosia
Partner
In charge of Tax Advisory
marios.andreou@pwc.com

Chrysilios Pelekanos
Partner
In charge of Tax Reporting Strategy
chrysilios.pelekanos@pwc.com

Michalis Stavrides
Partner
Tax Reporting Strategy
michalis.stavrides@pwc.com

Martha Lambrou
Director
Tax Advisory
martha.lambrou@pwc.com

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