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Covid – 19: Additional Economic Measures for small and medium enterprises

Additional support schemes

On the 27 May 2020, the President of Cyprus, Mr. Nicos Anastasiades, addressing the people of Cyprus, announced additional economic measures aimed at assisting and support small and medium sized businesses totaling €1.2 billion.

Specifically, the new measures are:

A. Employee Support and Self – Employed

Most wages will be covered in order to secure employment positions. This support plan will rise to about €330 million by 12 June 2020. It should be noted that this support will continue to be provided to targeted sections, under certain conditions, until the 12 October 2020, taking into account of course, the re-opening of the vast majority of companies and the state's capabilities to do so.

B. Liquidity

To strengthen liquidity, the following measures apply:

- (i) Suspension of loan repayments, interest and on credit facilities for a period of 9 months.
- (ii) Suspension of VAT payments regarding the increased contributions towards the General Health System.
- (iii) Suspension of VAT payments until the 30 November 2020.
- (iv) Extension of repayment periods for overdue of social contributions.
- (v) Tax incentives to property owners/landlords for reduction of rental payments.
- (vi) Suspension on the procedures for evicting tenants and sale of properties in default of loan repayments.
- (vii) Decrease in the price of electricity.

C. Allowances – Costs

An allowance to students abroad amounting to €750 is provided and the state covering their accommodation and food needs during the period of restrictions for repatriation.

Additionally, the state has fully covered the costs associated with the carrying out of molecular Covid-19 tests within the public that, as of today, 100,000 such tests have been carried out.

The total cost of the above amounts approximately to €26 million.

In summary, these new decisions provide:

1. Provision of liquidity, amounting to €800 million for financing small and medium enterprises via the Cyprus' Entrepreneurship Fund. Beneficiaries of such support are small and medium sized enterprises that employ a maximum of 250 persons, per company.
2. In order to provide loans to small and medium sized enterprises, the government has decided to work with the European Investment Bank to increase the lending project by €500 million. Beneficiaries are companies that have been registered and operate in Cyprus and employ up to 3,000 employees per company.
3. The Council of Ministers approved the participation of Cyprus in the Pan-European Guarantee Fund that was established for the purposes of addressing the effects of the pandemic on Member States.

It is expected that Cyprus will €300 million to €400 million from this fund for the needs of the Cypriot economy.

Again, beneficiaries will be small and medium sized enterprises that have been affected by the pandemic. It should be noted that loans under this plan will be guaranteed by 80% by the European Fund.

It should be pointed out that all lending plans provided specific clauses for the securing and protection of employment positions.

4. Subsidy plan for interest rates for new loans by businesses, including the self-employed who lack liquidity. This plan includes loans that have been provided as from the 1 March 2020 to 31 December 2020. Again, beneficiaries will be businesses and self-employed persons provided that the loans are not considered problematic according to the European Commission's definition. These measures are in line with the guidelines issued by the European Commission.

The interest rate subsidy will be for a period of 4 years as follows:

For the first 2 years, the interest rate will be subsidized up to 3.5%, whereas for the 3rd and 4th years, the rate will be subsidized by 2% for small and medium sized enterprises and the self-employed and 1.5% for large businesses.

5. To support home ownership, the Council of Ministers decided to subsidize the interest rate for a specific period of time and stipulating a maximum loan amount. This concerns loans that have been given or will be given from 1 March 2020 to the 31 December 2020 and will not exceed €300,000. This subsidy will be for a period of 4 years amounting to 1.5% of the rate.
6. Subsidy plan for very small, small enterprises and the self-employed, aiming to cover part of the rent and operational expenses of these businesses/self-employed. The total amount of the subsidy/sponsorship exceeds €100 million. This concerns around 50,000 very small, small businesses and self-employed persons that employ up to 50 employees. This one-time sponsorship will be given as follows:

Self – employed persons and very small businesses that were under full or partial suspension of their operations and were included in the Support Plans of the Ministry of Labour & Social Insurance within the period 13 April 2020 – 12 May 2020 and the self – employed:

- (i) Up to one person: €1,250
- (ii) From 2-5 persons: €3,000
- (iii) From 6-9 persons: €4,000 and
- (iv) From 10-50 persons: €6,000.

7. In order to strengthen recovery of the economy, the Council of Ministers has decided to instruct all competent authorities to proceed with immediate announcements for bids for all development projects based on announcements made from time to time and regardless of their planned budget. Consequently, not only is the implementation of development projects not suspended but accelerated. It is understood that this decision excludes bids for the construction of the new building for the House of Representatives.
8. In order to strengthen the tourism sector, an additional incentive plan of €6.3 million was decided. The current plan amounts to a total of €15.7 million that will be paid by the end of 2020.
9. In order to strengthen the tourist accommodation sector and catering businesses, a reduction of the VAT rate from 9% to 5% was decided for a period from the 1 July 2020 to the 10 January 2021.
10. An amount of €22 million will be allocated to the agricultural sector.

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