

Presentation of the new support package for the economy by the Minister of Finance Mr Constantinos Petrides

In the face of this ordeal our country is going through, which is not only about health but also about the economy, we had from the beginning given assurances that the Government will stand by its citizens, workers and enterprises.

We acted in time and without delay and already a large package for the support of the economy is unfolding, which includes over 60 measures with a cost estimated at nearly 1,2bn euros.

By comparison to the size and capability of our economy, this support package is one of the biggest on the European level. It is a comprehensive and cohesive framework, which provides for a strong mesh of social protection and supports entrepreneurship.

Thanks to this package we maintained the available income of our citizens at high levels, supplementing it for a long period of time during the lockdown period while at the same time implementing policies that reduced expenditure and expenses. We supported our farmers and livestock breeders through ad hoc funding. We strengthened the health sector with significant funds. We suspended for ten months the payment of instalments and interest on all loans. We supported the students, vulnerable groups, parents who had to go into isolation in order to look after their children, and the people of culture. We reduced electricity bills and suspended tax payments and debts.

With the measures adopted by the Government we succeeded not only to handle the health aspect of the crisis but also to prevent dismissals of personnel, bankruptcies of companies as well as negative social consequences the like of which we see in other countries.

As the Government, we are certain that the gradual lifting of restrictive measures and the reactivation of the economy will allow us to go on the offensive and cover lost ground. We are going into a second period which aims at restarting the economy.

In this second period, the period of restarting, the Government is adopting a new, more targeted package measure through the decisions taken yesterday by the Council of Ministers. It is a socially just and financially effective package that concerns among other things a very significant direct grant to the Small and Medium Enterprises of our Country; a grant that will cover liabilities for rent or other overhead costs. The package supports young people who wish to obtain a house; it provides assistance to the particularly vital for the economy tourism sector as it strives to recover. Furthermore it reinforces the flow of liquidity in the market by using all the tools and mechanisms provided to us by the European institutions.

I wish to assure everybody that in this effort the Government always seeks the smooth and effective cooperation of the Parliament and the political world as a whole, notwithstanding the differing opinions that may arise. It is my intention to directly inform the House of Representatives on the new support package, anticipating the cooperation of all of them, for what our citizens expect at this hour is not political confrontation but a common approach so as to impart a sense of confidence to the market and emerge strong from this crisis.

The new support package for the economy includes the following:

1. Participation of the Republic of Cyprus in the Pan-European Guarantee Fund.

This is a new tool proposed by the European Union in order to combat the consequences of the COVID-19 pandemic in the member-states of the EU, the incorporation of which was

approved by the Governing Board of the European Investment Bank as recently as Tuesday, 26 May.

By its decision yesterday, the Council of Ministers approved the participation of the Republic of Cyprus in the Pan-European Guarantee Fund, with a contribution amounting to €32.5m in the form of guarantees. The Fund has been designed to provide direct guarantees of up to 80% to Financial Institutions for the financing of Small and Medium Companies. It also includes the possibility of providing counter-indemnities to national guarantee schemes.

The beneficiaries will be Small and Medium Companies of Medium Capitalization (which employ personnel of up to 3000) so as to have access to sufficient liquidity in order to cope with the challenges created by the crisis, thus contributing to the effort of restarting their economies.

The member-states which participate in the Guarantee Fund will contribute a total of €25bn in the form of guarantees, through which the fund is expected to channel up to €200 bn in targeted funding to the Small and Medium Companies and to Companies of Medium Capitalization affected by the COVID-19 crisis. Like all European Investment Bank funding, the Pan-European Guarantee Fund does not maintain quotas for the member countries. It is estimated that the businesses of Cyprus will be able to benefit by an amount of between €300 - €400m for the needs our enterprises.

2. Scheme for Providing Government Guarantees to the European Investment Bank for granting loans to Cypriot small and medium companies and enterprises of medium capitalization

This has to do with the utilization of an existing scheme which functions since 2014 by a financial agreement between the Republic of Cyprus and the EIB with the purpose of strengthening the Cyprus economy and financing SMCs.

The scheme is widely accepted and has been positively assessed both by the EIB and by an independent rating agency. The government guarantee is given to the EIB, not to the companies or the banking institutions which participate in the Scheme and the agreements are signed between the EIB and the banking institutions participating in the Scheme.

Based on the above, the Council of Ministers has decided the increase of the total amount for the Scheme by 500 m. Euros.

Beneficiaries

Cypriot companies of up to 3,000 employees, which are registered and operate in Cyprus.

Favourable loan terms:

- The rates of interest are lower compared to those that would be charged by banking institutions without the said funding by the EIB, as the Scheme envisages a financial advantage of at least 0.5 percentage units (50 basis units).
- Moreover, the interest for loans contracted under the Scheme may obtain subsidy by the "Government Interest Subsidy Scheme".
- Long duration of loan (up to 12 years)
- Choice between fixed and fluctuating interest.
- Even more favourable interest with an additional reduction (0.50 percentage unit lower) for companies meeting the criteria for "Jobs for Youth."

Note:

- For businesses that make supplementary use of the said Scheme together with the Government Interest Subsidy Scheme, it is understood that the condition applies for no dismissal over 2% of the personnel employed at the date the Scheme was proclaimed without substitution (except for reasons justifying dismissal without notice).

3. Liquidity amounting to €800m for funding of SMCs through the Cyprus Entrepreneurship Fund (CEF)

The CEF was established in 2013 by agreement between the EIB and the Republic of Cyprus with the aim of facilitating the funding of SMCs through the granting of loans on favourable terms by Banking Institutions.

Management of the Cyprus Entrepreneurship Fund:

The management of the CEF has been assigned to the European Investment Fund of EIB which oversees the procedure, without Government involvement in the lending process.

Financing tool:

Co-financing and risk sharing (50%-50%) between the Government and the Banking Institutions that participate in the Scheme. Therefore, the Government will receive a loan of €400m in order to finance 50% of liquidity.

Beneficiaries:

SMCs with a maximum number of 250 employees.

Amount of Loan:

Up to €1.5m.

Favourable loan terms:

- The rates of interest are lower compared to the interests that would be charged by banking Institutions. Indicatively, the interests for the programme already in force are fluctuating in proportion to the loan risk (low risk 2.55%-3.85% and high risk 3.375% – 4.5%).
- Moreover, the interest charged for loans contracted under this Scheme may enjoy subsidy by the “Government Interest Subsidy Scheme.”
- Long duration of loan (up to 12 years).

Note: For companies which will utilize the Scheme referred to jointly with the Government Interest Subsidy Scheme, it is understood that the condition applies for no dismissal over 2% of the personnel employed at the date the Scheme was proclaimed without substitution (except for reasons justifying dismissal without notice).

4. Interest Subsidy Scheme for new business loans

Aim: The Scheme aims at improving the prospects of providing liquidity to enterprises, including self-employed, facing a sudden lack of cash flow, through the subsidy of interest for new business loans. The subsidization of interest for a specified period of time and the fixed maximum amount of the loan may provide the suitably necessary and targeted solution under the prevailing circumstances.

The measure is in line with the guidelines included in the “Announcement of the European Commission for the taking of state aid measures with the aim of supporting the economy

during the spread of the COVID-19 disease” and specifically with the temporary state aid measures in the form of immediate grants (measure 3.1 of the said framework).

The competent and assigning authority of the measure is the Treasury Department/Ministry of Finance.

Beneficiaries:

All problem-free enterprises (on the basis of the definition by the European Commission) at 31/12/2019, which are facing difficulties due to the pandemic. It has to do with very small, small, medium and large enterprises as well as the self-employed.

The total cumulative sum in accordance with the Announcement of the European Commission, should not exceed €800 000 per enterprise.

Purpose of loan:

Coverage of liquidity needs for purposes of cash flow and investment.

Loan period:

For business loans contracted or to be contracted as of 1.3.2020 until 31.12.2020.

Requirements:

- The new loans are granted with the purpose of increasing liquidity in the economy and they may not be used to cover the repayment of existing credit facilities either serviced or non-serviced, and/or be used as collateral for the restructuring of existing credit facilities with any credit institution.
- Companies that join the Scheme may not lay off more than 2% of the personnel they employed at the time the Scheme was announced without substitution (except for reasons that justify dismissal without notice).

Interest rates:

The maximum rate of interest on the total amount of the loan may not exceed 4.25%.

The maximum interest subsidy shall be four years as follows:

- In the first two years the interest will be subsidized up to 3.5 percentage units (350 basis units).
- In the third until the fourth year the interest will be subsidized by 2 percentage units for SMCs (200 basis units) and 1.5 percentage units (150 basis units) for large companies.

Amount of loan

There is no limit to the amount of the loan to be obtained, however the amount of the loan the interest to which will be subsidized, may not exceed:

- i) Twice the cost of the annual payroll of the beneficiary for 2019 or for the most recently available year. In the case of companies incorporated on the 1st of January 2019, the maximum amount of the loan should not exceed the calculated annual payroll cost for the first two years in operation or
- ii) 25% of the total turnover of the beneficiary in 2019.

5. Interest Subsidy Scheme for new housing loans

Objective: This Scheme aims at supporting households in raising loans for owner occupancy. The subsidization of interest for a specified period of time and the fixed maximum amount of the loan may provide the suitably necessary and targeted solution under the prevailing circumstances.

The competent and assigning authority of this measure is the Treasury Department/Ministry of Finance.

Loan period:

For housing loans contracted or to be contracted as of 1.3.2020 until 31.12.2020.

Interest rates:

- The maximum interest for the whole amount of the loan shall not exceed 2.30%.
- The maximum interest subsidy shall be four years and the interest shall be subsidized by up to 1.5 percentage points (150 basis units).

Loan amount:

The amount of the loan may not exceed €300.000.

Note:

The new housing loans may not be used to cover the repayment of existing housing loans, whether serviced or non-serviced.

6. Subsidization of very small and small enterprises and self-employed

Aim:

The aim of the Scheme is to cover rents or other liabilities and running expenses.

Beneficiaries:

Very small and small enterprises and self-employed which occupy personnel of up to 50 people, who had been entered and approved in the Special Schemes of the Ministry of Labour, Welfare and Social Securities implemented in the context of the emergency measures for combating the COVID-19 pandemic in the period 13 April – 12 May 2020.

Provided that for all beneficiaries apply the relevant conditions concerning non-dismissal of personnel, included in the Special Schemes of the Ministry of Labour, Welfare and Social Securities for combating the consequences of the COVID-19 pandemic.

Objective: Partial coverage of running expenses, including rent.

Total cost:

€100 m approximately.

Potential beneficiaries: 40,000 – 50,000 very small, small companies and self-employed.

Amount of Subsidy/lump sum grant:

Self-employed and very small enterprises that had fully or partially suspended their activities and were entered in the Special Schemes of the Ministry of Labour, Welfare and Social Security in the period 13 April -12 May 2020, employing **up to 1 person - €1250**

Self-employed and small enterprises that had fully or partially suspended their activities and were entered in the Special Schemes of the Ministry of Labour, Welfare and Social Security in the period 13 April -12 May 2020, employing **2-5 people - €3000.**

Self-employed and very small enterprises that had fully or partially suspended their activities and were entered in the Special Schemes of the Ministry of Labour, Welfare and Social Security in the period 13 April -12 May 2020, employing **6-9 people - €4000**

Self-employed and small enterprises that had fully or partially suspended their activities and were entered in the Special Schemes of the Ministry of Labour, Welfare and Social Security in the period 13 April -12 May 2020, employing **10-50 people - €6000.**

7. Immediate promotion of ripe development projects

In order to enhance recovery, the Council of Ministers today decided to issue instructions to all competent authorities to invite without delay tenders for all development projects which are ripe and ready to be offered for competition, regardless of the scheduled period of their announcement on the basis of the budget.

Provided that the project concerning the House of Representatives shall be excluded.

8. Incentives Scheme for airline companies with the aim of strengthening the connectability of Cyprus and supporting the tourism sector, amounting to €6.3m.

The aim of the Scheme is the recovery of the tourist flow and the strengthening of passenger traffic, in order to mitigate the consequences of the crisis on the tourism sector. The Scheme envisages the additional support of all airline companies for a period of seven months with a subsidization of flights to Cyprus, covering 40%-50% plane capacity.

It should be noted that the new Scheme is supplementary to existing schemes already implemented, for which additional credits amounting to €9.369m shall be extended until the end of 2020.

9. Co-promotional programme with the tourist agents for the attraction of tourists and projection of Cyprus as a safe destination, amounting to €10m.

The programme will start being implemented as of 1st June aiming at the increase of tourist flow to Cyprus both in the summer and the winter months.

10. Reduction of the VAT rates from 9% to 5% for the period 1/7/2020 until 10/01/2021 in the sectors of tourist accommodation and catering.

It is expected that the reduction will bring a benefit to sectors that have been hit more by the Covid-19 pandemic, in particular for the sectors of catering, hotels and tourist accommodation. The reduction of VAT rates in the sectors of catering, hotels and tourist accommodation, is anticipated to bring about a reduction in the retail prices to the benefit both of the consumers and the enterprises, due to the invigoration of consumer demand.

11. Extension of deadline for the submission of income tax statements by salaried persons.

Both the submission of the tax statement and the payment of the taxation due are extended until the end of October 2020.

12. Deletion of encumbrances that may have been imposed due to the not timely submission of tax statements for the period ending 10/04/2020 and 10/05/2020.

13. Extension of deadlines for the submission of documentation concerning the ESTIA Scheme and possibility of submitting new application.

Given the restriction measures on mobility that were implemented during this period and in order to allow the citizens greater ease in obtaining the necessary documents, the Council of Ministers at its meeting yesterday approved:

- A new **one month** extension of **the deadline for presenting the necessary documentation** by interested persons who had submitted an application by 31.12.2019 to join the Estia Scheme. The new deadline is set until **31st July 2020** instead of 30th June 2020, and
- **Possibility of debtors who had not submitted an application to join the Estia Scheme** until 31.12.2019 to do so if they wish. The **new applicants** should complete and submit their application envisaged in the Scheme to the banking and other credit institutions as of **1st June 2020 until 15 June 2020**.