

Cyprus Parliament votes measures for addressing the effects of Coronavirus outbreak to the Cyprus economy

15th April, 2020

Between the 27th and the 30th of March 2020, the Cyprus Parliament voted a number of legislative amendments in response to the Coronavirus outbreak and its effects to the Cyprus economy.

The Measures In Detail (Updated)

Tax Measures

A. Direct Tax Measures

Extension of Tax Return Submission

The Assessment and Collection of Taxes Law has been amended to give the Minister of Finance (by way of ministerial decree) the power to extend both the deadline for submission of tax returns as well as the deadline for settlement of tax liabilities. The amendment of the Law was published in the Cyprus Government Gazette on the 27th of March 2020.

The relevant decree was issued from the Minister of Finance on the 30th of March 2020 and provides the following:

- **Submission of Corporate Tax Return:** The deadline for electronic submission of the 2018 corporate tax return (T.D.4) has been extended to the 1st of June 2020.
- **Self-employed whose annual turnover exceeds €70.000 (T.D.1 self-employed):** The deadline for electronic submission of the 2018 income tax return of self-employed individuals whose annual turnover exceeds €70.000 and who have an obligation to prepare audited financial statements has been extended to the 1st of June 2020.

B. Indirect Tax (VAT) Measures

Suspension of VAT payments

The VAT Law has been amended to provide for a temporary suspension of the obligation to pay VAT, for reasons of business liquidity, without the imposition of any interest and penalties, with regards to the payment of any due VAT for the VAT quarters ending:

- 29 February 2020 (due 10 April 2020)
- 31 March 2020 (due 10 May 2020)
- 30 April 2020 (due 10 June 2020)

but only if

- a) The relevant VAT return is submitted by the due date, and
- b) Any VAT payable is paid by the 10th of November 2020.

We note that the suspension will apply to all Cyprus taxable persons, with the exemption of taxable persons whose activities fall within the following:

Codes	Description
35111	Producers of electricity
36001	Collection and distribution of water
47111	Supermarkets and grocery stores
47112	Mini markets
47211	Retailers of fruits and vegetables
47221	Butcheries including poultry retailers
47321	Retailers of fish and seafood
47241	Bakeries
47242	Retail sale of cakes, flour confectionary and sugar confectionery in specialized store
47301	Retailers of fuel
47441	Retailers of computers, peripheral equipment and software including video games
47611	Retailers of books
47621	Retailers of toys except video games
47731	Pharmacies
61101	Cyprus Telecommunication Authority
61201	Web based services
61301	Satellite Services
61901	Other telecommunications services

Indirect Tax (VAT) Measures - VAT payments on account

On 2 April 2020, the Council of Ministers issued a decree (Κ.Δ.Π. 145/2020) based on powers afforded to them in the VAT legislation (Article 23) with regards to effecting VAT payments on account.

However, the Ministry of Finance has announced on 10th April 2020 the suspension of the application of the aforementioned decree which required certain categories of businesses to effect monthly VAT advance payments.

In the relevant announcement issued by the Ministry of Finance, it is stated that in due course possible new VAT measures may be introduced for the categories of businesses, that were excluded from the right to defer VAT payments, due to the fact that are considered to be least impacted by the COVID-19 outbreak.

Business Support Measures

A. Full Business Suspension Plan

B. Partial Business Suspension Plan

The Law of Emergency Measures has been voted, according to which the Minister of Labour, Welfare and Social Insurance has been granted the power to determine the conditions, the amount and the way benefits will be granted under the above-mentioned measure taken, for the period 16th of March 2020 to 12th April 2020 (extension is expected to be given until 12th of June 2020).

Relevant decisions were included in the Official Government Gazette dated 29 March 2020.

Shipping Support Measures

The Shipping Deputy Ministry, in an effort to support shipping companies and owners of Cyprus flag ships have decided to extend the date of payment of the Cyprus Registry Maintenance Annual Fee and the tonnage tax for Cyprus flag ships.

In this respect, a relevant notification has been published in the Official Gazette of the Republic dated 2nd of April 2020, informing all interested parties that the deadline for payment of the Tonnage Tax and the Cyprus Registry Maintenance Annual Fee for the tax year 2020, normally due by the 31st of March 2020, will be extended to the 31st of May 2020.

Banking Support Measures

A ministerial decree was issued on the 30th of March 2020, according to which any borrower is entitled to demand the suspension of the repayment of capital and payment of interest on loans to financial institutions for a period of nine months, until the 31st of December 2020.

Suspension measure applies to companies, and natural persons (including self-employed individuals) who were not in arrears by more than 30 days.

The amount suspended (principle and interest) will become payable following the end of the suspension period, through an appropriate revised repayment scheduled rather than immediately.

We note that this measure is aligned with the Central Bank of Cyprus measures adopted as well as of other relevant European Supervision Authorities.

A second legislation concerning Concession Government Guarantees, amounting to €2 billion has been put forward the Parliament for discussion. The purpose of this measure will be to:

- a. Grant new low-interest loans to businesses and self-employed individuals for a total amount of €1.75 billion.
- b. Subsidise part of the interest rate payable to financial institutions for natural persons, self-employed individuals and businesses for a total amount of €250 million.

General Healthcare System Measures

According to the General Health System Law amendment, the increase in the special contribution is suspended for three months i.e. April, May and June 2020. For March 2020, the increased contribution rates will apply.

The implementation of the second phase of the General Health System scheduled to start on the 31st of March 2020 is not postponed.

Special Leave Measures

A. Parental leave

The Emergency Measures Law has stipulated, the conditions, the amount and the way benefits will be granted under the above-mentioned measures taken, for the period of four weeks starting from the 16th March 2020 (extension is expected to be given until 12th of June 2020).

Relevant decisions were included in the Official Government Gazette dated 28 March 2020.

B. Sickness Leave

The Emergency Measures Law has stipulated, the conditions, the amount and the way benefits will be granted under the above-mentioned measures taken (extension is expected to be given until 12th of June 2020).

Relevant decisions were included in the Official Government Gazette dated 28 March 2020

Social Insurance Measures

Temporary suspension of the obligation to pay overdue social insurance related funds has been granted. The deadline for the payment of the instalments for the months March and April 2020 is extended by two months, provided a payment plan was active by 1st of March 2020, in line with the Settlement of Overdue Social Contributions Law.

Tenants Support measures

According to the Statutory Tenants Law as now amended, any eviction process shall be suspended and no new eviction order will be issued until the 31st May 2020. The suspension of eviction provided in the amendment does not apply to tenants who have defaulted payment of the rents prior to the 29th February 2020.

Contact us

Feel free to contact us if you wish to have a deeper discussion on how this development might affect you or your business.

Our company has decided to remain operational and continue to serve our clients in addressing and overcoming any business challenges that may come along in these unprecedented times.