Council Implementing Decision (EU) 2020/1344 of 25 September 2020 granting temporary support under Regulation (EU) 2020/672 to the Republic of Cyprus to mitigate unemployment risks in the emergency following the COVID-19 outbreak

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granting temporary support under Regulation (EU) 2020/672 to the Republic of Cyprus to mitigate unemployment risks in the emergency following the COVID-19 outbreak

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak[(1)], and in particular Article 6(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) On 6 August 2020, Cyprus requested financial assistance from the Union with a view to complementing its national efforts to address the impact of the COVID-19 outbreak and respond to the socioeconomic consequences of the outbreak for workers and the self-employed.

(2) The COVID-19 outbreak and the extraordinary measures implemented by Cyprus to contain the outbreak and its socioeconomic and health-related impact are expected to have a dramatic impact on public finances. According to the Commission's 2020 Spring forecast, Cyprus was expected to have a general government deficit and debt of 7 % and 115,7 % of gross domestic product (GDP) respectively by the end of 2020. According to the Commission's 2020 Summer interim forecast, Cyprus' GDP is projected to decrease by 7,7 % in 2020.

(3) The COVID-19 outbreak has immobilised a substantial part of the labour force in Cyprus. This has led to a sudden and severe increase in public expenditure by Cyprus in respect of the special leave scheme for parents, the schemes supporting companies for the partial and total suspension of their operations, the special scheme for the self-employed, the special scheme for hotel units and tourist accommodation, the special scheme to support businesses related to the tourism industry or affected by tourism or associated with businesses subject to mandatory total suspension, the special scheme for supporting businesses exercising special predefined activities, and the subsidisation scheme of very small and small enterprises and the self-employed, and in support of public health measures, regarding the sickness benefit scheme as set out in recitals (4) to (12).

Changes to legislation: *There are currently no known outstanding effects for the Council Implementing Decision (EU) 2020/1344. (See end of Document for details)*

(4) 'Law 27(I)/2020', which is referred to in Cyprus' request of 6 August 2020, has been the basis for the introduction of a number of Regulatory Administrative Acts, outlining measures to address the impact of the COVID-19 outbreak. On the basis of Law 27(I)/2020, the authorities have introduced a special leave scheme, which provides wage compensation to parents working in the private sector who have children up to the age of 15 or children of any age with disabilities. That special leave scheme can be considered to be a similar measure to short-time work schemes, as referred to in Regulation (EU) 2020/672, as it provides income support to employees and helps preserve employment by preventing parents, who have to look after their children while schools are closed, from needing to terminate the employment relationship.

(5) Furthermore, the authorities have introduced a scheme supporting companies that have had to completely suspend operations, which provides wage compensation to 90 % of the employees of the businesses forced to suspend their operations, conditional on employment retention. The compensation covers 60 % of the employee's salary or 60 % of the employee's social insurance units earned in 2018 (2019 for the period 7/2020-8/2020), whichever is the greater. The compensation ranges between a maximum of EUR 1 214 and a minimum of EUR 360 per month.

(6) The scheme supporting companies for partial suspension of operations provides wage compensation to the employees of businesses experiencing at least a 25 % decline in turnover due to the pandemic, conditional on employment retention. The compensation covers 60 % of the employee's salary or 60 % of the employee's social insurance units earned in 2018, whichever is the greater. The compensation ranges between a maximum of EUR 1 214 and a minimum of EUR 360 per month.

(7) The 'special scheme for the self-employed' provides compensation to the self-employed who cannot exercise any activity according to the decree of the Minister of Health or a decision of the Council of Ministers.

(8) The 'special scheme for hotel units and tourist accommodation' provides wage compensation to support employees in the hotel industry and other businesses providing tourist accommodation whose employer has fully suspended operations or experienced a decline in turnover of more than 40 %. Participation in the scheme is conditional on employment retention.

(9) The 'special scheme to support businesses related to the tourism industry or affected by tourism or associated with businesses that are subject to mandatory total suspension' provides wage compensation to the employees in the hotel industry and other businesses providing tourist accommodation that have fully suspended operations or experienced a decline in turnover of more than 55 %, conditional on employment retention.

(10) The 'special scheme for supporting businesses exercising special predefined activities' provides wage compensation to the employees of the businesses facing a decline of at least 55 % of their turnover, conditional on employment retention.

(11) Moreover, 'Supplementary budget, Temporary framework for State aid measures to support the economy in the current COVID-19 outbreak', which is referred to in the Cypriot request of 6 August 2020, introduces subsidies for very small and small

enterprises and the self-employed who employ up to 50 employees. Only the part of expenditure related to the support of the self-employed and one-person companies has been requested. Those subsidies provide a lump sum grant to support operating expenses of small businesses and the self-employed. The subsidisation scheme can be considered to be a similar measure to short-time work schemes, as referred to in Regulation (EU) 2020/672, as it aims at protecting the self-employed or similar categories of workers from reduction or loss of income.

(12) Finally, the 'sickness benefit scheme', provides wage compensation to employees of the private sector and to the self-employed, on the condition that they are either classified as vulnerable individuals according to a list published by the Ministry of Health, placed in quarantine by the Authorities, or infected by COVID-19.

(13) Cyprus fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Cyprus has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 479 070 000 as of 1 February 2020 due to the increased amount directly related to the special leave scheme for parents, the schemes supporting companies for the partial and total suspension of their operations, the special scheme for the self-employed, the special scheme for hotel units and tourist accommodation, the special scheme to support businesses related to the tourism industry or affected by tourism or associated with businesses that are subject to mandatory total suspension, the special scheme for supporting businesses exercising special predefined activities, and the subsidisation scheme of very small and small enterprises and the self-employed. This constitutes a sudden and severe increase because these new measures cover a significant proportion of firms and the labour force in in Cyprus.

(14) The Commission has consulted Cyprus and verified the sudden and severe increase in the actual and planned public expenditure directly related to short-time work schemes and similar measures, as well as the recourse to relevant health-related measures related to the COVID-19 outbreak, referred to in the request of 6 August 2020, in accordance with Article 6 of Regulation (EU) 2020/672.

(15) Financial assistance should therefore be provided with a view to helping Cyprus to address the socioeconomic effects of the severe economic disturbance caused by the COVID-19 outbreak. The Commission should take the decisions concerning maturities, size and release of instalments and tranches in close cooperation with national authorities.

(16) This Decision should be without prejudice to the outcome of any procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty.

(17) Cyprus should inform the Commission on a regular basis of the implementation of the planned public expenditure, in order to enable the Commission to assess the extent to which Cyprus has implemented that expenditure.