

ADDENDUM TO THE ANNEX OF THE STABILITY PROGRAMME 2021-2024

Table on the stock of guarantees adopted/announced at [2020] according to the Programme

Measures		Date of adoption	Maximum amount of contingent liabilities ¹ % of GDP	Estimated take-up % of GDP
In response to COVID-19	Support to the tourism sector in the form of government guarantees related to credit notes issued for the cancellation of contracts due to the pandemic of COVID-19, in case of insolvency of the issuers	2020	0.412	0
	Subtotal		0.412	0
Others	Stock of Government Guarantees (excluding related to Covid-19 and linked to the financial sector)		8.750	0
	APS exposure (linked to the financial sector)		7.548	0
	Subtotal		16.298	0
Total			16.710	0

¹ Any possible budgetary impact related to the call of those guarantees should be provided in the table on the discretionary measures in the SCP.

Table on the discretionary measures adopted/announced according to the Programme¹

Measures	ESA Code (Expenditure / Revenue component)	Date of adoption	Budgetary impact (% of GDP - change from previous year)			
			2020	2021	2022	2023
<p>"Scheme supporting Companies for Total or Partial Suspension of their Operations" - The scheme provides wage compensation to the employees of the businesses that were forced to suspend their operations by a decree of the Minister of Health and/or a decision of the Council of Ministers.</p> <p>Businesses their operations of which are directly related to the above mentioned businesses experiencing at least 80% loss of their turnover due to the Covid-19 pandemic are also eligible, or businesses with partial suspension of operations experiencing at least 25% decline in their turnover compared to the year before due to the Covid-19 pandemic.</p> <p>An important requirement is that businesses taking part in the scheme shouldn't have dismissed any employee as from 1/3/2020, for the period that the company is in the scheme and an additional period equal to the period the company benefits from the scheme plus 1 month.</p>	D.39	2020	1.744	-0.686	-0,926	0
Strengthening of the public health sector - This measure aims to strengthen health services by supporting spending and investment in employment of additional medical staff, enhancing equipment and infrastructure, enhancing ambulance services, enhancing the centre of testing (Institute of Neurology and Genetics) and helpdesk services.	P.29	2020	0.198	0.349	-0,51	0
Tourism support - Additional budget for the implementation of actions to support during the 3rd quarter of 2020, in cooperation with Airlines and Travel Organizers, as well as actions to enhance initiatives to attract tourists during the period October 2020 - March 2021.	D.75	2020	0.001	-0.001	0	0
Overseas student allowance - A €750 allowance is provided to cover the costs of students attending university overseas so they do not return to Cyprus during Easter holidays.	D.75	2020	0.053	-0.05	0	0
Special absence leave - Subsidised leave to parents when schools, private or public, nurseries, childcare or other educational institutions suspend their operations. Estimates is based under the assumption of 50.000 recipients for as long as schools stay closed.	D.62	2020	0.085	-0.056	-0,024	0
Suspension of NHS increased contributions - Provision for the suspension of the increased of NHS contributions of all employers, employees/pensioners and the state. The increase of contributions took place 1st March 2020 as per the related to the National Health System Law. The measure provides for the suspension of contributions increase for three continuous months (April-June 2020) in order to support the disposable income of employees, self-employed and lower business cost. The estimated impact on the expenditure side of the accounts of the General Government for 2020 is a decline of about €4.5 mn due to lower contributions as an employer as per this measure. The timetable for the implementation of Phase 2 of the NHS will not be affected.	D.1	2020	-0.022	0.021	0	0
Sickness allowance - Support to employees that will need to be absent from their jobs, either due to health issues (vulnerable groups), either they are over their 65th year of age, as per the decree of the Ministry of Health. The provision is based on an estimated number of eligible to this allowance employees of about 20.000	D.62	2020	0.053	-0.048	-0,002	0
Small business support scheme - Support to businesses that employ up to 5 people, provided they keep their employees and experience turnover decrease by more than 25%. The scheme provides for a subsidy of 70% of employees' salary with a duration of three continuous months.	D.39	2020	0.177	-0.06	-0,103	0
NHS health expenditure - HIO payments to private health providers for their services they provide in the context of the National Health System	D.63	2019	1.965	1.292	0,084	0,05
National Health System (NHS) - Contribution of the government as an employer, in the context of NHS	D.1	2019	0.066	0.054	0,005	0,005

Gradual abolition of wage cuts (public sector) - Gradual ending of the pay cuts of the civil servants, starting July 2018 and ending in January 2023	D.1	2018	0.17	0.182	0,172	0,165
Repatriation - For the purposes of the ongoing gradual repatriation of Cypriots, the scheme covers mainly the cost of drugs and medical supplies and the cost of accommodation of the repatriates in the context of the quarantine, since upon entering the Republic of Cyprus, the repatriates are required to mandatory isolation at premises indicated by the State for 14 days from arrival. As the repatriation operation is processed through charter flights, a relevant grant has been provided.	P.2	2020	0.047	-0.045	0	0
Subsidization scheme of very small and small enterprises and self-employed - It applies to very small and small businesses and self-employed workers who employ up to 50 employees that were approved and subsidised through the Special Schemes of the Ministry of Labour, Welfare and Social Insurance, to cover part of their rent and operating costs.	D.39	2020	0.481	0.586	-0,991	0
Special Support Allowance for The Unemployed - Covers any person who is registered as a regular unemployed person in the Employment Service Register and received unemployment benefits, for which he/she has exhausted the right to be paid either in January, February, March, April 2020, May 2020, or June 2020.	D.62	2020	0.061	0.01	-0,065	0
Special Plans for farmers/ fisheries/ animal welfare organizations etc - Special Plans for farmers/ fisheries/ animal welfare organizations etc	D.75	2020	0.007	-0.007	0	0
Expenses related to various consumables for the prevention of the spread of covid-19 - Expenses related to various consumables for the prevention of the spread of covid-19	P.2	2020	0.032	-0.031	0	0
Other expenses for possible needs related to the second wave of the pandemic crisis - Other expenses for possible needs related to the second wave of the pandemic crisis, which were included in the Complementary Budget for 2021	D.75	2021	0	0.227	-0,215	0
National Health System (NHS) - Revenue related to the National Health System, as of 1st March 2019, from employers (including the government as an employer) and employees/ pensioners	D.61	2019	0.844	0.55	0,175	0,113
Social security contributions - Increase in contribution rates as of 1st January 2019; further increase as of 1st January 2024 as per the related to the Social Security Contributions Law	D.61	2014	0	0	0	0
Temporary contribution - abolition of the temporary contribution on emoluments of private sector employees as of 1 st January 2017	D.5	2017	0	0	0	0
VAT on land - The new law introduces VAT at the standard rate (19%) for the sale of building land and the leasing/rental of business premises	D.2	2018	0	0	0	0
Hydrocarbons bonus - Signature bonus related to the production sharing contracts for the exploration and exploitation of hydrocarbon reserves	D.4	2017	-0.164	0	0	0
Immovable property tax - Immovable Property Tax for 2016 was based on 1980 values but reduced by 75 per cent on the amount of the tax imposed the year before; IPT was totally abolished in 2017	D.5	2017	0	0	0	0
Suspension of NHS increased contributions - Provision for the suspension of the increased of NHS contributions of all employers, employees/pensioners and the state. The increase of contributions took place 1st March 2020 as per the related to the National Health System Law. The measure provides for the suspension of contributions increase for three continuous months (April-June 2020) in order to support the disposable income of employees, self-employed and lower business cost. The estimated impact on the revenue side of the accounts of the General Government for 2020 is a decline of about €43.3 mn, stemming from the foregone contributions of the HIO from employers (including government's contributions as an employer) as well as from employees and pensioners, as per this measure. The timetable for the implementation of Phase 2 of the NHS will not be affected.	D.61	2020	-0.206	0.197	0	0
Road tax reform - A reform in the calculation of road tax for newly registered cars taking into account the new arrangements coming into place in the measurement of CO2 by manufacturers	D.5	2019	0	0	0	0

	National Health System (NHS) - Revenue from goods and services related to the National Health System, as of 1 st March 2019, received from the State Health Service Organisation (SHSO) and the Health Insurance Organisation (HIO) for their services in the context of the NHS	P.1	2019	0.14	0.238	0,004	0,004
	Excise duties on fuel - Reduction of Excise Duties on Fuels by €0.05 per litter	D.2	2019	0	0	0	0
	Vehicles taxation - Abolition of vehicles excise tax	D.2	2019	0	0	0	0
	Kedipes' activities - rents, interests and others - Kedipes' activities - rents, interests and others	D.4	2018	0	0	0	0
	Revenue loss from special support subsidisation schemes - Revenue loss from social security contributions and NHS contributions stemming from wage subsidisation schemes, which are not subject to any contribution	D.61	2020	-0.427	0.146	0,248	0
	Reduction of the VAT special rates - Reduction of the VAT special rates for hotel accommodation and restaurants as from 1 st July until the end of 2020	D.2	2020	-0.071	0.068	0	0
	Tax credit for voluntary rent reduction - Tax credit for voluntary rent reduction. Income Tax Law amendment for the grant a tax credit equivalent to 50% of the reduction granted to the amount of rent (rent reduction between 30-50%). Valid for any three months in the tax period of 2020	D.5	2020	0	0	-0,101	0,097
	Subtotal			-5.002	-0.538	2.901	-0.006
Non-temporary measures²	Interest subsidy scheme for new business loans	D.39	2020	0	0.091	0	-0.033
	Interest subsidy scheme for housing loans	D.39	2020	0	0.051	0	0
	Subtotal			0	-0.142	0	0.033
	Total			-5.002	-0.68	2.901	0.027

¹Excluding those measures that are planned to be financed by grants under the RRF.

² For the purpose of this table, temporary measures refer to those discretionary measures that have no budgetary impact beyond 2022, which corresponds to the end of the Commission spring 2021 forecast horizon. By contrast, those measures adopted or announced for 2020, 2021 or 2022 that continue to have a fiscal effect of 0.1% of GDP or greater until at least 2023 are considered as 'non-temporary' for the purpose of this table.

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Table 4. General government debt developments

<i>% of GDP</i>	ESA Code	2020	2021	2022	2023	2024
1. Gross debt		118.2	111.9	103.9	99.5	92.9
2. Change in gross debt ratio		24.2	-6.3	-8.0	-4.4	-6.7
Contributions to changes in gross debt						
3. Primary balance	B.9+D.41	-3.6	-2.7	0.9	1.5	2.8
4. Interest expenditure	D.41	2.2	2.0	1.8	1.4	1.2
5. Stock-flow adjustment		18.4	-11.0	-8.9	-4.3	-5.1
of which:						
- Differences between cash and accruals		-0.8	0.0	0.0	0.0	0.0
- Net accumulation of financial assets		13.5	-5.5	-3.1	0.4	-0.5
p.m.: Implicit interest rate on debt		2.2	1.8	1.7	1.4	1.3
6. Liquid financial assets⁸		37.5	30.2	25.5	24.8	23.1
7. Net financial debt (7=1-6)		80.7	81.7	78.4	74.7	69.7

ERRATUM TO THE STABILITY PROGRAMME 2021-2024

The following table and diagram should be read in place of Table III and Figure 10 of the Stability Programme, in order to reflect the final Spring Forecasts of the Ministry of Finance, as presented in **Table 1a** of the Appendix.

Table III: Medium Term Framework, 2020-2024

<i>change in percent</i>	2020	2021	2022	2023	2024
Real GDP	-5.1	3.6	3.8	3.2	2.8
<i>Government Consumption</i>	13.0	8.7	-1.0	1.3	0.5
<i>Private Consumption</i>	-3.9	2.8	3.3	2.5	2.2
<i>GFCF</i>	-2.1	3.5	4.8	5.4	5.5
<i>Exports</i>	-17.4	6.2	7.6	5.2	4.6
<i>Imports</i>	-5.8	4.8	5.3	4.2	3.9
Deflator	-0.7	1.2	1.5	1.5	2.0
Nominal GDP	-5.8	4.9	5.4	4.7	4.8
HICP	-1.1	1.2	1.5	1.5	2.0
CPI	-0.6	1.2	1.5	1.5	2.0

Figure 10: Contributions to GDP growth 2019-2024, percentage point change

