



Using the euro



– competing in Europe

Information Systems Legal and tax
Banking and cash handling
Retailing Training
Pricing Invoicing

Do you have trading links with Europe?

Do you want to protect your cashflow?

Do you know how the euro will affect your profits?

For further information please read on...

On 1 January 2002, euro cash will be introduced in 12 EU countries. This is replacing the existing national (legacy) currencies that, by the end of February 2002 at the latest, will have been withdrawn from circulation and will have ceased to be legal tender (see inside for details of countries and dates of withdrawal of legacy currencies). This may have implications for the way UK firms do business with Europe, and for firms that have European connections.

This guide provides you with some practical advice to help you move from using the legacy currencies to the euro. The information is not exhaustive as requirements will vary from one business to another, but it should provide a basis for you to carry out your own analysis. For more information, see the

Treasury's factsheets on the wider implications of the euro for **exporters, importers, businesses with European connections** and **businesses that supply multinationals**. To understand how the euro might affect your business sector, you might also want to read how other firms have responded to the euro. Short **case studies** are available.

Factsheets and the case studies can be obtained by: Visiting: www.euro.gov.uk
Telephoning: **08456 01 01 99**

Twelve Regional Euro Forums have also been established across the UK to provide local advice and support for businesses that are preparing to trade in the euro – see the back page for details of how to contact them.



Introduction

From 1 January 2002, it will no longer be possible to write cheques or make electronic payments in legacy currencies. You need to consider where in your business, or for what purpose, you use the legacy currencies. There is information in this guide on:

- Pricing • Invoicing • Banking and cash handling
- Information systems • Legal and tax
- Training • Retailing

Under each of these sections you will find suggestions on issues for consideration and details of where to find further information.

Pricing

By 1 January 2002, price lists denominated in legacy currencies will need to have been replaced by prices in euro or another currency.

Key issues to consider

- **Which currency will you set your prices in?**
- **When will you change your price lists?**
If you decide to change them before the end of 2001, you might want to temporarily show prices in both euro and the legacy currency. Changing your prices early may also help to reduce the risk that you will receive payments in the legacy currencies in 2002, when they will not be legal tender.
- **Will you have one euro price list or different price lists for different**

countries? If you use one price list you may want to make clear whether local tax rates will apply and what the delivery costs will be.

- **Which currency will be the lead currency from 1 January 2002?** If sterling, what does this mean for the equivalent euro price? If attractive price points are an important aspect of your sales and marketing strategy, will you need to establish new ones in euro or match those of your competitors?
- **How will you manage the currency exchange rate?** You need to decide how you will manage this, for example by regularly updating your price lists. The DTI's Europlanner provides you with basic guidance on how to deal with exchange rate management but you should speak to your bank/financial adviser for more detailed advice.
- **What printed and electronic material will you need to change?**
- **How long will you need to make the above changes?**
- **Will having a single currency in the euro area lead to additional price competition in your market as it is easier to compare prices?** Directly comparable prices across the euro area could show potential new customers that your products or services offer good value for money.

For further advice on these issues visit:
www.dti.gov.uk/europe/europlanner/



Invoicing

Invoices issued in legacy currencies after 31 December 2001 are invalid and could provide your customer with an opportunity to delay payment whilst you issue a valid invoice in euro. Key points to consider:

Invoices you issue

- **What are your customers' needs?** Talk to your customers in the euro area to check payment terms and establish when they will switch to euro. The switch will be easiest if both you and your customers know what each other is doing.
- **When are you going to start invoicing in euro?** You do not need to wait until the end of 2001 to start invoicing in euro. To avoid the confusion of sending invoices in one currency and receiving payment in euro, you may decide to change your invoices to euro before the end of 2001.

Invoices you receive

- **Are you aware of your suppliers' plans and deadlines for euro payments?** Ensure you are ready to handle invoices, and make payments, in euro. You might want your staff to have available a conversion table or software so that they can check that an amount is correct.



- **Do you know what you will do with invoices in legacy currencies received after the end of 2001?** You can ask for the invoice to be replaced with a new one denominated in euro if it is dated after 1 January 2002, as the legacy currencies will not be legal tender. However, you may choose to settle the invoice with the equivalent amount in euro.

Other issues to consider

- **You may prefer to use EUR to signify euro amounts rather than the euro symbol (€) since it is not always recognised by some computers or printers.**
- **You might want to include invoice totals in the legacy currency if you start showing euro on invoices in 2001.**
- **Set out clearly in your payment terms when you expect your customers to start paying in euro.** You may, as a minimum, want to state that any payment that you receive after 31 December 2001 must be in euro.

For further advice on these issues visit:
www.euro.fee.be or www.icaew.co.uk

Banking and cash handling

UK and overseas banks will automatically convert any bank accounts held in legacy currencies into euro bank accounts. This will occur at midnight on 31 December 2001 at the latest, although most bank accounts will be switched before then.

You should consider:

- **Finding out when any legacy currency account you have will be changed to euro.** Otherwise, talk to your bank about opening a euro account and finding out what other euro-related services it offers.
- **If you have several legacy currency bank accounts, you may wish to consider consolidating them into a single euro account or keep one account for each country in which you operate.**
- **If your customers ask you to use the euro in place of sterling, can you handle any exchange rate issues that might follow?** You might need to think for the first time about managing exposure to exchange rates. Your bank should be able to explain more about the options, including currency hedging services, available.
- **How much will you be charged for your euro account?** You need to be clear what you will be charged for and whether it would be cost-effective to operate one.

For further advice visit: www.bba.org.uk



Cash

- **When will you convert any cash float you hold in legacy currencies to euro?**
- **If you accept legacy currencies as payment outside the euro area, what is the latest date your business is prepared to accept them?** Your bank may charge you an extra amount to handle the legacy currencies that you pass to them for conversion in 2002. Cheques that are dated 2001 in the legacy currencies are valid for payment in 2002, but not those dated 2002.

For further advice on this issue:

Speak to your bank or financial adviser

Visit: www.bba.org.uk



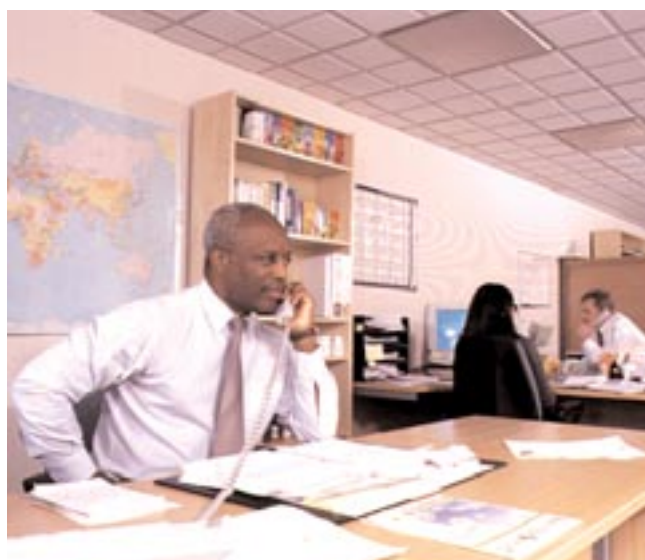
Information systems

Your IT and accounting systems may need to be adapted to ensure they can cope with the euro.

- **Do you know how your systems will be affected?** Document where you use the legacy currencies in your system.
- **Do you need to make any changes?** Your systems may not need a major overhaul; it may simply be a case of setting up a new ledger in euro and changing currency markers to euro on any system you have set up to print invoices.
- **Will your IT provider or in-house expert have time to make these changes within your preferred time frame?** You might want to plan euro changes around any other changes you plan to make to your system. Plan a date to make the changeover to allow time for testing. There may be competitive advantages to be gained from being ahead of the game. If you wait until the last minute, the necessary resources may not be available. If you are unsure how to make the necessary changes, speak to your software supplier or other IT expert.

- **Does your existing contract with your IT supplier cover euro changes?**
- **If you have electronic links with other businesses are you satisfied that your systems will remain compatible?**

For further advice visit: www.basda.org



Legal and tax

Legal

- **Will existing contracts be affected?** From 1 January 2002 contracts extending beyond that date should refer to euro rather than legacy euro area currencies (the French franc, the Italian lira and others).
- **Is the euro a legal currency in the UK?** No, although many businesses have chosen to deal in it as a foreign currency and some retailers will accept payments in euro.
- **When do the legacy currencies cease to be legal tender?**

Country	End date of legal tender of legacy currency	1 euro =
Austria	28 February 2002	13.7603 schillings
Belgium	28 February 2002	40.3399 francs
Finland	28 February 2002	5.94573 markka
France	17 February 2002	6.55957 francs
Germany	31 December 2001	1.95583 marks
Greece	28 February 2002	340.750 drachmas
Ireland	9 February 2002	0.787564 punts
Italy	28 February 2002	1936.27 lire
Luxembourg	28 February 2002	40.3399 francs
Netherlands	28 January 2002	2.20371 guilders
Portugal	28 February 2002	200.482 escudos
Spain	28 February 2002	166.386 pesetas

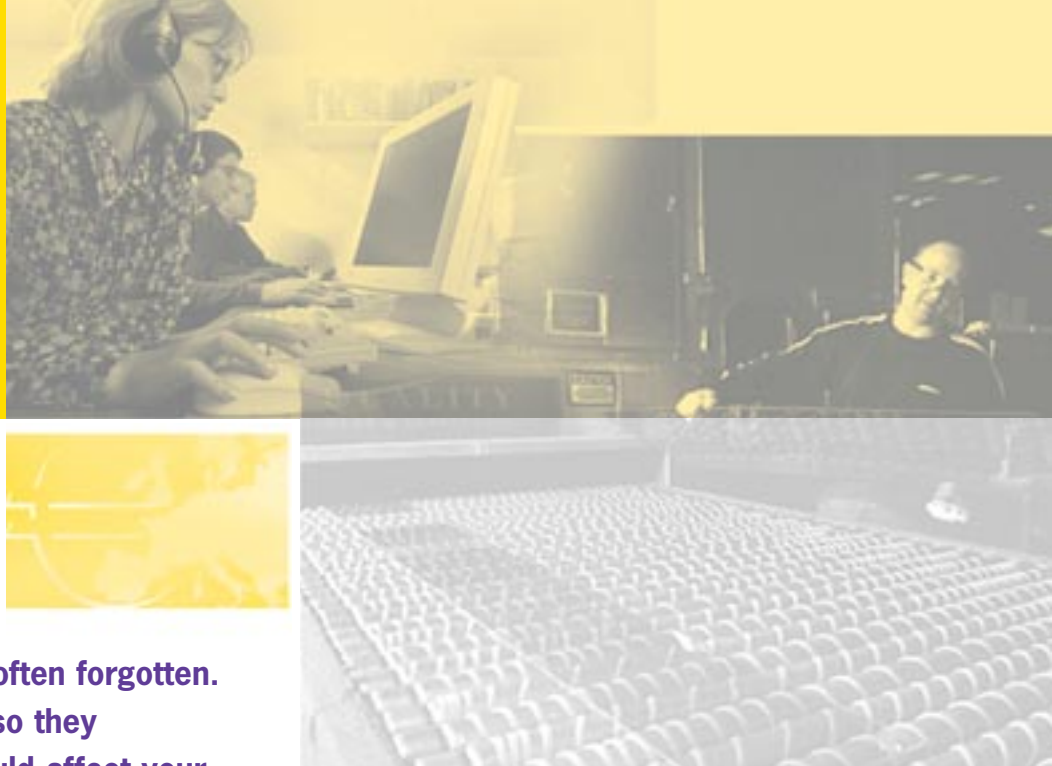


Tax

- **Do you/will you issue invoices in euro?** Euro-denominated invoices from UK-based organisations for the supply of goods and/or services within the UK must additionally show the total invoice amount **and** the VAT amount in sterling.
- **Do you/will you receive euro payments?** UK businesses can pay taxes, including VAT and customs and excise duties, to the Inland Revenue and Customs and Excise in euro. There is no extra charge to do this but the business is liable for any currency movements between the time the tax is sent and credited.
- **VAT and duty accounts must be kept in sterling.**

For further advice on this issue: Speak to your local tax office.

Visit: www.hmce.gov.uk or www.ir.gov.uk



Training

Human resource issues are often forgotten. You may need to train staff so they understand how the euro could affect your business processes and ensure you give a positive impression to customers.

Key points

- **The euro does not just affect your finance staff.** You do not want someone to accept a payment in lira which should have been made in euro.
- **If you price in euro you may need to train your marketing and sales staff.** This will ensure they understand new euro prices and know how to produce quotes and accept payments in euro.
- **If you purchase in the euro area you may also need to train your procurement staff.** A single currency should make it easier to compare prices across the euro area, although you need to consider shipping costs, tax and implications for any associated customer service and warranty.
- **You should also consider the implications for any agents or overseas-based staff.**

- **Staff who handle cash will need careful briefing.** This will help them become familiar with the security features of the new currency and company policy on acceptance of legacy currency cash payments.

Retailing

If you are a retailer who currently handles legacy currencies, you will have to be able to deal with euro cash from 1 January 2002.

You will need to consider:

- **when to accept payments in euro;**
- **staff training – see section on training;**
- **arrangements for handling cash – see section on banking and cash handling.**

For further advice in this area visit:

www.brc.org.uk

Contact details

HM Treasury:

08456 01 01 99 or www.euro.gov.uk

Regional Euro Forums:

East of England 0800 085 0373 or www.euroeast.co.uk

East Midlands 0845 601 2327 or www.euroforum-em.org

London 020 7203 1818 or www.londoneuro.co.uk

North East 0800 096 3355 or www.northeasteuroforum.co.uk

North West 0151 288 5137 or www.eurohelp.org.uk

South West 0117 900 1700 or www.goswit.eurobell.co.uk

South East 023 8083 2866 or www.seeaf.co.uk

West Midlands 024 7623 6593 or www.europreps.co.uk

Yorkshire and Humberside 0845 140 2222 or www.yh-euroforum.com

Northern Ireland 028 9052 9266 or www.euroforum-ni.org.uk

Scotland 0800 917 8699 or www.euro-info.co.uk

Wales 0800 917 9879 or www.waleseic.org.uk/task

Suggested other sites:

British Chambers of Commerce www.britishchambers.org.uk

Business Link www.businesslink.gov.uk

Trade Partners UK www.tradepartners.gov.uk
