

Europa



Business Support Programme

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Taxation and European Monetary Union



INDEX

TAXES IN THE EUROPEAN UNION	2
EU Tax Policy	2
- Tax harmonisation and tax co-ordination	2
Indirect Taxes	4
- The Value Added Tax – VAT	4
- Intra-Community Transactions (table)	7
- Tax rates	8
- List of VAT rates applies in the Member States (table)	9
- The VAT system for traders	10
- The Intra-Community transaction	10
- Mail order and distance selling	13
- Thresholds for application of the special scheme for distance selling (table)	15
- Refunds of VAT to foreign enterprises	16
- Value added tax identification number	17
- VAT identification number in the Member States (table)	18
Direct taxes	19
- Corporate taxation	19
The European Monetary Union	21

TAXES IN THE EUROPEAN UNION

- **EU tax policy**

- **Indirect taxes**

These are levied on production and consumption and are not borne by the taxable persons (traders or industry) who pay them, collecting the tax on behalf of the government and passing it on in the price to the final consumer on whom the burden falls (VAT and excise duties)

- **Direct taxes**

They are paid and borne by the taxpayer and include income tax, corporation tax, wealth tax and most local taxes.

EU TAX POLICY

The European Union has only a subsidiary role in tax policy.

Tax policy is a symbol of national sovereignty which has gained in importance since the introduction of the Euro, because there is no room for Member States to manoeuvre in monetary policy and the room for manoeuvre in budgetary policy has been sharply reduced by the Treaty of Maastricht as well as the Stability and Growth Pact.

Furthermore, the EU Member States get their tax revenue from very varied sources and the balance between indirect and direct taxation diverges considerably.

Tax harmonisation and tax co-ordination

EC-Treaty provisions for tax co-ordination are scarce, whereas this is particularly the case as regards the co-ordination of direct taxation, which can be pursued only by drawing upon general provisions on the single market (Art. 94), while indirect taxation can draw upon specific Treaty provisions (Art. 90 – 93).

The choice has to be made between full tax harmonisation, with a uniform tax base and rates – as provided for in Article 93 of the EU Treaty for indirect taxes -, and tax co-ordination, which brings the tax policies of the EU closer together, relying on codes of conduct, recommendations and agreements or indeed directives. European tax co-ordination does not in any way seek to arrive at a uniform taxation system for all. In the EU internal market in particular there is a need for a degree of convergence to enable the market to operate effectively.

Tax harmonisation within the EU is connected with fundamental problems.

It is not possible to harmonise tax rates without the full harmonisation of tax systems, for which there is no provision in the EU. The objective of EU tax policy is not to levy or to adopt common taxes. However, it is possible to make progress in the approximation or co-ordination of taxes. There are good reasons for this. Progress in tax co-ordination is crucial to remove further obstacles in the completion and proper functioning of the single market, whereas tax co-ordination at the same time also represents a vital instrument to avoid double taxation, tax evasion and unfair tax competition. It is also a means to strengthen the proper functioning of the single market and thus the competitiveness of the European economy.

On the other hand in the EU it is the Member States which levy taxes, not the EU itself. Unlike the USA, where two-thirds of tax revenue is levied centrally, matters such as tax base, tax rates and tax exemptions are organised along different and competing lines. Nor is there any duty among the Member States to exchange information. The opportunities for tax evasion and fraud in the EU single market, with its fragmentation into different tax systems, are enormous. This not only leads to competition and loss of tax revenue, it also undermines the principle of fairness in taxation.

INDIRECT TAXES

Article 90 of the EC Treaty prohibits any tax discrimination which would – directly or indirectly – give an advantage to national products over products from other Member States.

Article 93 of the Treaty calls for harmonisation of turnover taxes, exercise duties and other forms of indirect tax. VAT was the first tax to be harmonised.

The Treaty of Rome provided for the harmonisation of indirect tax. This aim has still not been achieved, either with VAT or excise duties. Interestingly enough, these taxes are of minor importance in the context for business locations, as they have an impact on the end user and are thus neutral in their effects on competition. This is clear particularly from the German and Luxembourg cases, which have the lowest VAT rates in the EU and have gained so far no advantage in terms of business locations.

THE VALUE ADDED TAX - VAT

The VAT was introduced in the European Economic Community in 1970 by the first and second VAT directives and was intended to replace the production and consumption taxes. The decision taken in the 70 to allocate a proportion of VAT revenue calculated on a unified basis to finance the Community budget paved the way for the harmonisation of VAT. The sixth VAT directive (77/388/EEC) ensured that the tax was applied to the same transactions in all Member States, so that they formed a common basis for funding the Community, and introduced a common assessment basis.

Value added tax levied at each stage in the chain of production and distribution of goods and services. The tax base is the total amount charged for the transaction excluding VAT, with certain exemptions. Due to deductions in previous stages of the chain, VAT is not cumulative. Every taxable person is liable for VAT on his or her turnover (the output tax), from which the VAT charged on expenses and investments

(the input tax) may be deducted. The tax paid by the ultimate consumers of the goods or services is not tax-deductible. The tax is based on the VAT rate applicable to the price, exclusive VAT, of the goods or services received.

In 1987 the Commission proposed an early move to origin based taxation (charging the tax in the country of sale), backed up by a clearing system designed to prevent significant shifting of revenue between Member States. Inability either to agree on a clearing system or to align rates, however, ruled out any rapid move in this direction. An interim solution was therefore introduced **combining origin- and destination-based taxation** and making it possible to abolish controls at tax frontiers. Free movement of goods within the Community significant that trade between Member States could no longer be treated as imports or exports. The crossing of a border is no longer treated as a taxable event; tax liability is incurred by transactions, as it is under a national system.

The single European market was completed on 1 January 1993. From this date goods, persons, services and capital may be moved freely within the EU. The main VAT-arrangements applicable after this date are:

- For private persons buying goods in another member state VAT is levied in the country in which the goods are bought (**the principle of the country of origin**). They can then return home with their purchases without being taxed again. There are a couple of exemptions:
 - The purchase of new vehicles (less than six months old or with less than 6 000 kilometres on the clock) in another Member State. This transaction is taxed in the Member State of destination at its rates and in accordance with its rules. The vehicle has to be registered and taxed in the buyer's resident country.
 - Mail order sales by a company located in another Member State. Where the seller takes responsibility for transporting the goods ordered, VAT will be charged either at the rate applying in the country where the buyer is resident or at the rate in the seller's country, depending on the seller's annual sales volume in the country of destination.

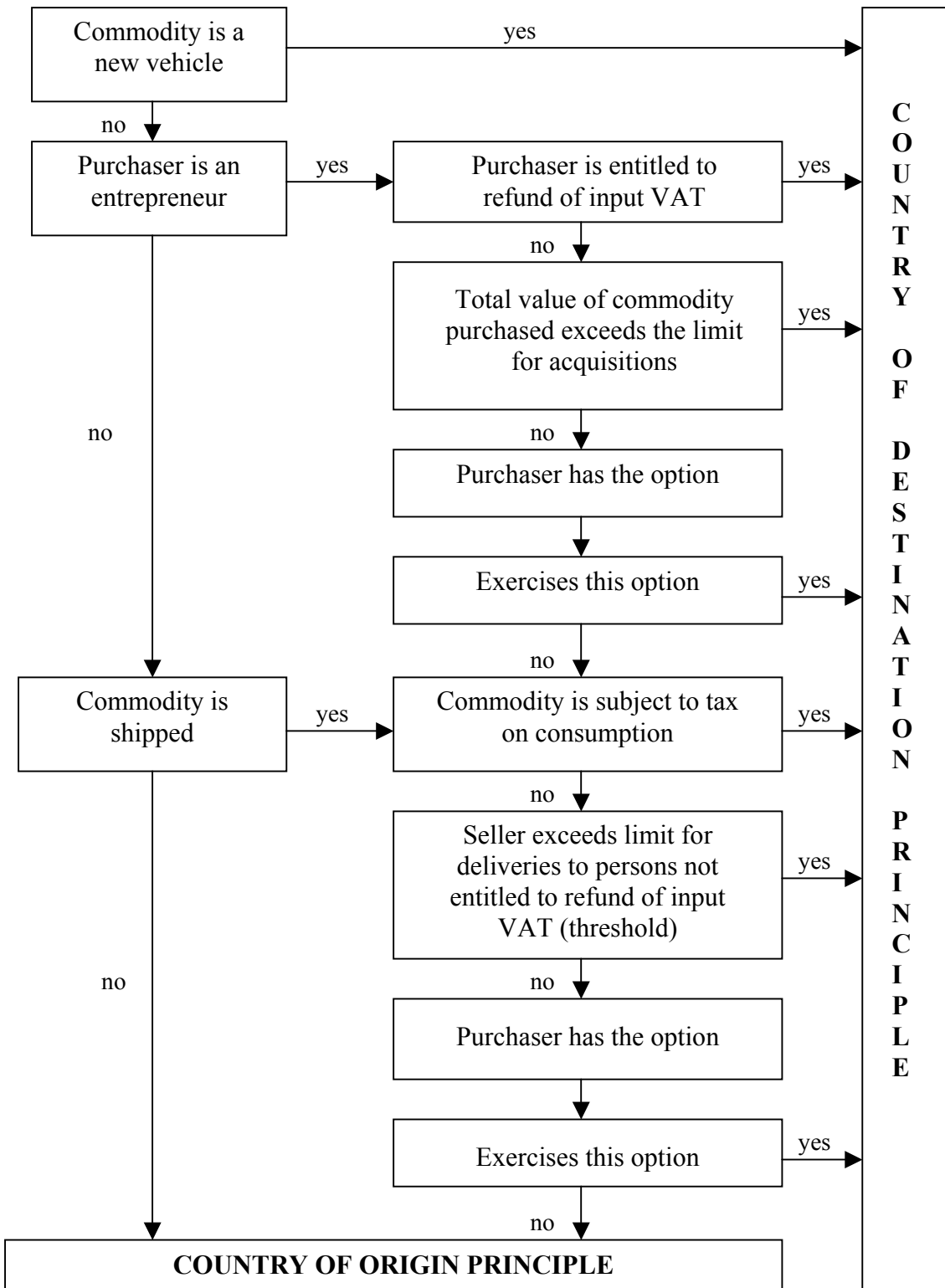
➤ For trade in goods between businesses in member states VAT is levied in the member state to which the goods are transported (the **principle of the country of destination**) at the rates and under the terms of that member state. The business supplying the goods applies the zero rate. The business receiving the goods submits a tax return with regard to the goods purchased in another member state. (This transitional arrangement is applicable until the date on which transactions became subject to **the country of origin principle** – the idea of the **definitive system of taxation**.)

Summary of the Value added tax-system in the European Union

The **country of origin principle** means that sales will be subject to value added tax in the country in which the goods or services are supplied; sales are treated as domestic transactions.

The **country of destination principle**, on the other hand, means that the formerly applicable import VAT will be replaced by acquisition tax within the European Union. Exports will continue to be exempt from tax in the country of origin. The acquisition tax is to be paid to the revenue authorities in the country of destination. The acquisition tax must be paid by the purchaser and can be declared as input VAT from the point at which the tax is due, enabling the importer to receive a refund of input VAT in the VAT prepayment period including tax on imports and acquisition.

Intra-Community transactions



TAX RATES

The VAT-rates are fixed by the Member States themselves, but the standard rate applicable to the supply of goods and services and the importation of goods must be the same in order to fulfil the requirements of neutrality. Member States are permitted to apply increased or reduced rates to certain categories of supplies, provided that each reduced rate is fixed at such a level that the deduction of the total input tax is permitted in the normal way.

With regard to VAT rates a directive approximation rates was adopted in 1992. That directive, introducing a system of minimum rates, stipulated that from 1 January 1993 the standard rate could not be set at less than 15%. Member States were, however, given the option of applying one or two reduced rates, equal to or greater than 5%, to a limited list of categories of goods and services. Some transitional derogations were also provided for, to take special situations into account.

The current minimum standard rate of value added tax in the various Member States, set a 15%, should be extended from 1 January 2001 to 31 December 2005 (Proposal for a council directive).

LIST OF VAT-RATES APPLIED IN THE MEMBER STATES

Member States	Super reduced rate	Reduced rate	Standard rate	Parking rate
Belgium	-	6	21	12
Denmark	-	-	25	-
Germany	-	7	16	-
Greece	4	8	18	-
Spain	4	7	16	-
France	2.1	5.5	19,6	-
Ireland	4,2	12.5	21	12.5
Italy	4	10	20	-
Luxembourg	3	6	15	12
Netherlands	-	6	17.5	-
Austria	-	10 / 14	20	-
Portugal	-	5 / 12	17	-
Finland	-	8 / 17	22	-
Sweden	-	6 / 12	25	-
United Kingdom	-	5	17.5	-

Situation in October 2000

THE VAT SYSTEM FOR TRADERS

Following the introduction of the Single Market on 1 January 1993, the way in which VAT was charged on goods moving between Member States of the EU was changed. The concept of import and export was abolished for such trade and replaced by a system of intra-Community supply and acquisition of goods.

For trade in goods between businesses in member states VAT is levied in the member state to which the goods are transported (the **principle of the country of destination**) at the rates and under the conditions of that member state.

The Intra-Community transaction

The supply of goods by a VAT-registered trader in one EU Member State to a VAT-registered trader in another EU Member State will, with some exemptions, qualify as an intra-Community supply. A VAT-registered trader may zero rate the supply of goods to a customer in another EU Member State if

- the customer is registered for VAT in an other EU Member State,
- the customer's VAT registration number is obtained and retained in the supplier's records
- the supplier must note on the invoice „zero-rated intra-Community supply“
- the goods are dispatched or transported to that other EU Member State
- the supplier must quote his customers' VAT registration number on the sales invoice

Examples:

Case 1:

Intra-Community transaction between two taxable persons

Austria	Belgium
The manufacturer A supplies goods to a retailer B in Belgium	Retailer B in Belgium buys goods from the manufacturer A in Austria
A supplies goods to B Transport of goods A ⇒ B	

The place of taxation is Austria where the transport starts.

The intra-Community supply is exempted (zero-rated) from VAT.

The invoice to be issued by A must state the VAT identification number both of A and B (Check of the VAT-identification number).

The invoice to be issued by A must state the VAT identification number both of A and B (the manufacturer and the retailer).

B effects an intra-Community acquisition of goods. VAT due on the acquisition may be deducted on the same return on which it is reported, provided B uses the goods for activities which entitle him to deduction.

Case 2:

Intra-Community supply; transport by buyer between two taxable persons

Austria	Belgium
The manufacturer supplies goods to the retailer B in Belgium.	The retailer B in Belgium buys goods from the manufacturer A in Austria.
The goods are transported by B, or on the behalf of B by a third person Transport of goods A ⇒ B	

The place of taxation is Austria where the transport starts.

The intra-Community supply is exempted (zero-rated) from VAT.

(This case is not different from the previous one.) The definition of an intra-Community acquisition of goods does not exclude the situation in which goods are transported by the customer or on his behalf.

Case 3:

Intra-Community transaction between three taxable persons

(Two straightforward intra-Community transactions)

Austria	Belgium	Denmark
A in Austria Raw material	The manufacturer B in Belgium buys raw materials from A in Austria and sells his products to a retailer in Denmark.	D in Denmark Retailer
Transport of goods A ⇒ B ⇒ D		

The manufacturer B must check that the retailer in Denmark is liable for VAT. (Check the VAT identification number) B sells the goods free of VAT to his Danish retailer, and sends a declaration to the Belgian authorities. The manufacturer B must prove that the goods have actually left Belgium.

The manufacturer B buys raw materials from A without VAT. He must declare and deduct VAT at the rate applying in Belgium.

If the above mentioned conditions for an intra-community supply are not met (for example: if a customer does not quote the VAT registration number) the supplier is liable for VAT at the rate of his country.

Sales of goods by registered traders to unregistered persons in other Member States are liable to the VAT-rate of the traders country. But there are a number of exemptions:

Mail order and distance selling

Distance selling in the Single Market occurs when a supplier in one EU Member State sells goods to a person in another EU Member State who is not registered for VAT and the supplier is responsible for the delivery of the goods. It includes mail order sales and phone or Tele-sales. And any other sale when the goods are shipped to the customer in another Member State.

A supplier in the Member State A who makes distance sales to customers in other EU Member States who are not registered for VAT, is liable to VAT of the Member State A on such sales until the value of the sales reaches the threshold applying in that other EU Member State (see table below). Once the value of the supplier's sales exceeds or is likely to exceed the threshold in the other EU Member State, the supplier will be obliged to register in that EU Member State and account for VAT at the rates applicable there.

If the appropriate threshold is not exceeded, the supplier may opt to account for VAT in the EU Member State to which the distance sales are made.

Exemption:

Any supplier who makes distance sales of excisable goods to another Member State must register in that EU Member State, because distance sales of excisable goods will always be subject to VAT in the EU Member State to which they are dispatched.

Example Distance Sale:

Austria	Belgium
The Austrian A sells goods to a private person in Belgium B	A private person in Belgium buys goods from the Austrian retailer A.
The goods are transported to B on the behalf of A Transport of goods A	

The goods are dispatched or transported by the supplier to an individual in another Member State: If VAT would be applicable in the Member State of purchase, goods would be purchased via mail order companies or in general via tele-shopping in the Member State where the lowest rate is applicable.

As an exception to the main rule with regard to the place of supply of goods (the place of supply is where the transport or dispatch starts) in cases of distance sales the place of supply is deemed to be the place where the goods are at the time when dispatch or transport to the purchaser ends. This rule (with an exception to sales below a certain threshold) is applicable to distance sales to individuals (non-taxable persons), farmers eligible for the flat-rate scheme, taxable persons who are not entitled to deductions and non-taxable persons.

These categories of purchasers, with the exceptions of individuals, may opt for the normal rules on intra-Community acquisitions or these normal rules can become compulsory, namely when the value of intra-Community purchases during the current calendar year exceeds a threshold to be determined by each Member State which cannot be less than 10 000 €.

The provisions regarding distance sales set forth an exception which states that the supply is deemed to take place in the Member State where the transport or dispatch starts if the total value of the distance sales to the same Member State by a taxable person does not exceed a threshold of 100.000 € in the current year. Member States have the option to limit the threshold to 35.000 €. This rule is further complicated by the provision that a taxable person involved in distance sales may opt for taxation in the Member State where the transport or dispatch ends.

Thresholds for application of the special scheme for distance selling

Member State	Thresholds for application of the special scheme for distance selling	Exemption for small enterprises
Belgium	35 000 € 1 500 000 BEF	5 000 € 225 000 BEF
Denmark	35 000 € 280 000 DKK	2 400 € 20 000 DKK
Germany	100 000 € 200 000 DM	12 255 € 25 000 DM
Greece	35 000 € 8 200 000 GRD	6 000 € or 2 000 € 1 800 000 GRD or 600 000 GRD
Spain	35 000 € 4 500 000 PTE	-
France	100 000 € 700 000 FRF	10 000 € 70 000 FRF
Ireland	35 000 € 29 000 IEP	50 000 € 40 000 IEP
Italy	35 000 € 54 000 000 ITL	-
Luxembourg	100 000 € 4 200 000 LUF	10 000 € 400 000 LUF
Netherlands	100 000 € 230 000 NLG	-
Austria	100 000 € 1 400 000 ATS	22 400 € 300 000 ATS
Portugal	36 900 € 6 300 000 ESP	10 215 € or 12 770 € 2 000 000 ESP or 2 500 000 ESP
Finland	35 000 € 200 000 FIM	10 000 € 50 000 FIM
Sweden	35 000 € 320 000 SEK	-
United Kingdom	100 000 € 62 000 GBP	65 500 € 48 000 GBP

Refunds of VAT to foreign enterprises

If a company is registered for VAT in a Member State of the European Union and you buy goods or services in another Member State of the EU you may have to pay VAT there. For example: If you take part in a trade fair in an other Member State. You cannot recover VAT paid in another Member State as input tax on your VAT return but you may be able to reclaim it.

Value added tax can only be rebated to enterprises as only they are entitled to input tax deductions. A prerequisite is that the goods or services were obtained from another company for the enterprise belonging to the applicant.

The eighth Council Directive determines detailed regulations:

A taxable person is caught by the directive if, during a period of not less than three months or not more than one calendar year or during a period of less than three months where that period represents the remainder of a calendar year, he:

- has had in that country:
 - neither the seat of his economic activity nor a fixed establishment from which business transactions are effected;
 - nor, if no such seat or fixed establishment exists, his domicile or normal place of residence;

- has supplied wither goods nor services in that country, with the exception of:
 - transport services and services ancillary to transport services;
 - services in cases where tax is payable by their person to whom they are supplied.

Member States are to refund to the taxable persons concerned:

- VAT charged in respect of services or movable property supplied to him by other taxable persons in the territory of the country;
- VAT charged in respect of the importation of goods into the country in so far as such goods are necessary for their business activities or in respect of taxed services supplied to the customer.

Value added tax identification number

For private individuals the origin-based taxation remains as a basic principle of the common VAT system, for trade in goods between businesses in Member States it is the principle of the country of destination. One condition for a tax-free intra-community supply is the VAT identification number.

The Value added tax identification number aims to ensure that VAT regulations concerning goods supplied and transported within the European Union are correctly applied. The VAT identification number of the supplier must be included on all invoices. The revenue authorities are responsible for assigning VAT numbers.

For exporters, exports to another EU Member State will only be tax-exempt, if the purchaser quotes his VAT identification number.

The validity of the VAT identification number of the purchaser has to be checked by the supplier.

To enable intra-community sales to be recorded, each entrepreneur is required to submit a so-called "EU-sales listing" to the revenue authorities listing his tax-exempt intra-community supplies.

VAT identification number in the Member States

Member State		VAT identification number
Belgium	BE	Le numéro d'identification à la taxe sur la valeur ajoutée BTW – identificatienummer
Denmark	DK	Momsregistreringsnummer
Germany	DE	Umsatzsteuer – Identifikationsnummer
Greece	EL	Arithmos Forologikou Mitroou FPA
Spain	ES	El número de identificación a efectos del Impuesto sobre el Valor Anadido
France	FR	Le numéro d'identification à la taxe sur la valeur ajoutée
Ireland	IE	Value added tax identification no.
Italy	IT	Il numero di registrazione IVA
Luxembourg	LU	Le numéro d'identification à la taxe sur la valeur ajoutée
Netherlands	NL	BTW – identificatienummer
Austria	AT	Umsatzsteuer – Identifikationsnummer
Portugal	PT	o número de identificacao para efeitos do imposto sobre o valor acrescentado
Finland	FI	arvonlisaverorekisterointinnumero Mervärdesskatteregisteringsnummer (momsregistreringsnummer)
Sweden	SE	Mervärdesskatteregisteringsnummer (momsregistreringsnummer)
United Kingdom	GB	Value added tax identification no.

DIRECT TAXES

Indirect taxes requires some degree of harmonisation because they affect the free movement of goods and freedom to provide services. This is not true to the same extent for direct taxes, and the EC Treaty does not specifically call for them to be aligned.

Some aspects of direct taxation do not in fact need do be harmonised or coordinated at all and are left to the discretion of the Member States, in accordance with the principle of subsidiarity.

For this reason it is hard to understand why corporate taxes, which can have a distorting effect on competition, have not already been included in the provisions of the Treaty. The legal bases for the harmonisation of direct taxes, including corporate tax, are very weak. Article 94, which deals with measures relating to the establishment and operation of the internal market, is one of the few available. The legal and administrative provisions deriving from this article are however subject to the unanimity principle. Article 293 is also relevant, committing as it does the Member States to enter into negotiations with each other with a view to securing the abolition of double taxation within the Community. Consequently a large proportion of the regulations needing to be taken fall outside the scope of Community legislation. In its place a dense network of bilateral taxation agreements – relating to both, to Member States and to third countries – cover the taxation of cross-border income flows.

Corporate taxation

Differences in taxation between Member States can influence companies' investment decisions and create distortions of competition.

The debate about the corporate taxation within the European Union is concentrated to eliminate double taxation of cross-border income flows and harmonise three components of corporation tax: the rates, the assessment basis and the administrative collection system.

The European Parliament underlines that the guiding principle in this area must be that every company must pay its fair share of taxes as its duty and contribution to the society and points out that the main priority in this field is the establishment of uniform definitions of the basic terms such as tax base, profits, losses, taxable income, rules on write-off, transfers to reserves, etc.

In fact there is a demand of harmonisation of key components of Member States' corporation tax systems.

In the field of corporation tax the existing rules governing the reduction or elimination of double taxation are of considerable importance. The traditional system, with uniform taxation of company profits and taxation of the profits distributed to shareholders, is common to Belgium, Denmark, the Netherlands and Sweden. The system of setting off part of the corporation tax due in respect of distribution of profits against shareholders income tax is used in the UK, Ireland, Portugal and Spain. Unlike Germany with its system of a split tax rate, Italy, Finland and France use a system of full deductibility for shareholders.

THE EUROPEAN MONETARY UNION

At the end of the 20th century, European Monetary Union and the global integration of national economies are confronting Europe with new social, political and economic challenges. The introduction of the Euro in 1999 took Europe to a new level of integration that has and will continue to have a global economic impact. Supported by modern technology, the 21st century is expected to be an era of electronic and virtual networking in which one ongoing globalisation process will lead to a new capital market structure.

With an estimated population of amounting to some 300 million people, Euroland has more inhabitants than the United States (approx. 270 million) and more than the double number of Japanese inhabitants. Overall, at an estimated \$7 trillion in 1999, Euroland GDP is smaller than the \$9 trillion of the US. Reflecting the lower GDP level and the higher population, average GDP per head in Euroland was almost one quarter lower than in the US: \$ 24,000 per head, compared with \$ 33,000 in the US.

The European Union is now in the final phase of a journey into Economic and Monetary Union. The three year transition period will end at midnight on 31 December 2001. From 1 January 2002 banks will issue only Euro notes and coins. Member States will make do their best to ensure that the bulk of cash transactions will be made in Euro by the end of a fortnight from 1 January, and by the beginning of March 2002 the withdrawal of national notes and coins should be complete.

Businesses are always affected by wider economic influences Interest rates, inflation and government spending are outside their control, but affect their plans and competitiveness. As a consequence of the Euro, businesses trading with other countries which have joined the single currency will no longer see prices rise and fall because of exchange rate fluctuations between their former currencies. Sharing a currency means also sharing monetary policy - in other words, sharing a single interest rate. It is important for businesses within Europe to understand that EMU is a change in the competitive environment. It not only affects businesses within the Euro area but also affects business in countries not joining the single currency such as Great Britain.

Three important factors have to be considered within the Euro area:

- Cheaper transaction costs
- Removing uncertainty in exchange rates
- Transparent price differences

What will these changes mean for SMEs?

- Increases cross-border competition

If cross-border trade is made easier by EMU, then businesses in countries having joined the single currency face together competition from foreign firms. Meanwhile, there are opportunities for businesses abroad. Businesses in countries outside the Euro area wanting to export to countries within the EMU have to compete against firms from across the single currency area which share the same currency as the purchaser.

- Cross-border mergers and other joint ventures

Increased competition makes relations with other businesses more necessary, and using a single currency makes them simpler-

- Cross-border marketing and pricing

Prices inside the EMU are quoted all in the same currency, the same value. This makes selling at different prices in different countries more difficult. Price breaks in Euro differ clearly from those in former national currencies. This requires some redesign and positioning of products and price strategies of products and pricing strategies in various markets.

- Distribution and purchasing

Sharing a currency makes alternative arrangements simpler and cheaper. It is no longer necessary to choose distribution centres and suppliers to balance flows in the different currencies to be replaced by Euro in order to protect businesses from exchange risks.

- Raising finance

Sharing a currency means also to expand the range of options available to firms seeking to raise capital. Bond and equity (share) markets in Euro have the potential to be more attractive than the replaced markets.

- Investments

Many factors affect investment decisions, at home and abroad. Sharing a currency, and the changes to competition that result, are affecting investment decisions.

In general it can be said that new opportunities and threats arise for many businesses - especially but not only in countries which have joined the EMU.

Because of the far reaching consequences of the new currency both the technical and the organisational aspects of conversion and the changed competitive situation should be matters for top management. Implementation can certainly be delegated, but it should be regularly monitored. Clear lines of responsibility and objectives are of particular importance as regards the introduction of the Euro, for the following reasons:

- The introduction of the Euro concerns every area of a company's operation
- The Euro conversion project will last until the end of the dual currency phase on 28th February 2002
- Preparations for the Euro are an acid test of a company's problem-solving abilities in its dealing with its customers and investors, and in facing up to competition.
- Many companies are using currency conversion as an opportunity to reassess their position and rethink their goals.

In order to minimise any disruption to the operations of SMEs they should have switched over to the Euro the very latest by the 31st December 2001. This will be the only way to guarantee continuity of service vis-à-vis suppliers and customers.

Preparation in time is vital for a successful and seamless transition to the new currency. The necessary measures to be taken will involve training, familiarisation

with the new banknotes and coins. For example cash handlers will require special training and information so that they become familiar with the new currency. Keeping your staff informed is also a key resource for a successful transition to the Euro.

With the introduction of the single currency we can expect further economic integration between the countries that form the European Union. One of the last barriers to the free movement of goods and services, the local currencies and the possibility for each country to protect its market by monetary and fiscal policy, will disappear. Companies functioning within the borders of the European Union will not have to bother with exchange matters any more. The purchase and sale prices will all be expressed in Euro, which will undoubtedly facilitate the commercial and financial management of the majority of the companies, and in particular the SMEs, who to a large extent do not have sufficient financial, human and technical resources to operate in an environment of challenge and new opportunities.