

Lithuania Phasing Out 1 and 2 Cent Coins

May 2024

Lithuania is set to implement a new system for cash transactions, effectively phasing out the use of 1 and 2 cent euro coins. The Law on the Rounding of Cash Settlement Amounts, coming into effect on 1 May 2025, aims to streamline cash handling processes, minimize administrative burdens, and promote environmental sustainability.

Key Provisions

- **Rounding Applies to Final Basket Total:**
Rounding will occur to the nearest 5 cents at the final checkout stage, not on individual item prices. Prices will continue to be displayed in 1 cent increments.
- **Cash Register Adjustments:**
All cash registers must be adapted to handle the new rounding system by 1 May 2025. This includes an automatic rounding function with receipts clearly indicating the rounded amount and any rounding applied.
- **Continued Legal Tender:**
While no longer used in daily transactions, 1 and 2 cent coins will remain legal tender. They can still be used for payments or exchanged for higher denominations at the Bank of Lithuania or designated financial institutions.

Rationale for Rounding

- **Reduced Coin Loss:**
A significant portion (over two-thirds) of 1 and 2 cent coins are used only once and never returned to the central bank, resulting in millions lost annually.
- **Cost Efficiency:**
Minting, transportation, and handling of these low-value coins are resource-intensive and outweigh their face value.
- **Environmental Benefits:**
Rounding eliminates the environmental impact associated with producing and managing these coins.

Neutrality for Consumers and Businesses

The mathematical rounding method ensures fairness for both consumers and businesses. Slight price differences due to rounding will even out over time.

Rounding Exemptions

Rounding will not apply to:

- Non-cash transactions (card, online payments)
- Gift vouchers
- Wages and employment benefits
- Pensions and social security payments (even in cash)
- Transactions under 5-euro cents

Following International Trends

Lithuania joins six other eurozone countries (Ireland, Belgium, Italy, Netherlands, Finland, and Slovakia) that have already implemented similar rounding practices for cash transactions.