

SETTING UP BUSINESS IN ANDORRA



General Aspects

Andorra is a country located in the eastern Pyrenees mountains and bordered by Spain and France. It is the sixth-smallest nation in Europe, having an area of 468 km² and a population of 75.000. Its capital Andorra la Vella is the highest capital city in Europe, at an elevation of 1.023 metres above sea level.

The official language is Catalan, although Spanish and French are also commonly spoken.

Andorra's tourism services an estimated 10 million visitors annually, attracted by Andorra's duty-free status (low taxation) and by its summer and winter resorts. One of the main sources of income in Andorra is as a result of tourism from ski resorts which total to over 175 km of ski ground, bringing over 7 million visitors a year.

Andorra has been a member of the United Nations since 1993. It is not a member of the European Union, but the euro is currency. Andorra is a parliamentary co-principality with the President of France and the Bishop of Urgell, as co-princes.

The banking sector, with its tax haven status, also contributes substantially to the economy. The financial system comprises 5 banking groups,

Andorra approved a new foreign investment law in 2012 in attempts to attract more investment into the country. This is the first time that Andorra has opened its economy to foreign investment and trade. The new law allows for 100% ownership of any company or trading enterprise by foreign residents.

Legal Forms of Business Entities

Legal form	Feature	Remarks
Private Limited Company (Sociedad de responsabilidad limitada)	Limited Companies are constituted in a public document issued by a Notary and have to be registered in the Companies Register. Limited Companies require a minimum social capital of 3.000 Euros, with there being no established maximum. The social capital is divided into company shares. The transmission of shares prior to the company's inscription in the Companies Register is not permitted. Before transferring shares to third persons, there is an obligation to prior notification to the directors, partners and companies of the same group, who have right of first refusal. Partners are not personally responsible for the company's debt beyond the amount invested upon subscribing their participation in the social capital, except for several cases fixed by the Law.	Suitable for small and medium-sized companies because of the lower minimum share capital required and the high degree of flexibility in terms of management and organisation.

Public Limited Company
(Sociedad anónima)

Public Limited Companies are constituted in a public document issued by a Notary and have to be registered in the Companies Register. Limited Companies require a minimum social capital of € 60,000 with there being no established maximum. Shares may be represented via titles or book entries, which imply the non-existence of a physical certificate of the possession of the shareholder.

Shares can be easily transferred, except for several cases fixed by Law. Clauses stipulating a total non-transferability of shares are considered void.

Shareholders are not personally responsible for the company's debt beyond the amount invested upon subscribing their share in the social capital, except for several cases fixed by the Law,

e.g. veracity of the investments and their value, for all the contracts and obligations signed on behalf of the company prior to the registration in the Companies Register, etc.

Advisable for large businesses or projects, both commercial and industrial and require a substantial capital investment.

Branch of activity (Sucursal)

Organisation depending on its parent, which can be located abroad. It has the same legal personality as its parent and runs a similar activity.

A branch has to be set up through a public deed issued by a Notary and registered in the Companies Register.

A permanent address and fiscal representative in Andorre is required.

Suitable for foreign companies looking for a presence in Andorra to initiate business or maintain contacts with business partners, especially in cases of uncertain success.



Organizational Questions

Topic	Feature	Remarks
Commercial Register	Companies of all legal forms must be entered in the Company Register.	If a company is legally required to be registered, but takes up business operations before being entered in the Companies Register, partners are personally liable for any losses up to the point of registration.
Register at the Tax Authorities	Any company needs to be registered at the Departament de Tributs i Fronteres (D.T.F.) and get a tax number (N.R.T. - número de registre tributari).	
Bank Account	To open a bank account individuals need a valid Identification document (DNI) or passport. It is also necessary to be registered at the Tax Authority Register (D.T.F.) and get a tax number (N.R.T). Companies need a certificate of the commercial register, the articles of association and the Tax Number.	
Transfer of Goods and Machinery	Andorra is not a member of the European Union, but enjoys a special relationship with it, such as being treated as an EU member for trade in manufactured goods(no tariffs)and as a non-EU member for agricultural products.	
Transfer of Capital	Capital can be moved in and out of Andorre without any restrictions, but in some cases is necessary to inform the authorities about the transfers.	Depending on the amount of the transfer of capital, needs to be informed to the tax authorities.
Visa and Residence permit	Everyone can set up business and take up self-employed work in Andorre but it is necessary the requirement of a permit.They need to obtain a Work Permit.	

Employment

Topic	Feature	Remarks
Work permit	Foreigners from the aforesaid countries and their families will have to register their stay in Andorre and obtain a work permit.	
Labour law	Labour conditions in Andorre are mainly regulated in the Labour Code. The minimum remuneration for work for full-time employees is specified by law. In 2018 that amount is 12.210 euros per year, 1.017 euros per month. A minimum of 30 labour days of paid holidays a year is guaranteed (for a year of full working period, and 2.5 day per working month) Working hours are 40 hours a week.	
Social system	The social security system is feed by the employer contributions and the employee contributions. The payment of the social security contributions is absolutely compulsory for all companies and professionals.	



Taxation

Tax	Feature	Remarks
<p>Corporate Income Tax (Impuesto sobre Sociedades)</p>	<p>Companies which are considered resident in Andorre are subjected to Corporate Tax (Impuesto sobre Sociedades).</p> <p>Taxable event: Income earned by taxpayer, regardless of source or origin, where it was produced, and the tax residence of payer.</p> <p>Taxpayer: Legal persons, Collective Investment Institutions and public or semi-public bodies domiciled in Andorra.</p> <p>Tax rate: General 10%</p> <ul style="list-style-type: none"> • Collective investment institutions 0% • Deductions and special rates with reductions of up to 80% <p>Obligations of taxpayer: Make payment on account: September; 50% of net tax liability of previous tax year. Request NRT (Número de Registre Tributari). Tax Identification Number</p> <p>Special rates:</p> <ul style="list-style-type: none"> • Intragroup management and financial investment companies (reduction of 80% of tax base). • Securities companies (double taxation exemption). 	<p>Tax base:</p> <p>Different means of Calculation:</p> <p>Direct: Correcting the accounting result calculated according to the General Accounting and applying the rules established by the Corporation Tax Law in Chapter IV.</p> <p>Objective: only applicable voluntarily and in any case in which the annual turnover of previous year is less than 300.000 euros or 150.000 euros in the case of Professional Activities.</p> <p>Calculated by applying estimated percentage costs based on the type activity.</p>

Individual Income Tax

(Impuesto sobre la Renta de las Personas Físicas)

Tax on world incomes from individual residents in Andorra: 10%

- Labor incomes
- Incomes from Economic Activities
- Income on capital gains and Estate
- Capital gains and losses (Property gains and losses not included – already taxed with Tax on Property transfer and capital gains ITP)
- Compensation for personal injuries
- Food within families annuities
- Andorran Social benefits
- Compensation for unfair dismissal
- Public grants
- Benefits for disability or invalidity, widow's or orphan's pension.
- Literary, artistic or scientific awards
- Stock transmissions gains <25% share capital
- Transfer of shares in collective investment entities
- Capital gains tax for lucrative transmission mortis causa of the tax contributor
- Profits of transmissions of real estate located outside Andorra, provided that the property > 10 year
- Revenues from the Andorran public debt

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General reductions

- Minimum personal income: €24.000 - €40.000 (couple without incomes)
- Family charges: €750 for each relative (descending or ascending)
- Usual home investment: Maximum €1.000 / year
- On Savings tax base €3.000

Bonuses: 50% for incomes between €24.001 and €40.000 (only labor, economic activities and Estate incomes)

Deductions: Double in: ternal taxation (local taxes, ITP) and double internacional taxation.

Jobs creation (€3.000 per job).

New investments (5% of the investment value)

Value Added Tax (I.G.I.)
(Impuesto general indirecto)

Delivery and importation of goods and services for consideration into Andorra on carrying out an economic activity.

Business people and professionals engaged in economic activity over 40,000 euros, unless they choose to classify.

- General: 4.5%
- Reduced: 1%
- Superreduced: 0%
- Increased: 9.5%,

Generally by means of direct estimation according to invoices:

- Request NRT (Tax Identification Number, census declaration 001-A and B)
- Present self-assessment and pay in the appropriate amount (model 900 or 910)
- Present an annual payment summary declaration (model 990)
- Comply with requests for information from authorities
- Issue and submit invoices with established content. May be submitted electronically. If the recipient is a business person or professional they must be issued before the 20th of the following month.
- Charge tax. The maximum period for charging IGI tax is 3 years. When the recipient is a business person or professional this is reduced to 1 year.
- Keep financial records with the established content. May be kept electronically
- Appoint a representative resident in Andorra (for taxpayers not resident in Andorra)
- Keep documentation for three years

According to turnover:

- Below 250,000 euros, twice-yearly (July and January)
- Between 250,000 and 3.6 million euros, quarterly (April, July, October and January)
- Above 3.6 million euros, monthly

Method of payments:

- General: Direct calculation (IGI output-IGI input)
- Voluntary + <100k annual turnover: simplified system

There are operations which are exempt as well as deductions for different activities, for example imports.



Tax on income of Non-Residents (IRNR)
(Impuesto Rentas No Residentes)

Monetary income or income in kind obtained by taxpayer in Andorra.

Natural or legal persons not resident in Andorra for tax purposes who obtain income considered by law to be generated on Andorran Territory.

- General 10%.
- In case of income derived from reinsurance: 1.5%
- Income for special levies: 5%

In general terms, the tax base for non residents is on the total income generated. For real estate this is reduced to 20%. The tax base for those with permanent residence is determined according to the Corporation Tax Law

- Appoint a tax representative, legal or natural person resident in Andorra. Inform Ministry of Finance (form).
- Present declaration (when there is no permanent establishment in Andorra). Can be presented by those with joint liability.
- Natural persons engaged in economic activity or bodies making payments to taxpayers must withhold tax; the same applies to permanent establishments.
- Permanent establishments are obliged to register at the Non Resident Entities Registry (*Registre d'Entitats No Residents Fiscals*) and the Commercial Company Registry (*Registre de Societats Mercantils*)
- The taxpayer must issue an invoice, receipt, or equivalent document which corresponds to the income earned and specify the amount retained. If this is not specified or, at the request of the taxpayer, the person retaining must issue a certificate stating the tax withheld.

Make payment (permanent establishment): September; 50% of tax paid in previous year and declaration 30 days after 6 months after end of tax period in the same way as Corporation Tax

When no permanent establishment and when tax is withheld, tax must be declared to the Ministry of Finance (Customs or Tax Office) in the month following each quarter.

Tax on property Transfer and capital gains (ITP/Plusvàlues)

Intervivos transfers of real estate, rights over property, or shares in companies whose assets consist of more than 50% real estate.

Natural or legal person who transfers real estate or rights over it.

- Capital gains: General 10%.
- Property Transfer: 1.25% (State) and/or between 0.50% and 1.25% (Commune tax, established in its tax regulations)

Positive gains between real value of property or rights transferred and its value at time of acquisition. Pay tax. (Paid before Notary who is responsible for payment to Government)

- If it is a private transfer the taxpayer has to pay the Ministry of Finance within 30 days after signing the contract.
- If it is paid before a notary public: the notary has to charge and receive the tax at the time of transfer and make the payment to the Ministry of Finance.

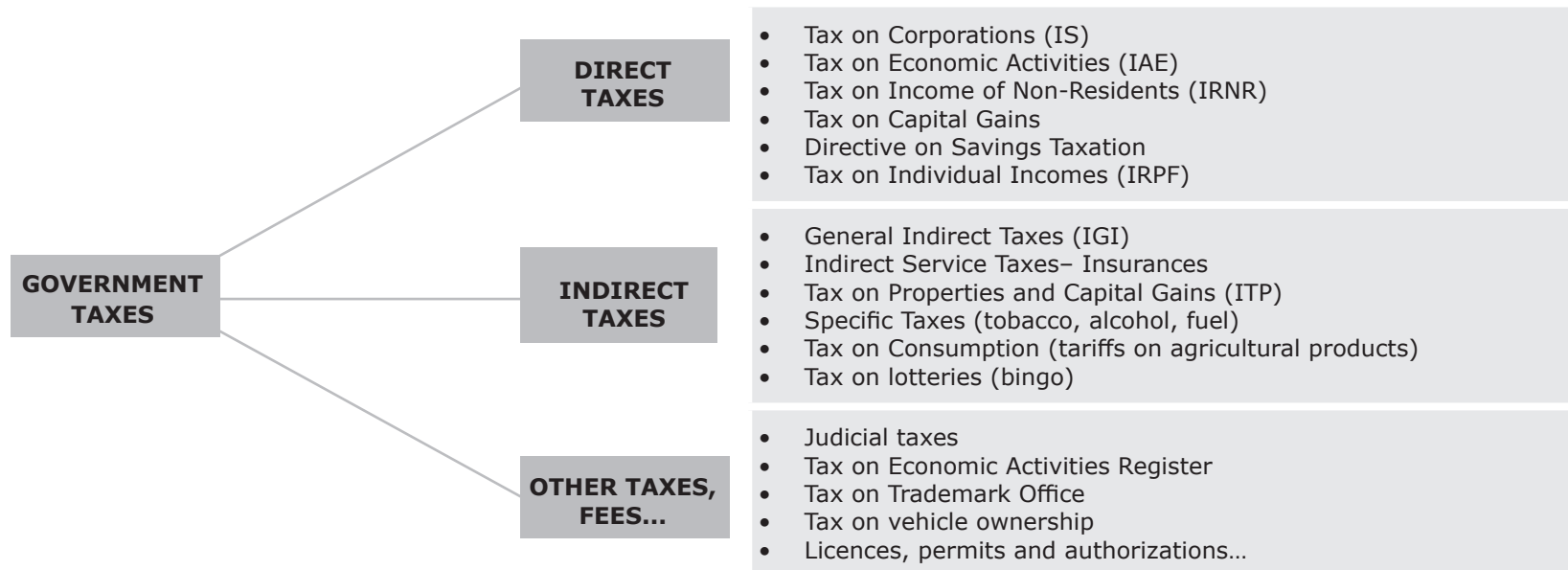
Social Security Contribution

For employers:
The social security contribution is distributed as follows

Concept	Company charge	Employee charge
General	15,50%	6,5%

For autonomous workers: the contribution is 453,68 euros/month.

General Tax Framework



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