

# ANDORRA EXPATS GUIDE

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Andorra has always been home to people looking for a quiet place to live but it is also a modern and dynamic country open to the world. In line with its commitment to excellence and dedication to service, MoraBanc is at the forefront of offering support to expatriates, both in terms of providing them with banking services and products, and facilitating their arrival and settlement in Andorra.

That's why we have prepared this guide to provide up-to-date information on the services that an expatriate may need when arriving in Andorra, from residency formalities through to finding the right school for their children, including updates on local events and entertainment via our blog and monthly newsletter ([www.andorra-expat-guide.com](http://www.andorra-expat-guide.com)).

The MoraBanc team will be at your side, helping you with your financial investments and offering innovative solutions. We invite you to discover our products and services in the following pages.

At MoraBanc we want to be with you in your projects, in your wishes and, above all, we want to open the doors to this new country so that you can feel at home.

**We hope that you will find this guide useful.**

The International Residents' Team

#tensunbanc

## Your team of experts in Andorra



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# 1. WHY ANDORRA?

*Based on the experiences of many people who have already made Andorra their home, following a summary of the most common reasons for their decision to relocate:*

## 1 / A safe country

The Principality of Andorra is a safe place. With one of the lowest crime rates in Europe, most expatriates, and especially those families with children, really appreciate the peaceful and calm environment.

## 2 / An enjoyable climate all year round

Andorra's climate is Mediterranean, which means that it has 4 seasons with many sunny days per year, even during the winter season.

## 3 / An ideal location in Europe

Andorra's location between France and Spain makes it a favourite place for European expats who want to be close to their home countries, close to lively cities such as Barcelona, Toulouse or Girona, and also to the Mediterranean.

## 4 / Impressive landscapes and ski slopes

Andorra is located in the Pyrenees, an environment of exceptional natural beauty. There are valleys, rivers, and numerous lakes to be discovered on foot, on skis, or by bike.

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## 5 / Cost of living

Housing, education, healthcare, transportation, and shopping in general are not very expensive, making Andorra an affordable destination for a new life.

## 6 / Favourable taxes

Personal Income Tax is capped at 10%. Andorra's agreements against double taxation also make the Principality an ideal location for those considering becoming an expatriate.

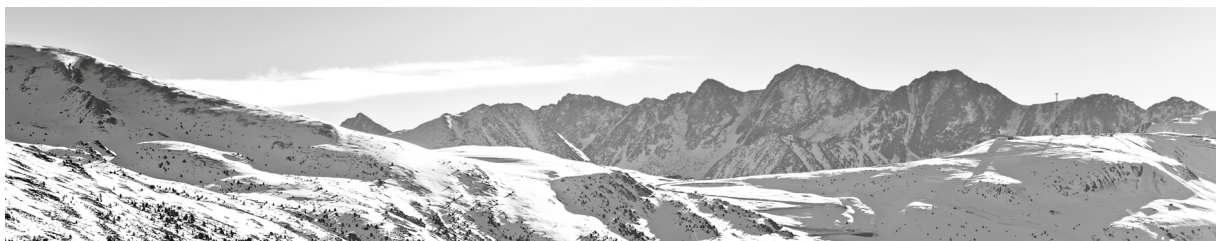
Corporate tax: there are many advantages that make the Principality an ideal place for starting a business, including: national insurance contributions of just 22%, no taxation of dividends, and Income Tax on profits capped at 10%.

## 7 / Multicultural society

Andorra is a multicultural society that includes Andorrans, Spaniards, French, Portuguese, English, Germans, Dutch, etc. The official Language is Catalan but Spanish, French and Portuguese are frequently used. English is also widely spoken.

## 8 / Education System

Consistent with Andorra's multicultural society, you will find a variety of education models. The education system covers Andorran, Spanish and French curriculums. And you can also opt for an international private school.



## 2. WHY MORABANC?

### 1 / We are specialized in Services for Expats

At the MoraBanc Group we specialise in servicing the financial and wealth management needs of families who come to live in Andorra.

We provide a tailored service to meet the requirements of New International Residents that's covers two key aspects:

**Financial aspects.** MoraBanc's team of professionals will be your best ally in this new chapter of your life.

**The administrative and logistic aspects** of you arrival and settlement in Andorra. We will put you in touch with external professionals to make sure you are in the hands of the best experts.

### 2 / Communication in your own language

At MoraBanc, Senior Relationship Managers will assist you in your own language. Catalan – English – Portuguese – Spanish – Dutch – Russian – French – German – Italian – Swiss.

### 3 / A specialized Value Offer

#### Domestic Economy

- Multicurrency current account.
- Automatic Direct Debit payments.
- Online&mobile banking.
- Credit cards.
- Finance (mortgages, etc.).
- Life insurance, health insurance, etc.\*
- Pension plans.

\* MoraBanc Assegurances products

## Wealth Management

- Custody and administration of global financial assets.
- Multi-jurisdiction and multi-depositary custody.
- Monitoring of market performance.
- Discretionary Management Services.
- Open Architecture.
- Wealth planning.
- SICAV.

## External Provider Coordination

With our network of external professionals we coordinate:

1. The administrative formalities relating to your application for residence in Andorra.
2. The accommodation that best suits your family's requirements.
3. The entire relocation (school, enrolment, medical cover, administrative formalities once you have been granted residence, etc.).

## 4 / Wealth Planning Services

The MoraBanc Group is your best partner in Andorra when it comes to achieving the financial goals of your family. We are at your side to guide you through the process of building savings, planning your retirement or managing your existing wealth.

In addition, we will give you access to our network of contacts with top experts in the sector and several firms in each field of expertise, to help you find the best solution to meet your financial requirements, whether it be managing your international assets efficiently and orderly, planning your succession, or complying with your tax obligations in Andorra and other countries, etc.





## 3. TYPES OF RESIDENCIES AND ADMINISTRATIVE SET UP

### A-Types of residencies & general requirements:

#### General aspects

There are two main types of residence permits in Andorra. One of them is the traditional residence with work permit. The second one is a residence type without work permit. Among the residence without working permit, there are three categories:

- Residence with Non Profit Activities.
- Residence for Professionals with International Projection.
- Residence for people with Scientific, Cultural and Sport activities.

Andorran residence allows free travel to Spain, France and Portugal for citizens out of the Schengen area.

Andorran residence permits obtaining Schengen and other visas faster and easier for those citizens.

To be considered "tax residents in Andorra"\*, individuals must meet either of the following criteria:

- a) they reside more than 183 days a year in Andorra. Sporadic absences are taken into account in determining the period of residence in Andorra unless the taxpayer provides proof of their tax residence in another country; or
- b) the centre of their activities or economic interests is located in Andorra, whether directly or indirectly.

Unless proven otherwise the taxpayer is deemed to be a tax resident in Andorra where, in accordance with the above-mentioned criteria, their spouse (not legally separated) and minor children are tax residents in Andorra.

\*Tax residents (more information in page 61)

## Residence Type I:

### Non profit activities

- No economic activity in Andorra.
- Presence in Andorra 90 days.
- Minimum investment required: 400.000 € in Andorran assets (Real State, Andorran Bank Deposit, Andorran Investment fund).
- Refundable deposit to INAF\* of 50.000 € + 10.000 € for each dependant person.

## Residence Type II:

### Professionals with international projection

- At least 85% of the professional activity must be carried out abroad.
- Presence in Andorra 90 days.
- Refundable deposit to INAF\* of 50.000 € + 10.000 € for each dependant person.

## Residence Type III:

### Cultural, Scientific and Sport activities

Residents with internationally recognised talent in the fields of sport, culture or science.

- At least 85% of the professional activity must be carried out abroad.
- Presence in Andorra 90 days.
- Refundable deposit to INAF\* of 50.000 € + 10.000 € for each dependant person.

\* INAF: Institut Andorra de Finances – Andorran Financial Regulator

## Immigration administrative requirements

- Rent / buy an apartment, house,... in order to establish the residency in Andorra.
- Proof of income of 300% of the annual minimum salary in Andorra + 100% additional for each dependant person.
- Contract a private health insurance for medical expenses in Andorra\*.
- Contract a private pension plan\*.
- General Medical checkup.
- Criminal records.

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\* Services offered by MoraBanc Assegurances

*We give no warranties of any kind, express or implied, with regard to the accuracy, timeliness or completeness of any information provided. You should obtain relevant and specific professional advice before making any decision on a change of residence.*

## B-Administrative set up

The Immigration Service is the authorizing body for new residences. Certain conditions are required to gain Andorran residency without work. These conditions are divided into three main groups:

- Administrative, with a clear list of the documents you need to present;
- Financial, you need to be able to prove a level of wealth to apply;
- And medical, with a medical check being carried out by immigration.

The forms that need filling in and also the documents required to complete your application can be found on the immigration website. For residence without work permit, the form required is the D.1 <http://immigracio.ad/ca/d-1-residencia-sense-treball-autoritzacio-inicial>.

As previously explained, Andorra's official language is Catalan, and all the information on the website, as well as in the forms, is in Catalan. In our experience, the most important documents at this stage, and the ones that may take some time to assemble, are the criminal record from your country of birth and from the country where you were last resident (which may not be the same). Legalized criminal records are mandatory. If these countries are on the following list, you will need a Hague Apostille stamp <http://www.mae.ad/en/bilateral-and-consular-affairs/consular-affairs/legalisation-of-documents>. If this is not the case, start with the international legalization through the appropriate foreign ministries and embassies.

But you should not worry, as there are several companies in Andorra offering services that deal with the entire administrative process with Immigration. The advantages of contracting their services are that communication will be in your own language and that you reap the benefits of their know-how. The cost depends on the kind of services contracted, but everything is totally transparent from the very beginning, avoiding any surprises with extra bills. You can find these companies on Internet.



## 4. OPEN A BANK ACCOUNT IN ANDORRA

Andorra's financial sector is modern, globally configured and forms one of the country's solid economic core. The financial and insurance sectors make up 19% of Andorra's GDP.

Founded in 1952, MoraBanc is one of the European referent Banks in fundamental financial soundness as per our 28,50% Solvency Ratio at 31/12/2015.

Please, find here a practical list of documents you may need to complete your bank account application.

### A. INDIVIDUALS

IMPORTANT INFORMATION:

This is a basic list, the bank may ask for additional information and documents.

- 1 /** Copy of valid Passport or ID Document\*.
- 2 /** If in the ID document there is no address or this address is not the latest one, we also need a copy of a Utility Bill in which appears both name and address of the owner.
- 3 /** Bank references letter addressed to "whom it may concerns".

\* Legalized copy by an official authority stamp is required, if we don't take a copy directly from the original

#### 4 / Proof of the economic activity:

##### a. Professional activity: Self-employed or Company Owner

- Copy of the register in the professional association.
- Business card.
- Web site information.
- Last Tax declaration.
- Company accounting report (audited ones, if mandatory) for the last two years.
- Bank statement for the last year.
- In case of Trading Companies: copy of invoices together with the corresponding proof of exportation/importation of goods.
- In case of services companies: copy of the service contract + copy of the corresponding invoices.

##### b. Professional activity - Employed

- Copy of the working contract.
- Business card.
- Web site of the company.
- Bank statement for the last year.
- Copy of the last tax declaration.

#### 5 / Proof of the origin of assets that we will receive. If the origin of the assets is different from the principal economic activity, documents proving the origin.

Example: inheritance, copy of the inheritance deed. Real Estate transaction, copy of the buy/sell deed, etc. Bank statement showing the specific income.

#### 6 / Proof of tax residency: last tax declaration and/or tax residency certificate.



## B. LEGAL DOCUMENTS FOR COMPANIES

- 1 /** Memorandum of Incorporation \*\* and Article of Associations \*\* of the company (and subsequent amendments, if any).
- 2 /** Certificate of the Public Registry attesting that the company remains in force (less than 6 months old). \*\*
- 3 /** Appointment of Directors.
- 4 /** Power of attorney in favor of people who are going to operate the account. \*\*
- 5 /** Bank references letter addressed to “whom it may concerns”.
- 6 /** Certificate of Good Standing (depends on the jurisdiction).
- 7 /** Tax Identification number.

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\*\* All documents with \*\*must contain the Apostille of Hague Convention.

## 5. FINDING YOUR HOME IN ANDORRA

In our view, this is one of the most stressful parts of the whole process. When you arrive somewhere new, there are always doubts about what is the perfect location. There are always loads of questions: should I rent? Should I Buy? An apartment? A house? Which neighborhood? ...

The good news is that Andorra has a very low crime rate and there are no specific neighborhoods to avoid.

As it's mandatory to have an Andorran address when applying for residency, we encourage you to try and get a good overall view of the Real Estate possible options. Andorra is not a large country; this should only take you 2-3 days. Most Real Estate Agents will schedule viewings to match your requirements, and we recommend that you get a head start, talking to your Real Estate Agent about your needs and budget before arriving in Andorra.

### Types of neighborhood:

**1 /** Luxury residential areas close to the city center: Can Diumenge in Escaldes-Engordany; Andorra la Vella, in the same area as the Andorra Park Hotel and the Sant Ermengol School.

**2 /** Luxury Residential areas in the Mountains: Els Oriosos in La Massana; Pleta d'Ordino in Ordino; Pleta de L'Aldosa in La Massana; Pleta del Tarter in Canillo; Sispony, Escas, both also in La Massana.

**3 /** There are lovely small towns with nice residential areas in all the parishes.

While in Andorra there are no distinguishing areas and most are home to a broad cross-section of society, it is also true that the international expat community tends to favour La Massana, Ordino, and Canillo. At the end, it's a matter of choosing what's best for you.

See the list of Real Estate Agents in Andorra.

[www.agia.ad](http://www.agia.ad)

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## FINANCING YOUR HOME

### Features

- Mortgage loan for the purchase of a first home. It only applies for private individuals residing in Andorra.
- Financing of up to 80% of the lowest value between the purchase and the appraised value.
- 10, 15, 20, 30 years (20 and 30 years with an age limit of 65 years old).
- Granted within a maximum period of 15 days, as long as all required documents have been provided.

### Required documentation for the Mortgage study

- Andorran Passport or Andorran Residence.
- Purchase agreement copy.
- Updated property appraisal.
- Receipt of extraordinary revenue if necessary.
- Annual income and bank statement.
- In case you would open an account at the same time as applying for the mortgage, you will be required to provide a bank statement with your account transactions for the last 3 months.
- You will get the granted capital, at the beginning of the transaction.
- You can choose 3-month, 6-month and 1-year Euribor. It will be reviewed periodically in accordance with the chosen Euribor.
- You will enjoy preferential conditions based on your degree of loyalty to the bank.
- Your incomes/salaries must be directly deposited into a MoraBanc's account.
- You can choose the receipt date of the charge.

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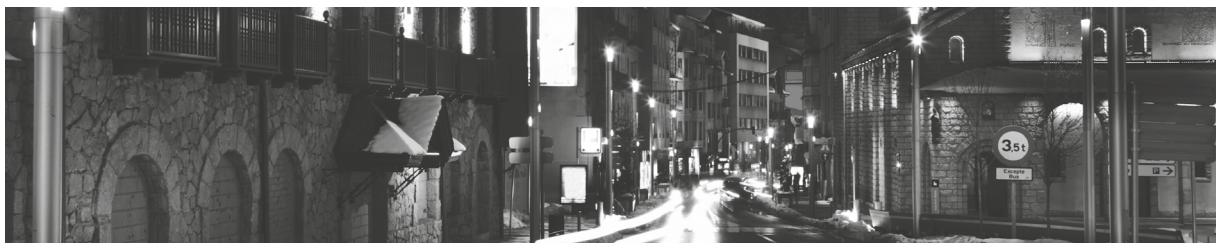
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## Documentation and requirements needed for the Active Mortgage formalisation

- Life insurance receipt (AndorVida).
- Compulsory payment by transfer or nominative cheque.
- Need to formalise the operation before a public notary.
- House insurance.
- Contents insurance.

<https://www.morabanc.ad/en/individuals/mortgages/>



## 6. SCHOOLING YOUR CHILDREN

### Primary and secondary school education in Andorra

Firstly, it is important to note that homeschooling is not permitted in Andorra. Schooling is free for all resident children; attending school is compulsory for children between the ages of 6 and 16. Parents who have recently relocated their family to Andorra can choose between three different public school systems: French, Andorran or Spanish. These three educational systems share the following similarities:

- **A very high standard of education** with a focus on general subjects such as Math, Science, languages, History, and Art.
- **Primary school:** compulsory for children between the ages of 6 and 12.
- **Secondary school:** compulsory for children between the ages of 12 and 16.
- **Upper secondary education:** for students between the ages of 16 and 18 who wish to attend university.
- **Multilingual children:** expatriate children often become competent or fluent in Catalan, Spanish, French and English due to a high exposure to multiple languages offered in their schools.
- **Focus on sports:** sports are an integral part of the Andorran educational system (see second part of this article).

### Post Baccalaureate educational opportunities in Andorra

A student can pursue graduate and post-graduate degrees once they have successfully attained the Andorran equivalent of the Baccalaureate. Since students that have completed the lower Andorran educational system are fluent in different languages they may choose to continue their studies abroad in neighbouring countries. However Andorra has its own public University. The University of Andorra offers graduate and post-graduate studies as well as online courses available at its Virtual Studies Centre. Due to Andorra's location, nestled between Southern France and Spain, many of this University's courses are taught in collaboration with the most prestigious Universities in these two countries.

Andorra has been a member of the European Higher Education Area (EHEA) since 2003. This ensures that a higher degree obtained in Andorra will be recognized by the other forty-nine member states. This is a very important factor for multilingual Andorrans searching for employment upon graduation as this degree opens options throughout Europe.

## The integral part sports and languages play in Andorra's educational system

### Outdoor sports in Andorra's pleasant setting

Andorra's prime location in the foothills of the Pyrenees offers breath-taking landscapes which make the ideal setting for outdoor sports. One does not need to wonder why winter sports such as skiing are so popular in Andorra. All schools teach skiing as part of their general curriculum along with a large variety of other indoor and outdoor sports including the following:

- |              |          |                          |
|--------------|----------|--------------------------|
| • Rugby      | • Hiking | • Trekking               |
| • Soccer     | • Tennis | • Golf and Pitch and put |
| • Basketball | • Paddle | • Ski                    |

Andorran schools are not the only institution that places a great importance on sports. Public sports centers and swimming pools can be found in each town along with a government-funded sports complex in Andorra-la-Vella, Andorra's capital. Diverse golf, horseback riding, roller hockey, trekking and other sporting clubs are available and can greatly enrich a student's after school extracurricular activities. Each city also organizes summer camps, offering sports or lessons for children staying in the country during the summer.

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## Andorra's multilingual and multicultural society

Andorra's official language is Catalan however most Andorrans also speak Spanish, French and English. The Andorran educational system has taken its country's geographical location into account. Due to Andorra's proximity to Spain and France and an increase in English speaking tourists, schools place language instruction at the top of their priorities from a very early age. There is also a school that offers a total immersion bilingual educational program which is taught in Spanish and English. There are more than thirty language schools in Andorra, offering traditional classes as well as private courses which are taught at home with online learning options.

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*Please note that public schools are free for all Andorran citizens.*



## 7. INSURANCES: HEALTHCARE AND OTHERS

MoraBanc Assegurances provides international residents in Andorra with a broad range of solutions designed specially to meet their needs.

### Insurance cover required by the immigration service:

#### Cover for repayment of medical expenses

We offer two types of cover:

- Cover for medical services registered with Andorra's Social Security Office.
- Cover for international medical expenses.

Other cover required for passive residents:

#### Life insurance

Cover available:

- Whole Life coverage.
- Accidental death: double coverage.
- Total permanent disability.
- Critical illness cover.
- Funeral cost cover.

#### Retirement insurance and pension plans

Retirement savings products and life annuities.

*You can check the terms & conditions with your personal manager.*



## 8. REGISTER TO THE MUNICIPALITY AND WITH YOUR EMBASSY / CONSULATE

You will need to register yourself and your family with your local townhall (Comú). There are 7 "Comú" in Andorra:

**Canillo:** [www.canillo.ad](http://www.canillo.ad)

**Encamp:** [www.encamp.ad](http://www.encamp.ad)

**Ordino:** [www.ordino.ad](http://www.ordino.ad)

**La Massana:** [www.lamassana.ad](http://www.lamassana.ad)

**Andorra la Vella:** [www.andorralavella.ad](http://www.andorralavella.ad)

**Sant Julià de Lòria:** [www.santjulia.ad](http://www.santjulia.ad)

**Escaldes Engordany:** [www.e-e.ad](http://www.e-e.ad)

We also recommend that you register your new residency with your embassy or consulate.

This is the list of the diplomatic representations in Andorra:

### Embassies:

- Embajada de España en Andorra

<http://www.exteriores.gob.es/embajadas/andorra/es/Paginas/inicio.aspx>

- Ambassade France en Andorra

<http://www.ambafrance-ad.org/>

- Consulates in Andorra:

All of them are located in Barcelona: Argentina, Belgium, Colòmbia, Costa Rica, Germany, Hongria, Irlanda, Italy, Luxemburg, Sweeden, Switzerland, Turkey, UK\*, USA.

All other countries are covered by their embassies in Madrid.

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### **\*Additional Information**

Ms Fiona Dean was appointed British honorary Consul in Andorra in 2009. Honorary Consuls in foreign countries, acting with the advice and supervision of the superintending post normally carry out assistance work including ad-hoc prison and hospital visits.

Andorra receives an average of 25,000 British visitors a year. There are approximately 3,000 British residents residing permanently or temporarily in Andorra.

There is an Honorary British Consul in Andorra, under the supervision of the British Consulate-General, Barcelona. To contact our Honorary Consul in Andorra or to request Consular assistance in Andorra, you should first make contact with the British Consulate General in Barcelona.

British Consulate-General  
Edificio Torre de Barcelona  
Avenida Diagonal 477 - 13  
08036 Barcelona

Tel: 902 109 356 (if calling from within Spain)

Tel: (+34) 91 334 2194 (International/alternative number)

[Info.Consulate@fco.gov.uk](mailto:Info.Consulate@fco.gov.uk)

### **For more information:**

[Press section](#)

[British Embassy Madrid](#)

Tel: (+34) 91 714 6364





## 9. OBTAINING YOUR ANDORRAN DRIVING LICENSE

When relocating to Andorra you are faced with many changes and legal obligations. Some of these changes, like exchanging your driving licence, are time sensitive.

An expat that has recently acquired a residence permit in Andorra has a period of six months (from the date of delivery of the Andorran residence permit) to exchange their driving licence for an Andorran driving licence. As Andorra is not part of the European Union the rules and regulations for obtaining an Andorran driving licence are rather detailed, this guide will help you through the process.

### Obtaining an Andorran driving licence - Three main options

#### 1. Exchanging your driving licence in Andorra

The following countries allow you to immediately exchange your driving licence for an Andorran one:

- |           |              |                  |
|-----------|--------------|------------------|
| • Austria | • Germany    | • Portugal       |
| • Belgium | • Greece     | • Sweden         |
| • Denmark | • Holland    | • Spain          |
| • Estonia | • Ireland    | • Switzerland    |
| • Finland | • Lithuania  | • United Kingdom |
| • France  | • Luxembourg |                  |

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Those individuals that come with a driving license from one of the countries mentioned in the list above must provide the following documents in order to exchange their driving licences for an Andorran one:

- Your Andorran resident ID card.
- Proof of residence from your municipality (approx. 7€\*).
- A medical certificate given to you by an Andorran doctor within the last three months (approx. 20€\*).
- A completed form that you can download from the Andorran government's website, you can also find this form at your local administration authority's office.
- A recent passport sized color photo ID.
- A photo copy of the front and back of your foreign driving licence accompanied by the original (which Andorran authorities will keep).

When dropping off the above-mentioned documents you will be asked to pay a fee of approximately 65€\* that must be paid at the time the papers are submitted.

## **What to do if your country of origin is not on the above list.**

### **2. How to authenticate your driving licence**

If you are not from one of the countries that allows you to automatically exchange your driving licence for an Andorran one you must obtain additional documents from your country of origin before you relocate to Andorra. The following lists the required documents:

- A certificate of authentication issued by the department or state that issued your driving licence.
- A certificate explaining the categories of motor vehicles your driving licence allows you to drive.

If these documents are not in Catalan, French or Spanish you must have them officially translated into Catalan and legalized with an international apostle stamp (Hague Apostille). This translation process can be completed once you have relocated to Andorra. Once Andorran authorities have accepted the validity of these documents you are required to take a basic practical driving test.

\*Prices at July 2016.

### 3. Retaking your driving test in Andorra

If you are not from a country that accepts the immediate exchange of your driving licence and are unable to obtain the documents requested your last option is to start from scratch by taking the Andorran driving test. The Andorran driving test is comprised of a written multiple-choice exam and a practical driving test. It should be noted that the Andorran government gives you a window of two years from your date of entry into Andorra to take the written portion of the test in another language. If you wait to take the test, after your two years are up, you must take the test in Catalan!

#### Relevant features of an Andorran driving licence

Contrary to many countries, the Andorran driving licence does not utilise a point system in order to determine if a driving licence should be removed from a driver. However your driving licence may be removed if you are found breaking certain road rules while driving in Andorra.

Obtaining an Andorran driving licence is obligatory for individuals with Andorran residence permits and those residing in Andorra. So if you have successfully relocated to Andorra and want to drive through this breath taking country, getting an Andorran driving licence is extremely important to avoid any legal repercussions.

Quick tip: Andorrans drive very safely and are extremely attentive to other drivers and pedestrians. Drivers should be aware that pedestrians are accustomed to drivers stopping when they enter an intersection marked for pedestrians and often enter these intersections without looking, so be vigilant. Driving in Andorra can be a pleasant experience, so we hope that this guide helps you on the road to getting your driving licence and fully settling into this wonderful country.



## 10. COMPLETE YOUR ANDORRAN INVESTMENT

### LIST OF FINANCIAL INVESTMENTS ELIGIBLE AS INVESTMENTS FOR PASSIVE RESIDENCY

Subject to the minimum investment required for this type of residence permit, this document details the financial investments (classified by financial assets) that can be used as proof of investment in Andorran assets, in order to obtain a passive residence permit in accordance with Article 13 of the regulation relating to immigration authorisations for passive residence as approved by the Andorran Government on 18 July 2012.

#### 1 / Fixed Deposits

From 1 month to 1 year. Fixed Deposits can be made in any currency.

The interest rate is calculated on the basis of Libor SPREAD.

#### 2 / MoraBanc investment funds

If you follow the link to our website below, you will find all the information you need on our funds, classified by risk profile.

<https://www.morabanc.ad/gestion-de-activos/fondos-de-inversion/>

The various fund classes available are listed below:

- Money Market.
- Fixed Income.
- Equities.
- Multiple assets.
- Thematic funds.

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### 3 / MORABANC Structured products

Structured products can be tailor made or purchased from a portfolio of general products. The standard structure is as follows: 80 or 90% of the investment is made up of a bank FIXED deposit with a 3/6 MONTH maturity with an annual interest rate of 2 to 3%.

The rest of the investment (10 or 20%) will be invested in equity, and both capital and returns are linked to the performance of a portfolio of 3 stocks.

Please note that this kind of investment is considered as a complex financial product and that a capital loss may arise on the portion of the investment that is subject to risk.

The rates shown are provided as a guide line only and are subject to market volatility.

### 4 / Andorran Government BOND / TREASURIES

GOVERNEMENT BOND, the annual interest rate is usually between 0.75 and 1%, at maturity.



## 11. TAX RESIDENCY IN ANDORRA

Increased transparency is now a common trend in all serious jurisdictions. Andorra has signed the OECD agreement on the Automatic Exchange of Information, as well as a specific agreement with the EU to follow the Common Reporting Standard (CRS) starting in 2018. In addition, we are FATCA-compliant. All reporting is based on the identification of the Tax Residence of all account holders and customers (FATCA also recognises US citizenship). It is important to point out that having immigration authorization in Andorra does not automatically mean that you are considered tax resident in Andorra.

To be considered “tax resident in Andorra”, individuals must meet either of the following criteria:

- a)** Residing more than 183 days a year in Andorra. Sporadic absences are taken into account in determining the period of residence in Andorra unless the taxpayer provides proof of their tax residence in another country; or
- b)** The centre of their activities or economic interests is located in Andorra, whether directly or indirectly.

Unless proven otherwise, the taxpayer is deemed to be a tax resident in Andorra, when, in accordance with the above-mentioned criteria, their spouse (not legally separated) and minor children are tax residents in Andorra.

### Some questions to answer in connection with tax residence:

- Am I familiar with tax residence rules of the countries where I have a nexus (days spent, location of assets, whereabouts of family, etc)?
- Am I tax resident of another country (dual resident)?
- Is there any treaty with that country providing tie-breaker rules?
- Am I managing a foreign entity from Andorra?
- Is a foreign entity under my control being managed from a country different to the one of incorporation?
- Are the foreign entity’s main assets located in a country different to the one of incorporation?

If the answer is yes, we strongly encourage you to get professional tax advice to be sure you are complying with all your tax obligations in all cross jurisdictions.

## 12. ANDORRAN TAX OBLIGATIONS

It is your responsibility to comply with Andorran tax obligations and we strongly encourage you to take professional independent advice (<https://www.cada.ad>), particularly given that the tax framework itself is new and that you are new to Andorra.

This is just a small and partial overview of some practical aspects and the aim is purely informative and indicative.

### The Andorran tax framework is:

- Personal Income Tax at a general rate of 10%.
- Corporate tax at a general rate of 10%.
- VAT (IGI) at general rate of 4.5%.
- No wealth tax.
- No inheritance and gift tax.

### Two relevant characteristics of the Andorran tax system are

- If income or gains that have already been withheld and taxed at source at a level equal or more than 10%, then not taxed in Andorra.
- Dividends received from Andorran companies are free of tax.  
Capital gains obtained from companies you hold less than 25% are tax free.

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## Personal Income Tax

### What formal obligations does a taxpayer have in terms of Personal Income Tax?

#### Obtaining an NRT

- Everyone who is a taxpayer for Personal Income Tax has the obligation to obtain an NRT (Tax Registration Number), which they can apply for using the form approved for the purpose (It is the same as your residence number with an F in front).

#### Obligations to file self-assessments.

- The tax year is from the 1st January to the 31st December. The reporting season runs from the 1st April to the 30th September of the following year (2015 personal income tax will be reported from the 1/04/2016 to 30/09/2016).
- There are a number of cases in which the obligations to file a tax return are excluded; in particular, when the taxpayer obtains one or any of the following types of income: (i) income from work and income from investment capital which are subject to withholding in Andorra or (ii) exempt income. As a result, situations can occur in which an individual only obtains financial income, which means they would not be obliged to file a tax return; for example, interest paid by Andorran banks, dividends of Andorran source, and capital gains obtained from the transfer of shares quoted on the stock markets.

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## How Personal Income Tax works

We highlight three main characteristics:

- An Andorran tax resident is taxed on a worldwide basis.
- The Law establishes several reductions and exemptions, and allows for the crediting of taxes paid abroad.
- The maximum tax rate for Personal Income Tax is 10%.

Taxation of certain income types:

### 1. Pensions

Pensions obtained abroad are taxed in Andorra at the general tax rate of 10%. EUR 24,000 allowance. Foreign pensions (both public and private) are generally taxed at source, unless a double tax treaty establishes otherwise (normally taxed in the country of residence). Taxes paid at source on pensions can be credited in Andorra. Since the tax burden paid at source normally exceeds the 10% established in Andorra, there will not be any tax to be paid in Andorra.

### 2. Financial Income

- Interest is taxed at 10%. The concept of “interest” includes any income obtained from bonds, loans, bank accounts or bank deposits, income from coupons or subscription, redemption, conversion, exchange or transfer of financial instruments, including both private or public issuances, as well as the cashing in of insurance policies.
- Andorran Governmental bonds are exempt from taxation.
- Dividends. Foreign dividends are taxed in Andorra while domestic ones (including funds) are tax-exempt.
- Capital gains. Any capital gain derived from investments (including both entities and funds) representing less than 25% of their capital for the last 12 months are tax-exempt. They are also tax-exempt if the gain is more than 25% and they have been owned for more than 10 years.

### 3. Real Estate Income

- Capital gains are normally taxed at 10%.
- Rental income is also taxed at 10%.
- Taxes paid abroad can be credited (deducted).
- Capital gains obtained on the sale of an Andorran property are taxed by the "Tax on Real Estate Property Transfers" (Impost sobre les plusvàlues en les transmissions patrimonials immobiliàries)\*.
- Capital gains obtained on the sale of properties located abroad are tax-exempt in Andorra if owned for at least 10 years prior to the sale, otherwise, they are taxed at 10% of the difference between sale price and acquisition cost (or fair market value in 2014 if higher).

\* Tax rate is set according to the years that the property has been owned by the taxpayer (i.e. 15% one year / 0% ten years).



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