



Interview



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Albert Contel (born 21 September 1987) is an Andorran registered economist specializing in tax advisory who has resided in the Principality of Andorra since 2015.

Born in Barcelona, he graduated in Business Administration from the University of Barcelona in 2013. Thereafter, he began his studies in law and obtained a Master's Degree in Tax advisory and Management in ESADE (Ramon Llull University) in 2014, an Executive Master in Corporate Finance and Law in ESADE in 2015, and became a certified recipient of the Certificate of European Financial Advisors in 2021 (IEAF/FEF, EFFAS).

He started his professional career in accounting and auditing for several big four entities, but turned his career toward tax consulting and planning, which he has successfully practiced for the past 10 years. He has developed his professional career not only in big law firms, but also in private banking. Within his broad expanse of expertise, he has experience in auditing large companies, providing comprehensive tax and financial advice to high-net-worth individuals as well as commercial companies, and has valued companies for economic advisory.

In the year 2021, he joined the Auge Holding Group, where he has been acting as Manager of the tax sector, providing complex tax advisory, wealth management, and planification – locally and internationally – for a wide range of clients.

He told us about the main tax advantages of Andorra.

– Could you please explain the main tax advantages of Andorra compared to Spain and France? Let's compare VAT and income tax in Andorra, France and Spain and talk about other taxes, not in Andorra?

– This is a good comparison since Andorra is geographically and culturally right in the middle of these countries. For starters, from the point of view of the people who



Albert Contel

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«The tax system in Andorra demonstrates its confidence in its regulatory development»

come to Andorra, they are mainly from Spain and France.

I would start with direct taxes, in which we can distinguish the two main figures: corporate and personal income tax.

In Spain, global taxation, including all tax figures, can easily exceed 50%. Particularly, the corporate income tax in Spain is 25%, while the personal income tax reaches up to 48%. Therefore, around 50% of your earnings go directly to the State, without considering other taxes, which would further increase the tax burden.

From a French perspective, with a current corporate income tax of 25% (reduced from the previous years) and a Personal Income tax Rate of up to 45%. In addition, unlike in Spain, there is more income subject to contributions, which makes the total expenses higher than in Spain since other tax figures are also present.

On the other hand, it is worth noting that in Andorra, people with an income of 0 to 24,000 euros per year do not pay taxes, people with an income of 24,000 to 40,000 pay 5% tax, and people with an income of more than 40,000 euros per year pay 10%. Therefore, the effective tax rate never reaches 10%.

As per an indirect tax perspective, the general VAT rate in Andorra is 4,5%, while in Spain, it is 21%, and in France, 20%, which affects the purchase price of all goods and services.

Particularly, and considering that Real Estate is one of the main family expenses, taxes are also much more reduced not only on the purchase but also on future transfers, as well as cars, which do not include additional taxes in Andorra as apart from VAT. In contrast, a registration tax in the other two jurisdictions shall be added, reaching up to 15% in Spain.

That supposes a difference in the final price just for tax reasons over 6% on real estate and over 30% on cars.

– And you must pay 15% every time if you want to change cars in Spain?

– The tax you are referring applies just on new cars. In relation to second-hand cars there is a property Transfer Tax (Transmisiones patrimoniales onerosas) in Spain.

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The person obliged to pay the Property Transfer Tax is the one who acquires a good or right on it and who is not brand new. It is applied in many cases, but the most common is the purchase of homes and vehicles: that tax figure exists in Andorra just on real estate.

– And what about France?

– In France, the matriculation tax is about 30%. They also have auto malus (or eco-tax) - this tax was introduced in 2008 and collected when the vehicle is registered. It is based on the vehicle's CO2 emission rate; less than 5 CV (30 horsepower): free, 5 CV: 1,000 euros, 10 CV: 9,250 euros, 20 CV: 31,000 euros, and more than 25 CV: 40,000 euros.

So, as it is easily seen, France and Spain are two jurisdictions where taxes are generally 5-6 times higher than in Andorra. This is what is called real tax pressure.

– There is another question I was always wondering - this is the art business. I know some artists who come here to open their galleries and sell art objects from Andorra. Is it also more profitable?

– Andorra is interesting, not only for the reasons previously exposed but also because of the security (because Andorra is the least criminal country, which reduces the security costs) and because there is no wealth tax. In Spain, wealth tax applies, including art objects (up to 2.6%, depending on your total wealth).

Lastly, the lack of inheritance or donation tax in Andorra is another strong reason to optimize the transfer of your wealth to your family.

– What do you consider as advantages of investing in real estate in Andorra? Any disadvantages, warnings or precautions, especially now, given the incredible rise in property prices in Andorra?

– That the prices are high does not mean that it's not a good moment for investors. From an economic point of view, the important thing is the tendency and the expectations. All indicators show that the prices



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will continue to rise, even if the speed of growth is reduced. Just for your information, since 2017, the average prices per meter square in Andorra have grown up to 50% (from 2.000 for m2 to 3.000 for m2, or even more if we are talking about the center of the capital of Andorra, where it can escalate over 5.000 €/m2).

For reference only, if you compare this premium area with Spain or France, in this second case, prices can even go higher than 6.000 euros per m2 with a higher tax pressure.

Moreover, remember that the Andorran market is very small compared to the neighboring countries: If 10,000 come to live in France or Spain, the market will not feel much difference, as the pressure on the demand will be reduced. Nonetheless, this same quantity would make a huge difference in Andorra, increasing prices accordingly. Considering that Andorra continues to attract people and that real estate offers cannot be increased at the same speed, it doesn't seem that the prices will go down in the short term.

Additionally, from a tax perspective, the difference is huge, which means that the total net income may entitle bigger differences while investing in real estate assets. In general, purchasing a house in Spain supposes cost of 10% in taxes, to which you shall add the tax on the land price increase to be paid to the municipality. In

comparison, the only applicable tax figure in Andorra is 4%. Later, while selling the property, the taxes on the gain range between 19% and 26%, in France up to 45% (plus social charges), while in Andorra, the maximum tax cost will amount to 15%, with a degressive rate down to 0% depending on the time that the asset has been owned.

– What is real estate tokenization? Is it possible to introduce these innovations in Andorra? How can it influence the real estate crisis?

– Tokenization is a very good option to democratize the investments in any assets, including of course real estate investments. Not everyone has resources to buy a real estate asset on their own, but it is far more accessible if the total investment they have to make is 10, 100 or 1.000 euros. Thanks to tokenization, several people can jointly invest with a unique asset according to their own abilities.

For those less accustomed to tokenization, it may be more understandable to interpret it as a crowdfunding source, a collaborative project financing mechanism developed on the basis of new technologies – in this case, through a blockchain.

There are already some companies who have started the tokenization process of real estate assets. There is a special law regarding digital assets that allows these kinds of activities. It would be beneficial to have some additional clarification on the law's implementations, such as the intervention and obligations of banking entities as intermediaries in such operations.

The process has not yet been debugged from a short-term perspective, but while not being forbidden, it is indeed possible.

– How many companies move to Andorra every year?

– Last year there were more than 1,100 new companies incorporated in Andorra. The companies include several sorts of activities, but we can highlight wealth management, IT, marketing or e-commerce

companies among them.

Mainly, the companies develop activities not engaged in producing goods but in services, and the activity from which can be done remotely.

Andorra is very limited in space compared to other jurisdictions, so producing goods is not the best option. Likewise, the lack of train stations or ports makes this sort of activity far less common in Andorra, especially considering that air transportation is very expensive compared to other alternatives.

Andorra is mainly specialized in services of all sorts.

– You have mentioned e-commerce companies. But there is no shipping to Andorra from many countries since it is not part of the European Union and has borders and customs...

– E-commerce does not need that. It is important to state the difference between international trading and e-commerce. International trading demands bringing the goods to a jurisdiction and sending them out, while e-commerce may permit this activity because of acting as an intermediary between the producer and the final customer. Buying goods in one country and selling them to another without bringing them to Andorra is perfectly possible.

– And vice versa - are there any statistics on companies leaving Andorra. You have such a business as putting companies to sleep, reorganizing, and closing a business in Andorra. How popular are these services?

– Yes, this happens in business for several reasons, including restructuring and optimization of the business, of course. Approximately 620 companies were in liquidation last year. The important thing to highlight is that far more companies were incorporated than liquidated.

– Is it still possible to reduce income tax from 10% to 2% for trading companies?

The regime you mention is no

longer in force. Nevertheless, there is a special regime that reduces effective taxation from 10% to 2%, for the exploitation of intangible assets. Some of our customers work in this field. It applies to the owners of IT programs, software or applications, concessions or authorizations of use, assignments, licenses or transfers of patents, utility models and computer programs.

There is no minimum quota to apply for this regime, but it only concerns intangible assets developed from Andorra. All projects need to be approved by the government of Andorra.

– What's the latest news Regarding the 2023 tax reform?

– The last tax modifications took place on February 8, 2023. There were several modifications – particularly regarding corporate income tax – which added some limitations. These include the deduction of the financial expenses, the deductibility of certain expenses with related parties, and some deductions intended to motivate the rental of real estate assets. There is also the elimination of some deductions, as the amortization for new investments. Likewise, a change was made to guarantee a minimum effective taxation of 3% through the limitation of deductions on the taxable quote.

Likewise, in order to simplify the tax system, a merger was proposed between the tax figure known as the capital gains on the transfer of the real estate assets, with the corporate income tax, the personal income tax, and non-resident income tax.

In summary, the application of the law was simplified – some limitations were added, as the application of the deduction for international taxation or the requirements to qualify real estate income as economic activity, and some exemptions were clarified with additional deductions added.

The tax system in Andorra demonstrates its confidence in its regulatory development: in its simplification as well as its effectiveness. ≡

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