

ANDORRA TAX DECLARATION – ENGLISH LANGUAGE SUMMARY

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INTRODUCTION

This summary of how to deal with your Andorran Tax Declaration is primarily intended for Passive Residents but see Note (1) if you also have income from Andorran sources. It does NOT take account of any Double Tax Treaties. Notes are in Appendix 2 and are not essential reading unless you have a specific worry. We are happy to answer queries, which should be addressed to esra@andorra.ad. My thanks go to Charles Schaller Kelly for his assiduous knowledge of the Law and to John Pinnell for liaising with the Tax Authorities.

HEALTH WARNING

This summary is issued in good faith but it is not guaranteed. It has been sent to the Tax Authorities, asking that they tell us of any errors, which will be passed on to readers. In the meantime we think it is reasonable to use it as a reference document and to quote it where necessary.

We would always recommend seeking professional advice if you have any doubts, BUT, because this law is so new there is no real experience, mistakes are being made and you need to watch out for "advisors" ready to sell expensive solutions to the unwary. We have found that the Andorran Tax Office is helpful, some can speak English and they are not trying to catch you out. For an appointment call 147.

ARE YOU A FISCAL RESIDENT?

If you are in Andorra for more than 183 days (6 months) during the calendar year 2015, then you are a fiscal resident for 2015. If you are a fiscal resident then your spouse and minor children are also fiscal residents unless you prove to the contrary. If you are a Resident but not a Fiscal Resident, then read Note (2).

NUMBERS

Taxpayer number (NRT or NRF) = your Residence Number, preceded by an 'F'
The Tax Office wants to encourage On-line returns for which you need a password obtainable from the Tax Office or your Comú. You should change the password later.

(1) CATEGORISING YOUR FOREIGN INCOME

Different rules apply to different categories of income (my categories, not shown in the Tax Rules)

eXempt	X
aNnuities	N
Earned	E
Savings/investment income	S

See Appendix 1 for what income falls into what category.

You need to list all your income during the year, divide into categories and convert into Euros. See Appendix 3 for exchange rates: you can save a lot of calculation by using

the annual average, which is sufficiently accurate providing your income is reasonably even through the year. If not, use the monthly rates.

(2) CALCULATE GROSS LIABILITY ON FOREIGN INCOME

Everything here refers to foreign income.

(a) ANNUITIES (N)

Reduce the annuities total, depending on your age on 1/1/2015 as follows:

<40	reduce to 40% (e.g. 1000€ becomes 400€)
40 to 49	reduce to 35%
50 to 59	reduce to 28%
60 to 65	reduce to 24%
66 to 69	reduce to 20%
>70	reduce to 8%

Add the result to your savings income (S) as below.

(b) EARNED INCOME (E)

From your total earned income:

Deduct "General Credit" of 50% over 24,000 – max deduction 8,000.

Reduce by the following:

Personal (single)	24,000	(30,000 if disabled)
(married)	extra 16K if spouse has no earned income (see Note 7 if spouse has earned income).	
	"Spouse" includes stable relationship	
Each child	750	child < 25 with income < 12,000 p.a. **
Each parent etc	750	ascendants > 65 with income < 12,000 p.a. **
** the 750 is increased by 50% & no age restriction if the person is disabled.		
Home	upto 1,000	invested in your principal home
Pension contributions	30% of earned income	invested in your pension (max 5000)
Alimony	judicial settlements	

Balance = "Taxable Earned Income" (minimum zero)

(c) SAVINGS INCOME (S)

From your total savings income deduct 3,000€.

Balance = "Taxable Savings Income" (minimum zero)

(e) GROSS ANDORRAN TAX

Total Taxable Income = Taxable Earned Income + Taxable Savings Income.

Andorran Tax = Total Taxable Income x 10%

(3) FOREIGN TAX DEDUCTION

Add up ALL the foreign tax you have paid for the calendar year 2015, on foreign income and capital gains/losses included in (2) above. This includes withholding tax and UK Dividend Tax Credits. Convert the total to Euros using the average exchange rate. Maximum deduction = 10% of foreign income. (see Note 8)

(4) NET LIABILITY & NEED FOR DECLARATION

If your Andorran Tax liability, less tax deducted by your Andorran Bank, less your Foreign Tax Deduction is zero or less, you need only submit a **short** declaration, see (5) below. If not, you have a net liability and you need to submit a **full** declaration see (6) below. Forms can be downloaded from www.impostos.ad/formularis/IRPF : they allow you to type in your answers on your computer (off-line) and print out the completed form. There will also be facilities for filing on-line but we do not yet know the procedure.

(5) SHORT DECLARATION

Forms 300 & 300D: you need only complete the sections marked in red on the attached examples. In the table at the end of 300D just show the type of income from each country. E.g. GB..... treball (earned income), USA..... cap mob (savings income). **DO NOT ENTER ANY FIGURES.**

(6) FULL DECLARATION

Figures are required.

Form 300: complete in full. In Section 2, tick the boxes that apply to you and download the associated forms:

300-A	Personal data	✓
300-B	1. Earned income including pensions	probably ✓
	2. Rental income	?
	Note: you can detail your expenses, or claim a flat 40%	
300-C	Other “economic activities”	probably not
300-D	1. Savings income	probably ✓
	2. Foreign Tax Deduction	probably ✓
300-E	Capital Gains/Losses	?
300-L	Calculation Sheet	✓

Appendix 1 – what income falls into what category.

Annuities	N	
Capital gains: foreign real estate owned < 10 years	S	
shares if you owned <25% of company	X	
investment funds	X	
shares if you owned >25% of company	S	(Note 3)
all other gains	S	
Charges, Bank or Investment		deduct from S
Directors' fees	E	
Dividends from direct investment in shares	S	
Earnings	E	
Gift	X	
Inheritance (including inherited trust)	X	
Insurance income (life or invalidity)	N	
Interest	S	
Investment Fund distribution	S	
Pension Pot Income	E	(Note 4)
Pensions from your previous employment	E	(Note 5)
Rental income from abroad	E	
Retirement annuities	E or N	
Royalties etc	E	
State pensions	E	
Trust (if you are NOT the settlor)	X	
Trust (if you are the settlor) income	S	(Note 6)
capital repayment	X	
Widow's pensions from State or Spouse's employment	X	

If you have income not listed above, you should obtain advice from the Tax Office (free) or a professional.

Appendix 2 – Notes

- (1) If you have Income from Andorran Sources
 - a. First, calculate your tax liability on Earned Income from Andorran Sources as in this Summary Para (2b) but using only Andorran Income.
 - b. If this is more than has been deducted at source, then you need to declare the excess, using the full declaration.
 - c. Next, calculate your tax liability on Earned Income from Foreign Sources as in this Summary Para (2b) but using only Foreign Income. The general credit and reductions should only be anything left over from what is used in a. above.
 - d. Calculate your tax liability on Savings Income from Andorran Sources as in the Summary Para (2c) but using only Andorran Income. Note Andorran exemptions. If this is more than has been deducted at source, then you need to declare the excess

- e. Calculate your tax liability on Savings Income from Foreign Sources as in the Summary Para (2c) but using only Foreign Income. The deduction should only be anything left over from what is used in d above.
- f. Add together your liability on foreign income (c plus e above), and proceed as in the Summary (3) to (6)
- (2) If you are an Andorran Resident, then the default assumption is that you are also a Fiscal Resident, but if you live here for less than 183 days you will be able to *declare* that you are *not* a Fiscal Resident, subject to some small print. However, over 90 countries including Andorra will be exchanging financial information starting next year. If any financial institution in any of those countries pays you anything, they should be asking for your country of residence and tax reference number. **Difficulties can be expected if you have no answer.** In other words, it will be increasingly difficult not to pay tax somewhere and, if you have to choose, Andorra is a pretty good place to be a Fiscal Resident.
- (3) Capital gains from shares/funds owned for more than 10 years are also exempt
- (4) If you received a “pension pot” on retirement and invested it, then any income from such investment counts as pension income (E) providing you can establish a clear link back to the “pot”. See also Note (5).
- (5) This means pensions from your previous employment, not your spouse’s. In the original Law, pensions were taxed as earned income (E). A later amendment appears to say that only part of pension receipts will be chargeable, (down to zero for pensions already in payment on 1/1/2015). Only the chargeable part is allowed for foreign tax deduction. If you are adversely affected by this amendment, you are invited to write to me (esra@andorra.ad). The amendment is open to interpretation and it may be worth a legal challenge.
- (6) The Trust accounts need to divide distributions between income and capital repayment.
- (7) If the spouse has earned income but not enough to claim the full 24K Personal Reduction then the shortfall can be transferred until the joint Personal Reduction reaches 40K.
- (8) It is not clear what is allowed if part of your foreign tax is from income exempt in Andorra.

2015 EXCHANGE RATES CURRENCY TO EUROS

	Annual Average	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
CAD	0.7156	0.6933	0.7213	0.7131	0.7418	0.7649	0.7430	0.7267	0.7099	0.6984	0.6824	0.6828	0.7092
CHF	0.9393	0.8358	0.9917	0.9393	0.9412	0.9784	0.9633	0.9590	0.9572	0.9297	0.9238	0.9246	0.9272
DKK	0.1358	0.1361	0.1362	0.1360	0.1358	0.1357	0.1357	0.1358	0.1357	0.1357	0.1358	0.1357	0.1357
GBP	1.3793	1.2637	1.3165	1.3528	1.3957	1.3939	1.4031	1.3939	1.4306	1.4217	1.3843	1.3639	1.4314
HKD	0.1169	0.1046	0.1129	0.1146	0.1231	0.1214	0.1179	0.1160	0.1193	0.1180	0.1175	0.1151	0.1223
JPYx100	0.7411	0.6884	0.7412	0.7422	0.7261	0.7834	0.7514	0.7240	0.7438	0.7326	0.7542	0.7404	0.7652
NOK	0.1138	0.1083	0.1142	0.1183	0.1148	0.1200	0.1204	0.1159	0.1141	0.1109	0.1098	0.1095	0.1095
SEK	0.1082	0.1065	0.1073	0.1066	0.1100	0.1088	0.1090	0.1101	0.1083	0.1074	0.1084	0.1074	0.1089
USD	0.8981	0.8040	0.8676	0.8811	0.9461	0.9326	0.9060	0.8909	0.9162	0.9065	0.9021	0.8840	0.9395

The above are the official Andorran Government Rates taken from www.impostos.ad/duana/canvismonetaris/2015
For other currencies try www.xe.com/currencycharts

