




TAXATION IN ANDORRA: INTERNATIONAL BALANCE 2023 AND NEW DEVELOPMENTS 2024

The current fiscal year of 2023 has been a year filled with developments in the area of Andorran taxation, which is now coming to an end: the approval in February of Law 5/2023 on measures for the reform of Direct Taxation and other tax and customs provisions, as well as the signing and coming into force of various agreements to avoid double taxation with several states, have significantly marked the last 12 months.



It is therefore necessary to take stock of all the current tax agreements in force in Andorra, including the recent developments. In this regard, Andorra currently maintains agreements to avoid double taxation with the following states:

- Spain
- France
- Cyprus
- Portugal
- United Arab Emirates
- Liechtenstein
- Luxembourg
- San Marino
- Malta
- Hungary
- Monaco (2023)
- Czech Republic (2023)
- Croatia (2023)

Additionally, it should be noted that several agreements have been signed and are pending ratification, such as with the Netherlands and Iceland, and others have been initialed pending signature, such as with South Korea and Belgium. It is likely that these four agreements will come into effect in the coming fiscal years.

While the above has been of great importance in relation to Andorra's international scene, particularly in terms of taxation, new developments at the domestic level have also been significant during 2023.

Thus, while Law 5/2023 establishes several changes that have already come into force along with the law itself, major changes will take effect on January 1, 2024. As a reminder, the main developments that will come into force at the beginning of January are as follows:

- 1.** Elimination of the Tax on the Increase in Value of Real Estate Transfers (IPTPI) and its integration into the main tax figures (IS, IRPF, IRNR). Although this tax is formally eliminated, in practice, it is maintained within the rest of the existing direct taxes.
- 2.** Express subjection to income taxes (IS, IRPF, IRNR) of the income obtained through fiscally transparent entities. For example, all holders of the usual U.S. LLCs will have to declare their income under the IS or IRPF.
- 3.** Limitation on the offsetting of negative bases from previous years, in relation to the IS, to a maximum of 70% of the tax due on the corresponding declaration.



- 4.** Limitation of deductible expenses from the IS, as well as the elimination of the deduction for new investments.

- 5.** Addition of conditions to consider the leasing of real estate as an economic activity, in the same way as in surrounding countries.

At Augé Legal & Fiscal, our professionals consult daily on legislative developments that affect their clients, with the aim of providing an excellent and up-to-date service that allows for correct compliance with tax obligations at all times.

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