

DOUBLE TAXATION AVOIDANCE AGREEMENTS

Taxation in Andorra has undergone a profound transformation process, initiated in 2012 with the liberalization of foreign investments and the approval of unprecedented tax regulations. This process began its consolidation in 2015 with the entry into force of the Andorran Income Tax Law (IRPF). The Principality has progressively adapted its legislation to comply with all the standards required by supranational entities (OECD and EU) and thus be able to remove itself from the blacklists of tax havens (an objective that was partially achieved in 2011 but definitively consolidated in 2017).

One of the major advances has been the signing of various double taxation agreements with different jurisdictions aligned with the Principality as measures to avoid international double taxation. Currently, there are 13 ratified double taxation agreements (DTA) with Andorra in force, and there is a willingness to expand the list.

What is a Double Taxation Agreement?

A double taxation agreement (DTA) is an international agreement that establishes mechanisms to prevent the same income or taxable event from being taxed by two or more countries. Double taxation occurs when income generating a tax for the same event and period is taxed by multiple countries. The taxes subject to the application of a DTA are all those of a direct nature on income, such as corporate tax, personal income tax (IRPF), non-resident income tax, and capital gains tax.

Current Double Taxation Agreements

Below are the double taxation agreements (DTA) with Andorra and their dates of entry into force:

- Double Taxation Agreement Andorra and France, entered into force on July 1, 2015.
- Double Taxation Agreement Andorra and Spain, entered into force on February 26, 2016.
- Double Taxation Agreement Andorra and Luxembourg, entered into force on March 7, 2016.
- Double Taxation Agreement Andorra and Liechtenstein, entered into force on November 21, 2016.
- Double Taxation Agreement Andorra and Portugal, entered into force on April 23, 2016.
- Double Taxation Agreement Andorra and the United Arab Emirates, entered into force on August 1, 2017.
- Double Taxation Agreement Andorra and Malta, entered into force on September 27, 2017.
- Double Taxation Agreement Andorra and Cyprus, entered into force on January 11, 2019.
- Double Taxation Agreement Andorra and the Republic of San Marino, entered into force on December 31, 2021.
- Double Taxation Agreement Andorra and Hungary, entered into force on December 8, 2022.
- Double Taxation Agreement Andorra and Monaco, entered into force on July 22, 2023.
- Double Taxation Agreement Andorra and the Czech Republic, entered into force on October 31, 2023.
- Double Taxation Agreement Andorra and Croatia, entered into force on October 31, 2023.

Additionally, the following agreements have been signed and are pending entry into force:

- Iceland
- Netherlands
- South Korea

Currently, other agreements are under negotiation, and it is expected that new agreements will soon be signed with:

- Belgium
- United Kingdom of Great Britain and Northern Ireland
- Lithuania
- Montenegro

The Andorran tax administration has the authority to issue tax residency certificates. This certificate can be obtained once tax residency in Andorra is considered consolidated (six months and one day after receiving the residency permit from the immigration service), and it confirms that the applicant is a tax resident in Andorra. It is worth noting that the certificate has high probative value as it is issued under the Double Taxation Agreement if one exists with the applicant's country of origin, although it admits contrary evidence.

If you have any questions about taxes in Andorra or how a double taxation agreement applies, for example, to the payment of dividends from international subsidiaries, we invite you to contact us so that one of our professionals can advise you on this matter.

