

GLOBAL
EMPLOYER
GUIDE

ANDORRA





Basic Country Facts

Full Name

- Principality of Andorra

Capital

- Andorra la Vella

Main Languages

- Catalan
- Spanish
- French
- Portuguese

Population

- 77,006

Monetary Unit

- Euro

Internet domain

- ad

International Dialing Code

- +376

Currency

- Euro



STATUTORY LABOR REQUIREMENTS

Probation Period

- The probation period must be agreed in writing, both for contracts of indefinite and definite duration and cannot exceed one month.
- On the managerial positions in which the agreed remuneration exceeds three times the minimum salary, the probation period may be up to three months.

Annual Leave

- Employees in Andorra are entitled to a minimum of 30 calendar days of paid annual leave after completing one year of employment with the company.
- Employees who have not worked for one year in the company are entitled to leave calculated on pro rata basis at two and a half days for each month worked.

Public Holidays

- New Year's (1st January)
- Epiphany (6th January)
- Shrove Monday (24th February)
- Andorran Constitution Day (14th March)
- Good Friday (10th April)
- Easter Monday (13th April)
- Labor Day (1st May)
- Whit Monday (1st June)
- Assumption of Mary (15th August)
- Feast of Our Lady of Meritxell (8th September)
- Feast of the Immaculate Conception (8th December)
- Christmas (25th December)
- St. Stephen's Day (26th December)



Maternity Leave

- Working mothers are entitled to 16 weeks of maternity leave with full pay from the social security for childbearing.
- In case of multiple births, the period is extended in two more weeks by every child.

Work Hours

- Andorra's working week comprises 40 hours.
- Every employee is entitled to a 30-minute break on every 6-hour-working-period.

Overtime

- Weekly working hours, including overtime, can never surpass a weekly amount of 60 hours.
- The maximum hour's length per day being 12 hours.
- Annually working hours must be kept under 1800.
- In case of overnight work, the payment increases 20%, if no other agreement with the employer has been agreed upon.
- For general overtime, the following rule applies: -
 - 25% surcharge for up to four hours
 - 50% for hours ranging between four and eight and
 - 75% for any other hour afterwards.

Notice Period

- Employment can be terminated with a ten-day notice period if it's been less than a year of work for the company
- Notice period is ten days plus one day per every month worked, up to a maximum of thirty days, if there is more than one year of work for the company.

Severance

- If it is determined that there is no just cause, the discharged employee is entitled to an indemnification under Act No. 80 known as the "mesada."
- This payment provides an exclusive remedy for an employee claiming unjust dismissal.
- An employee discharged without just cause is entitled under Act No. 80 to receive the equivalent of 2 months' salary plus 1 week of pay for each full year of service, if (s)he has worked for the employer up to 5 years.
- If the employee has worked more than 5 and up to 15 years, (s)he is entitled to receive 3 months of salary plus 2 weeks of pay for each year of service.
- Employees who have worked for their employer for more than 15 years are entitled to receive 6 months of salary plus 3 weeks of pay for every year of service.
- Notwithstanding the above, an employee hired as of Jan. 26, 2017 and who is dismissed without just cause, is entitled to a severance pay that consists of: twelve (12) weeks of salary (the Law states "three (3) months," but defines a "month " as four (4) weeks for purposes of this calculation), and an additional amount equal to two (2) weeks of salary for each full year of service.
- The total compensation is subject to a cap of nine "months," that is, thirty-six (36) weeks.

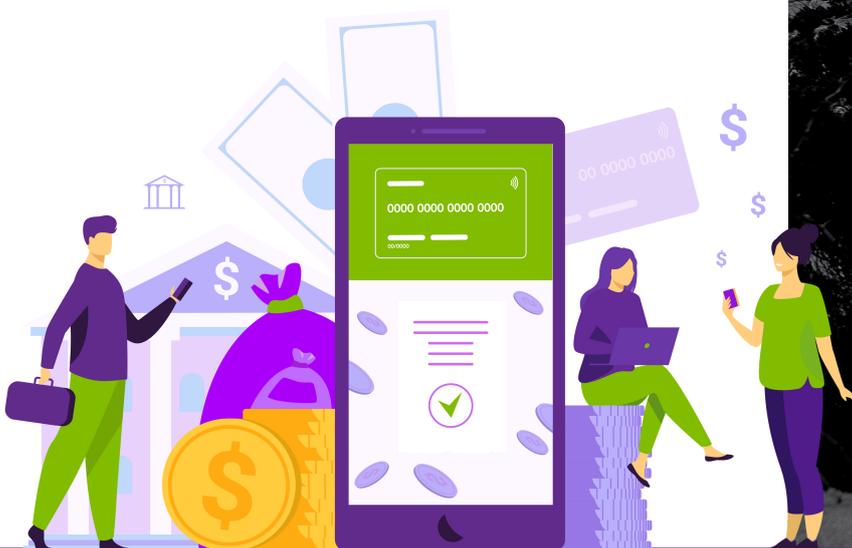
13th Month

- 13th month pay is not mandatory in Andorra

Income Tax

- Residents are subject to personal income tax on their worldwide profits and capital gains
- Nonresident individuals are taxed only on Andorra-source income
- An individual is resident in Andorra if he/she spends more than 183 days in Andorra within a 12-month period or has his/her center of economic and/or vital interests in Andorra
- Taxable income includes employment income, capital gains, moveable and immovable income, and entrepreneurial income

Taxable Income	Rate (%)
Up to EUR 24,000	0%
EUR 24,001 to EUR 40,000	5%
Over EUR 40,000	10%



Social Security

- Andorra has a social insurance and social assistance system

Employee

- Social insurance: 3.5% of gross earnings (old age) plus 3% of gross earnings (disability, survivors, sickness, maternity, medical, and work injury benefits).
- There are no minimum or maximum earnings used to calculate contributions

Self-employed person

- Social insurance: 12% of the average monthly earnings of all insured persons covered by the National Social Security Fund in the previous year (old age) plus 10% of gross earnings (disability, survivors, sickness, maternity, medical, and work injury benefits).
- The maximum monthly earnings used to calculate contributions are the average monthly earnings of all insured persons covered by the Andorra Social Security Fund in the previous year.
- The average monthly earnings of all insured persons covered by the Andorra Social Security Fund are €2,062.16 (2018).

Employer

- Social insurance: 8.5% of gross earnings (old age) plus 7% of gross earnings (disability, survivors, sickness, maternity, medical, and work injury benefits).
- There are no minimum or maximum earnings used to calculate contributions.



Contribution	Employer	Self-Employed Person	Employee
Social Insurance	6.5%	22%	14.5

Deductible Expenses

- Income up to EUR 24,000 is exempt
- Relief is granted for dependent and mortgages
- A tax credit is available to resident taxpayers for foreign direct taxes incurred that are similar to the Andorra personal income tax.
- The credit is limited to the lesser of the tax payable in Andorra had the income been obtained there and the actual foreign tax incurred.
- The tax credit can be carried forward three tax years



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Immigration

- All foreigners wishing to work in Andorra need work permits.
- These are obtained by employers – whether Andorran individuals or companies – on behalf of employees.
- Self-employment is not allowed until after 10 years' residence or trade in Andorra.
- A resident visa will allow you to live in the country for longer than the 90-day tourist allowance.
- There are two main options available: passive residency and active residency.
- Andorra's passive residency program offers visas to individuals that wish to become a resident of the country, while performing most of their economic activities outside of it.
- Residency in Andorra allows individuals to legally minimize their tax while maintaining an enviably high standard of living.
- Initially, passive residence permits are given for 2 years.
- This is then renewed for another 2 years, then 3 years, then 10 years.
- After 20 years, you can apply for citizenship.
- For all types of passive residency in Andorra, a mandatory investment of €50,000 must be made into Andorra's economy.
- For those with their own company, Andorra's active residency program is known locally as "residència i treball per compte propi" or "compte propi" for short.
- That is, residence and self-employment.
- This type of residency has been coined "Category D" by some local agents, though that is not its official name.
- Active residence via compte propi requires:
 - either renting or purchasing a property in Andorra of at least 20m²; you will need to provide a rental contract or property title upon application
 - apostilled documents, dated within 3 months; depending on the current requirements (seems to change often) and your personal circumstances, however expect to provide the following:
 - police certificate from your country of birth
 - police certificate from your current country of residence
 - birth certificate or copy of passport
 - marriage certificate
 - apostilled birth certificate or passport
 - foreign investment approval from the government
 - a meeting in person at a notary
 - company incorporation
 - deposit of €3000 share capital in an Andorran bank, this amount then belongs to your company
 - a local trading license
 - a work permit for the shareholder/s
 - medical examination and interview
 - registration with CASS, Andorra's healthcare system
 - a €15,000 deposit with INAF
- Those seeking residence under compte propi must own at least 11% of a local company and be a working director of that company.

Type of Visa	Documentation	Validity	Eligibility
Passive Residence	<ul style="list-style-type: none"> • A valid passport as well as a civil status certificate • A health insurance certificate • A financial certificate showing the deposit of the amount of €50 000 deposited to the INAF (Andorran National Institute of Finances) • Proof of an income at least 300 times upper the Andorran minimum income • Proof of clean criminal record 	<ul style="list-style-type: none"> • 2 years (renewable) 	<ul style="list-style-type: none"> • Andorra's passive residency program offers visas to individuals that wish to become a resident of the country, while performing most of their economic activities outside of it.
Active Residence (Category D)	<ul style="list-style-type: none"> • Rental contract or property title upon application • Apostilled documents, dated within 3 months • Police certificate from your country of birth • police certificate from your current country of residence • Birth certificate or copy of passport • Marriage certificate • Apostilled birth certificate or passport • Foreign investment approval from the government • Company incorporation • Deposit of €3000 share capital in an Andorran bank, this amount then belongs to your company • A local trading license • A €15,000 deposit with INAF 	<ul style="list-style-type: none"> • Maximum 6 years 	<ul style="list-style-type: none"> • For those with their own company, Andorra's active residency program is known locally as "residència i treball per compte propi" or "compte propi" for short. • That is, residence and self-employment. • Those seeking residence under compte propi must own at least 11% of a local company and be a working director of that company.



Value Added Tax (VAT)

- In Andorra, the VAT is the lowest anywhere in Europe, with a general rate of 4.5%.
- It is known as “I.G.I.”, short for “impost general indirecte”.
- Exceptions include:
 - 1% on certain media like books, magazines and newspapers,
 - 1% for food and drink (except alcohol),
 - 2.5% on works of art,
 - 2.5% on fees charged by tourism operators,
 - 9.5% on banking and financial services charges.
- Education, healthcare and medicine are all exempt from the VAT in Andorra.

Sales and Use tax	
Higher Rate	9.5%
Standard Rate	4.5%
Reduced Rate	2.5%
Reduced Rate	1%
Exempt	0%



Withholding Tax

Dividends

- No withholding applies on dividends paid to residents or nonresidents

Interest

- No withholding applies on interest paid to a resident company or to a nonresident
- Interest paid to a resident individual is subject to a 10% withholding tax

Fees for technical services

- Fees for technical services paid to a nonresident, or to a resident individual, for services related to business activities in Andorra are subject to a 10% withholding tax
- No withholding applies on payments to resident companies

Royalties

- Royalties paid to a nonresident are subject to a 5% withholding tax
- Royalties paid to a resident individual are subject to a 10% withholding tax
- No withholding tax applies on royalties paid to a resident company



Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%	05
Interest	0%	10%	0%	0%
Royalties	0%	10%	5%	5%
Technical Service Fee	0%	10%	10%	10%

Termination

- The contract might be terminated in the following cases:
 - Expiration of the term or termination of the work for which employee has been agreed upon.
 - Mutual agreement of the parties.
 - Death or permanent disability of the person worker to carry out the work contracted.
 - Death, incapacity or retirement of the employed person.
 - When the worker is deprived of freedom by court.
 - Declaration of bankruptcy of the employer.
 - An objective need to amortize the job places due to economical, technical, organizational or other causes.
- The contract might be terminated by the employer by means of a notice communicated with terms calculated as one day per month worked up to a maximum of 90 days and with the payment of compensation.
- An employee might terminate the contract in the following cases:
 - During the trial period, without prior notice.
 - By means of a ten-day notice, if it's been less than a year of work for the company, and ten days plus one day per every month worked, up to a maximum of thirty days, if there is more than one year of work for the company.
 - Without prior notice if an accident or force majeure makes it impossible to continue to work.
 - In case of retirement age, by means of the corresponding communication to the employer with a minimum of three months' notice.

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, maternity leave, overtime pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Overtime Pay

Social security benefits





Payments and Invoicing

- The tax year is the calendar year
- Each individual must file a tax return
- Joint filing is not permitted
- The personal income tax return must be filed and tax paid between 1st April and 30th September for the year following the tax year
- Where there is no loss to tax authorities, penalties may range from EUR 150 to EUR 3000.
- Underpayment penalties range from 50% to 150% of the unpaid tax liability



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