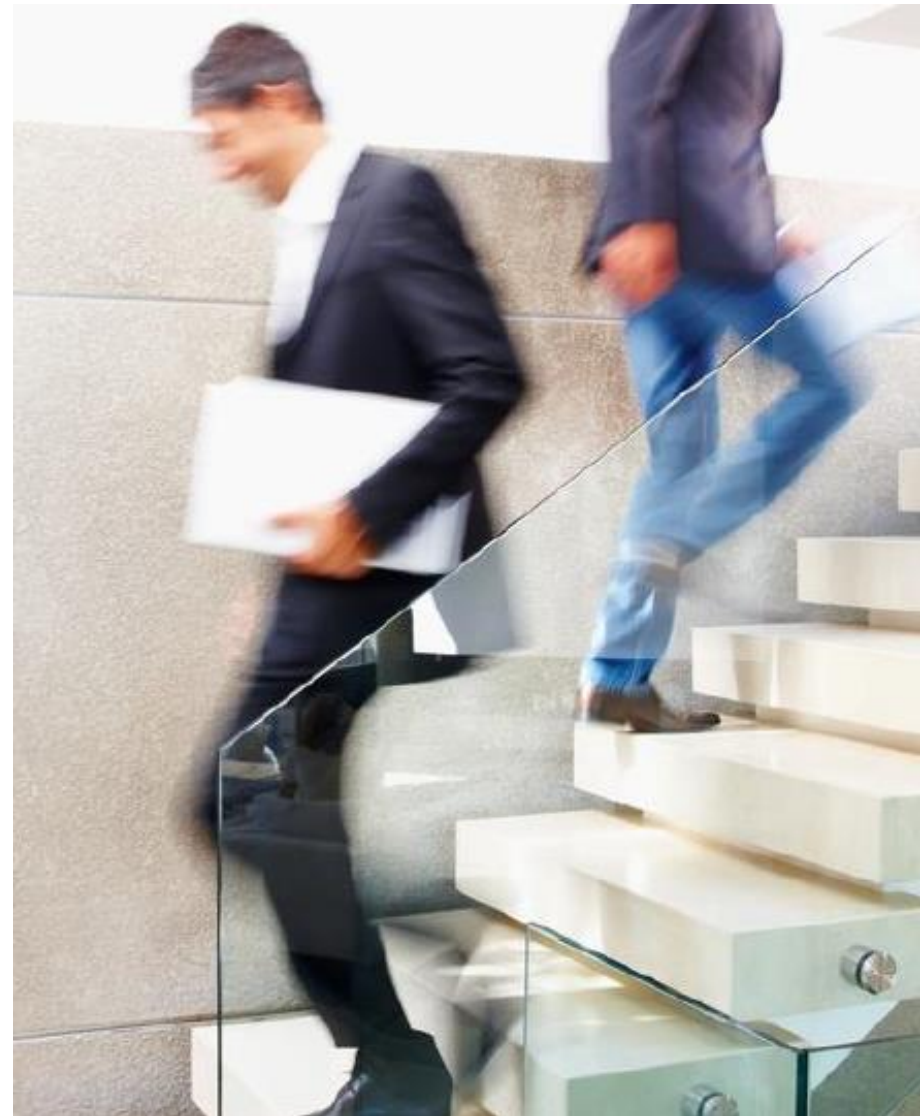


What are the main corporate obligations that must be fulfilled on a recurring basis in the Principality of Andorra?

From Crowe Andorra, we want to inform you of the main formal obligations that current legislation establishes for companies incorporated in the Principality of Andorra, either with respect to the Companies Register, the Andorran Social Security Fund (CASS), or the Department of Taxes of the Principality of Andorra.



1. CORPORATE DUTIES

❖ Shareholders' Registry Book:

As established in article 21 of Law 20/2007, on joint-stock and limited liability companies, all companies must keep a Shareholders' Registry Book, where it must be stated the original ownership of the shares, as well as their successive transmissions.

- ✓ **Minimum content of the Shareholders' Registry Book:**
 - ❖ Identity and current domicile of the members, initial and successive.
 - ❖ Charges or encumbrances established on the shares, if any.
- ✓ **Form:** The Law does not establish a specific form of the Shareholders' Registry Book. Until now it was common to use a physical Shareholders' Book, but it can also take the form of an electronic document, which must be properly guarded.
- ✓ **Custody and maintenance of the Shareholders' Registry Book:**
 - ❖ The administrative body of the company is responsible of the custody and maintenance of the book.
 - ❖ The administrative body is also responsible of certifying the content of this book when necessary.
 - ❖ Any shareholder can examine the Shareholders' Registry Book at any time.

Why is it important to have the Shareholders' Registry Book updated?

The main reason for the need to record the **ownership of shares** on the Shareholders' Registry Book lies on the possible discussions that may arise about the ownership of the same.

So, having this book updated is important because **the company only considers those listed in this book as shareholders or participants**.

❖ Ultimate Beneficial Owner's Registry Book

As established in article 21 bis of the Law, all companies must keep an Ultimate Beneficial Owners' (UBO) Registry book.

- ✓ **Minimum content of the UBO Registry Book:**
 - ❖ First name and surnames of the beneficial owners, initial and successive
 - ❖ Date of birth
 - ❖ Nationality and country of residence
 - ❖ Nature and extent of actual participation
- ✓ **Form:** The legislation does not establish a specific form of UBO Registry Book.
- ✓ **Main obligations:**
 - ❖ The company should have the UBO Registry Book updated at any time.
 - ❖ The company should provide updated information of the UBO to the Companies Registry.

The company must have this book up-to-date, which must be provided to the Companies Registry under the terms that are developed by regulation. In this context, the **Regulation governing the recording and access to information relating to beneficial owners in the registers of legal entities** establishes that Andorran companies must supply this data to the Companies Registry using a form designed for that purpose, and identified as **Appendix 1**, within a period of fifteen (15) working days from the date of granting the public deed by which any change of ultimate beneficial owners is caused.

Why is it important to identify the Beneficiary of a company?

The obligation to identify and register the beneficial owner responds to the need to adopt transparency measures in the **fight against money laundering or securities and/or the financing of terrorism**.

Additionally, **no public deed can be granted** before Notary Andorrà if the information on the beneficiary is not updated.

❖ Minutes' book

As established in [article 61 of the Law](#), every company must keep a book of minutes for each corporate body. This includes all agreements taken by:

- ❖ The General Meeting
- ❖ The Administrative Body, only if it is a collegiate body.

In the case of limited liability companies, a common book of minutes of the General Meeting and the Administrative Body can be kept.

✓ **Minimum content of the minutes:**

- ❖ Date, place, and time of the meeting.
- ❖ Date, form, and full text of the prior notice of the meeting, if applicable.
- ❖ Attendance quorums.
- ❖ Subjects discussed.
- ❖ Detailed content of the agreements and the majorities with which they have been adopted.
- ❖ Approval of the minutes.

✓ **Form of the Minutes Book:** The Law does not establish a specific form of Minutes Book. Until now it was common to use a physical Minutes Book, but it can also take the form of an electronic document, which must be properly guarded.

✓ **Responsible of updating the Book of Minutes:** The transcription of the agreements adopted in the minutes book corresponds to the administrator or, where appropriate, to the secretary of the Board of Directors.

Why is it important to have updated Minutes' Books?

The Minutes' Book is a fundamental tool for the **legal security of company**, since all social agreements are registered, and this proves their existence. The agreements of the Board or the collegiate bodies of administration **can be certified** if they are duly approved and transferred to the corresponding minute. It should be mentioned that the authority to certify the social agreements corresponds to the administrators, according to the structure of the administrative body.

❖ Approval and deposit of annual accounts

The **administrative body** of all companies must draw up and sign the annual accounts and the proposed application of the result, within a maximum period of six months from the end of the financial year.

i **Let's remember that:**

According to [article 71 of the Law](#), the annual accounts form a unit that includes the balance sheet, the profit and loss account, the statement of changes in equity, the cash flow statement and the notes to the annual accounts. All these documents must clearly show a true picture of the assets, the financial situation and the results of the company, in accordance with the applicable accounting regulations.

In turn, the **General Meeting** is the competent body to approve the annual accounts drawn up by the administrative body.

Certifications of the agreement approving the annual accounts and the agreement relating to the result, together with a copy of the annual accounts and the audit report, if applicable, must be presented at the place, the deadline and the form determined by regulation.

✓ **Responsibilities:**

- ❖ Formulation of the annual accounts: Administrative Body
- ❖ Approval and deposit of the annual accounts in the Register of Companies: General Meeting

Why is the approval and deposit of the annual accounts important?

The breach of this obligation is publicly registered to **the Register of Companies**. Both the formulation agreement (in case the administrative body has a collegiate form) and the agreement of approval of the annual accounts must be reflected in the corresponding minutes that **will have to be incorporated in the Minutes' Book of the Company**.

2. DUTIES BEFORE THE ANDORRA SOCIAL SECURITY FUND (CASS)

❖ Registration, modification, and cancellation of the company:

According to what is established in article 24 of Law 17/2008, on social security, companies must request from the Andorran Social Security Fund its **registration in the social security system**, as a prerequisite to the start of their activities,

Likewise, in case any data indicated in the registration request is modified, the change of data should be notified to the CASS.

Finally, the company must notify the CASS its termination or the temporary or definitive cessation of its activity, when appropriate.

❖ Affiliation of employees:

If the company has employees, whether salaried or self-employed, it will have the obligation to:

- ❖ Register the workers as employees from the beginning of the employment relationship.
- ❖ Affiliate to self-employed workers
- ❖ Communicate and present the termination of the workers at the end of their employment relationship.
- ❖ Communicate the data variation of workers' contributions.
- ❖ Make their contribution statement, when applicable.
- ❖ Pay the contributions in accordance with the provisions in force and submit the Occupational Accident Declaration (if applicable)

3. ACCOUNTING OBLIGATIONS

❖ Definition:

According to what is established in article 1 of Law 30/2007, on the accounting of entrepreneurs, entrepreneurs must keep an orderly and adequate accounting of the nature and size of their activity.

For the purposes of the aforementioned law, the following are considered entrepreneurs:

- ✓ Natural persons who carry out business or professional activities.
- ✓ Commercial companies and other legal entities, in any case.
- ✓ Other entities that, whether or not they have legal personality, constitute an economic unit or a separate patrimony, when they carry out business or professional activities.

❖ Responsibility:

The accounting must be carried out directly by the employer or by the persons authorized by him and without prejudice to his responsibility.

❖ Compulsory books:

The mandatory accounting books that employers must keep are the **daily book**, the **inventory book**, and the **annual accounts**.

✓ Annual accounts:

- ❖ With the closing date of the financial year, and within a maximum period of six months from this date, employers must formulate and sign the **annual accounts**, which forming a unit comprise the **balance sheet**, the **profit and loss account**, the **statement of changes in equity**, the **effective flow state** and the **notes on the annual accounts**.

- ❖ The structure and content of the documents that make up the annual accounts must conform to the **models regulated by the Government** and only exceptionally and leaving evidence and justification in the memory can it be modified from one exercise to the next.
- ❖ Currently the models of annual accounts regulated by the Government of Andorra are the following:
 - ✓ Normal Annual Accounts (the **balance sheet**, the **profit and loss account**, the **statement of changes in equity**, the **effective flow State**, and the **notes on the annual accounts**).
 - ✓ Abbreviated Annual Accounts (the **balance sheet**, the **profit and loss account**, and the **notes on the annual accounts**).

❖ Preservation

Employers must preserve and keep in order the mandatory accounting books for a period of **six years**, counting from the date of the last annual closing, as well as all accounting documents and correspondence, documentation and supporting documents relating to its activity.

4. OBLIGATIONS TO THE DEPARTMENT OF TAXES (DTF)

❖ Census declaration

Once the established company is registered in the Companies Register, it must be registered in the Tax Registry, through the **census declaration**. Likewise, If any of the data indicated in the registration changes, the person responsible for the registration must notify the Department of Taxes (DTF).

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❖ Corporate tax:

- ✓ Corporation tax is a tax of a direct and personal nature that taxes the income of legal entities.
- ✓ The following entities are obliged to pay the tax when they have their residence in Andorran territory:
 - a) The **legal persons**.
 - b) The **collective investment institutions** included in the scope of application of *Law 10/2008, of June 12, on the regulation of collective investment organizations under Andorran law*.
 - c) **Public and parapublic entities and public law entities**.
- ✓ The **tax base** is calculated by correcting the accounting result with the extra-accounting corrections provided for in the tax regulations.
- ✓ Standard Tax Rate: **10%**
- ✓ Taxpayers must present and sign the **statement** for this tax in the month following the six months following the conclusion of the tax period.
- ✓ Additionally, during the ninth month following the start of the tax period, taxpayers must make a **pre-payment** of the settlement corresponding to the tax period that is in progress on the first day of this month.

❖ Personal income tax:

- ✓ Personal income tax is a tax of a direct and personal nature that taxes the income obtained by **natural persons** depending on the amount and their personal and family circumstances.

- ✓ The object of the tax is made up of the taxable person's income, understood as the totality of his income and capital gains and losses, with regardless of where they occurred and where the payer resides.
 - ✓ The taxable person's income consists of:
 - a) Income from work.
 - b) Income from economic activities.
 - c) Income from real estate capital.
 - d) Income from capital.
 - e) Capital gains and losses.
 - ✓ The **tax base of the personal income tax** is calculated by applying a series of exemptions, reductions and bonuses linked to the economic, personal, and family circumstances of the taxpayers.
 - ✓ Standard Tax Rate: **10%**
 - ✓ As a general rule, taxpayers must present and sign one **statement** for this tax between April 1 and September 30 of the year following the end of the tax period.
 - ✓ Additionally, entities resident in the Principality of Andorra that satisfy or pay taxed income are obliged to practice **retention and deposit to account** when they satisfy income from work or income from capital.
 - ✓ For their part, taxpayers who carry out economic activities must carry out in the month of September a **fractioned payment** of the tax of the period that is in progress on the first of September.
- ❖ **Tax on the income of non-residents:**
 - ✓ The tax on the income of non-residents is a direct tax levied on the income obtained in the territory of the Principality of Andorra by natural or legal persons who are not tax residents in this territory.
 - ✓ The various agreements to avoid double taxation signed by Andorra determine the treatment applicable to income paid to natural or legal persons resident in the signatory countries.
 - ✓ The **tax base** of non-residents with a permanent establishment in Andorra is determined in accordance with the provisions of Corporate tax law, with some particularities.
 - ✓ The **standard rate** for the taxpayers of this tax, who operate through a permanent establishment, is of **10%**.
 - ✓ Permanent establishments must present and sign the **statement** for this tax in the month following the six months following the conclusion of the tax period.
 - ✓ In the event that non-residents operate in Andorra without a permanent establishment, the obligation to withhold falls on the entities or entrepreneurs with tax residence in Andorra with whom they operate.
 - ✓ In these cases, the **tax base** corresponding to the income obtained by taxpayers without permanent establishment is made up of the total amount of accrued income.

- ✓ The applicable tax rate will generally be the **10%**, except when it comes to returns derived from reinsurance operations (**1.5%** rate) or when it comes to income paid in terms of royalties (**5%**).
- ✓ The retainer must submit one **periodic statement** of the amounts withheld in the previous quarter, during the month following each calendar quarter.

❖ **Indirect General Tax:**

- ✓ General indirect tax is an indirect tax levied on the consumption. It taxes the delivery of goods and the provision of services by entrepreneurs or professionals, as well as the importation of goods.
- ✓ Deliveries of goods and services provided in Andorran territory by entrepreneurs or professionals for consideration, on a regular or occasional basis, in the course of their economic activity are subject to tax.
- ✓ The rate of tax will be determined based on the nature of the operation carried out, being the general rate the **4.5%** but existing reduced rates, and also increased rate due to specific activities of financial sector.
- ✓ Taxpayers of this tax must settle and present **periodic statements**, monthly, quarterly or semi-annually, depending on its turnover.

How can Crowe help you?

From Crowe Andorra, we consider it important that companies incorporated under Andorran legislation comply with the corporate obligations established by the Law.

For this reason, we offer the following services aimed at facilitating compliance with the aforementioned obligations:

- ✓ Preparation and updating of **Minutes' Books** of the General Meeting and/or the administrative body.
- ✓ **Elaboration of Minutes** of the General Meeting and/ of the administrative body.
- ✓ Preparation and updating of the **Shareholders' Registry Book**.
- ✓ Preparation and updating of the **Ultimate Beneficial Owners' Registry Book**.
- ✓ Preparation and presentation of the **Declaration of Ultimate Beneficial Owner (UBO)** in front of the Register of Companies.
- ✓ **Accountant and financial** advisory.
- ✓ **Social Security** advisory and **payroll** management.
- ✓ **Tax** advisory

We hope that the content of this document has been of interest to you. If you are interested in any of the aforementioned services, **do not hesitate to contact us**.