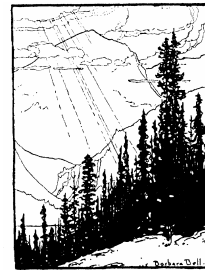




International Club of Andorra NEWS MONTHLY FOR MEMBERS ONLY

Editor: John Pinnell



The News Monthly is a selection from the main items in the local press, information of general interest and Club news. It would be appreciated if any factual errors could be brought to the attention of the editor. Please note that any opinions expressed are not necessarily those of the C.I.A. Board.

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News for August 2009

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The month of August ended with the start of a week of special checks at the border – every person passing through in each direction needing to show their passport to the frontier police. For those receiving this by mail rather than electronically, the delay in getting your copy is simply due to my staying away until after that week is over.

John Pinnell

MAIN NEWS

Taxation (again) and deficits:

An update on the news about tax information exchange agreements is the first item:

The Government has presented its draft legislation. There are some issues with CR about that but none appear to be likely to prevent CR supporting the legislation in September – but ApC has produced its own draft law and has severely criticised the official draft, again showing that it has little apparent recognition of what is possible.

The CEA (the Andorran businessmen's association) came out strongly against the draft legislation too – but (as an editorial made clear) it managed to strongly attack the legislation for including certain vital clauses that the OECD insists on and that have already been accepted by major players such as Luxembourg and Switzerland. JB replied very strongly to the CEA (an editorial suggested he had reacted far too strongly). The CEA held an extraordinary meeting at which things calmed down but it was clear that the banks were less than happy with what the association had put out (after all they have been working on the draft too and know what it has to contain).

The Government let it be known that it has been in contact with about 20 countries for signing tax

information exchange agreements. These include two key ones – the Netherlands and Luxembourg - as well as France, Spain, Portugal and then Belgium and others. It was also reported that Spain was almost ready to sign its agreement. However, right at the end of the month it looked as though the only one that would actually get signed before the OECD meeting on September 20 was that with France.

Then an update about the proposed tax legislation:

The basis of the draft legislation is very much what the previous government had been working with – so there should not be too many issues between the PS and the CR on all this. However, once more ApC has reacted very strongly and made sweeping criticisms. It is now proposed that the basic corporate income tax rate will be 10% and that it will be levied on all businesses and all professionals. That is basic if any double tax treaties are to be negotiated. It will come into effect in 2011. The legislation will include penalties for non declaration and for wrong declarations (the descriptions make them sound like copies of existing Spanish tax rules which is what ApC accused them of being).

The new law will tax all income received by non residents at 10% (except that which is already taxed at 15% under the EU savings Directive). This will include CASS pensions paid abroad and all sorts of professional and other fees paid to non residents. This should have little impact on the professionals (if they declare that income) as almost all countries allow for tax deducted at source to be offset against their national taxes. Note that it will be an offence to pay monies abroad that should be subject to this tax without its being deducted. That clause could affect


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some resident individuals as well as businesses.

Lastly, the nasty subject of deficits. Pere Lopez, the Minister of Finance has repeated his estimate that the total public sector deficit for 2009 could reach €160 million (on Government income of €400 million that is very impressive and horrible to think about). Then he has indicated that for 2010 he anticipates another deficit of between €50 and €100 million (and both the size and the range are worrying). An editorial simply stated that the new Government arrived to find the coffers empty. The Minister also stated that he was looking once more at “pay as you go” financing for major infrastructure projects (ie the Tunnel and the Sant Julia bypass in particular). That would be a complete reversal of view by the PS but quite possibly is the only logical solution to paying for these two projects that are already committed (and in the case of the Tunnel are almost complete) when there is no money to pay for them and all the Government has available to it are short term rolling bank loans.

NEWS IN BRIEF

The newspaper reported that the EU had chosen the week beginning with the last day of August to make Spain carry out 100% passport checks on all persons entering and leaving Andorra. Extra frontier police are being drafted in and long delays are expected. Right on August 31 the news was confirmed and it was repeated that these checks would be 100% checks in both directions throughout all 24 hours of the day.

EU regulations state that a non EU registered vessel may not stay more than eighteen months in EU waters without leaving. Until this summer the rule has not bothered Andorran registered boats on the coasts of France or Spain. Suddenly it appears that it is to be enforced and there are no obvious ways around it (one rather fanciful idea has been to name a small Spanish harbour as an “Andorran port” and allow the boats to pass through that once every eighteen months).

The OECD published an updated list of the original 42 countries on its “grey” list – showing the list is now down to 36. Of those, Andorra is the only one in Europe which has not yet signed any tax information exchange agreements at all.

The Government discovered that no action was being taken to follow up on taxpayers who had not paid their ISI – later in the month the names of 316 defaulters was published in the BOA. However, there are no processes in place to check that all taxpayers

actually make a declaration or that this declaration is meaningful. Naturally, the register of companies and businesses is out of date and there have been no processes for correcting that situation either.

The Secretary of State for Reform has indicated that although there is overstaffing in the Administration, he hopes that this can be dealt with by redistributing staff rather than by redundancies. The CR stated that all Comus (regardless of who is running them) are overstaffed.

Petrol and diesel sales fell 9% by volume in the first six months of the year according to one report while another says fuel imports are down 6%. The sale of vehicles in July was at the same level as last year but cumulatively sales are down 30%. Only 13 trucks have been sold in seven months. Overall imports are said to be down 15% by value compared to 2008.

An editorial called for the opening up of the country to more foreign investment as a way of getting increased economic activity.

The number of tons of rubbish being burned at the incinerator has been dropping as there is less economic activity.

Average monthly earnings are very slightly down on last year – probably caused by the elimination of many jobs (and more overtime) in construction offset by new jobs created in hotels and restaurants and retailing (at lower salaries).

Inflation for the year to July 31 was negative by 1% (but last year annual inflation to July 31 was over 5% so over a two year period it has been, in total, “normal”).

The works to convert the disused airport at La Seu d’Urgell into a working aerodrome for light aircraft should go ahead very soon at a cost of €2.5 million so that it can be open in 2010.

Ryanair has expressed interest in flying to the new airport at Lleida. It opens late this year.

Hotel occupation this summer was headed to the same average 70% level as last year. There are lots of visitors from France and Spain on short trips – often only day trips. There have been significant queues at the frontiers.

The tobacco harvest started with an expected total harvest of 250,000 kilos – more or less the same as last year.

The Minister has reviewed the circumstances behind the refusal by Immigració to allow a married homosexual couple to reside here (with one working as a teacher and the other being allowed in as a “spouse”). The conclusion was that the decision was wrong – as the couple were legally and validly married in Spain (under a civil wedding in 2006). However, the couple are back in Spain and so no precedent can be established about recognition of valid same sex marriages from other countries.

An editorial remarking on the change in head of the police talked about the number of charges open at the Battle brought by various police officers protesting about promotions and changes in responsibilities. It urged the police to concentrate on doing their job and stop bickering among themselves.

The Government announced the closure of the Andorra 2020 office (a pet project of the previous Administration).

The first fatal road accident of 2009 occurred outside Pal when a German tourist descending into Pal on his motorcycle lost control, fell off, hit a post and died. There is no obvious cause for the accident and no other vehicle involved. The road was wet at the time.

The leader of the UNP (the party that received more signatures to set up than votes in the general election), Tomas Pascual, has marital problems that led him to be detained for aggressive behaviour in a public place against his (separated) wife.

There was a major scare about cloned credit cards at the beginning of the month, leading to banks contacting clients to tell them that their cards were being cancelled and replaced. This primarily affected clients of Crèdit Andorrà and BIBM but also a few at AndBanc and BPA.

A major report appeared on a burglary on the Costa Brave at the exclusive S’Agaro estate. The summer home of the President of Andbanc was broken into and he and his wife were woken up by intruders in the bedroom. This estate has excellent private security and electronic barriers and has not been the subject of burglaries in the past. The man was forced to open the safe and the report indicated that €150 in cash and €500,000 in jewellery were stolen.

There was a lead article about a burglary in Santa Coloma. Thieves entered a block of apartments and apparently tried to open various apartments. They found one that was not locked and broke in and stole (apparently) items (cash and jewellery) worth €4,000. They also tried to enter another apartment but it was

occupied – and the person called the police. No suspects found as yet.

The police arrested a group of Rumanians who had come to Andorra on a shop lifting trip. The police were alerted by a perfume shop after a young woman (who had been asking about prices the day before) returned and then left without buying – but the staff noted several items missing. She was with two companions when stopped later by the police and she did have the stolen perfumes with her. The police tracked which hotel they were staying in and then found other stolen goods and four more Rumanians. All were detained.

The police are reported to be concerned about the growth of vandalism – mainly acts by groups of adolescents aged from 12 to 15. The profile is of boys whose parents both work (if they have two) and who tend to skip school. The main offences are damage to street furniture and petty theft. Two such adolescents ended up in prison after a robbery (with some violence) at an Encamp swimming pool.

It was reported that the USA has formally lodged an extradition request for Gitte Mechlenberg and that she will come up for a formal hearing in early September. The requisites for extradition are limited – the key is that the request is properly prepared, the person clearly identified and the alleged offence one covered by the extradition agreement.

The number of bodies being repatriated for burial has been dropping – largely due to the impact of cremation – which allows for easy and cheap repatriation of the ashes. The number of bodies being sent out of the country has gone down from around eight a month to around two.

After a gap of over two months, a new distributor is taking over the handling of French newspapers and magazines. The previous distributor had financial problems but due to restrictive clauses in its contract it took time to sort out a new distributor.

BC River Andorra has been promoted in the Spanish basketball league and has also been searching for new players. Two US players have now arrived in Andorra to play for them.

There will be extensive inoculations against swine flu this autumn. All school pupils will be vaccinated in their classrooms.

Another study on tourism in Andorra has suggested that one key aspect of the country that has not been emphasised be made use of – the accessibility of all

sights and attractions within the country once one is here.

Vallnord is said to have lost almost €3 million last year. The official accounts have not been presented but this information came out during a session at the Ordino comu – along with a remark reported as indicating that Arcalis would never have survived this long had it been a private company.

AROUND THE PARISHES

Andorra la Vella – the Festa Major started with a medieval market and ended with a massive rice dish served to over 500 people.

Ordino – suddenly there was the makings of a helicopter landing pad – built apparently overnight (not literally) and without any permissions. The Comu started sanctions and sought a demolition order.

Sant Julia – the restored baroque alterpiece at San Pere d'Aixovall, which dates from 1619, has been installed once more in its rightful home.

Canillo – the cows changed pastures – and 300 of them took part in this process which included blocking the main CG2 so that they could all pass across it.

Ordino - the traditional blessing of livestock attracted 300 people.

Canillo – after three years of work and spending almost €5 million the Edifici Perecaus is now officially open for sporting and cultural events (although only officially as some snagging work is still to be done)

Sant Julia – the Comu is pleased that some 4,000 people in total turned out to see various events in the summer evenings series.

Andorra la Vella – through August 15 the local traffic police have issued 24% more tickets than last year – but as so many people fail to pay up there has been no noticeable increase in cash collected from fines.

CLUB NEWS

The Club continues to have activities – are you as a member aware of them and taking part.

The annual wine tasting will be being held in November – the date will be confirmed in September.

The weekly coffee morning is held once more at the Hotel Ibis, each Wednesday between 11.00 and 13.00. Please come and join us there.

Although not a Club activity, please note that the annual Christmas Charity Fair will be held in La Massana on November 29.