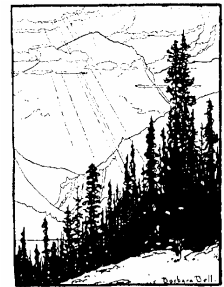




# International Club of Andorra NEWS MONTHLY

**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 September 2009

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website at [www.servissim.com](http://www.servissim.com) to see their services.

Once again I am late with this newsletter, for which my travelling with a mini notebook without Word is my excuse. I promise to get back to normal service from next month. Sorry.

**John Pinnell**

## MAIN NEWS

### **Taxation (again) and deficits (again)**

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

The law enabling the signing of tax information agreements was approved on September 7 with the votes in favour of both PS and CR and the direct opposition of ApC which has threatened to take the law to the Constitutional Court.

Andorra ended September with five tax information exchange agreements signed – including one of the most minor ones (with San Marino) and one of the key ones (with France). The first one signed was with Austria. The Government is confident that it will sign at least twelve agreements (and a possible figure of twenty has been mentioned) before the end of the year and so get off the OECD grey list. The agreement with Spain is one of the ones that should be signed very shortly.

The Group of 20 meeting in Pittsburg did not appear to spend much time worrying about tax havens. There is agreement that there should be sanctions against countries that fail to get off the grey list but as yet no clarity as to what those might be.

At the signing of the French agreement there were good words spoken both about proceeding to negotiate a double tax treaty and also about possible French assistance in helping resolve the Government's financing problems. However, there

was a very pointed French remark that a double tax treaty first required that there are some taxes in Andorra to offset.

The legislation to introduce new taxes (basically VAT and a corporate income tax and possibly a personal income tax on salaries over a certain limit as well as a tax on non residents with income in Andorra) is drafted and has not been published in the press. However, it is already clear that ApC will be opposing it and that the Government will need to exercise some skill and care in order to obtain the support of CR – who are opposed to relevant portions of the legislation, especially about personal income tax.

By the end of the month it was clear that the original pact between PS and ApC supposedly agreed just after the elections is totally dead and that Joan Gabriel on behalf of CR is ready to negotiate some support for specific measures by CR. If there is no agreement between PS and CR then the Consell General will end up being blocked. That does not bode well for agreeing and passing a budget for 2010.

Pere López as Finance Minister has made various comments regarding the state of Government finances which appear quite alarming. He was quoted as saying that total Government debt by the end of 2010 could exceed €1,000 million. Later it was reported that actual debt is €535 million (all with the local banks and all short term) with another €195 million due to suppliers or for public works in process, €38 million of new loans agreed for the Sant Julia bypass and some €300 million for longer term projects already committed. Some of these long term

  
ARINSAL • CANILLO • LA MASSANA  
IMMOBILIÀRIA • LLOGUERS • GESTORIA

commitments run until as late as 2028 so are obviously not yet due and payable. The reporting does not make it at all easy to work out just how serious the present position is. What is clear is that there is a need to reorganize the financing, and three routes are being explored – the issue of Treasury Bills (as was proposed by the last Administration), loans from some international body and the raising of additional revenues via the proposed new taxes.

Given that Joan Gabriel of CR has indicated that his party will oppose a significant part of the proposed tax reform legislation, there is clearly going to be a difficult situation ahead for the Government.

In one interview Joan Gabriel was reported as anticipating that there may well need to be new elections within nine months as a result of a probable deadlock in the Consell General on key legislation.

## **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. The checks duly took place and the expected queues did appear – but despite several articles on the subject it became less and less clear as to who had actually made the decision that such checks were needed and for what purpose.

It finally appeared as though this was a result of a decision made by a committee that deals with the operation of the Schengen Treaty. As a result a comment appeared to the effect that, as Andorra is outside the EU and so outside Schengen, every person crossing into the EU from Andorra should have to produce at least an identity card. No more has been heard about that so far.

There was a meeting between the Andorran and Spanish foreign ministers which apparently went well – the “sugar war” was buried, the Andorran bachillarat agreed and the meeting also agreed that the draft tax information exchange agreement was almost ready to be signed. No word about border checks.

The number of workers living in Spain and working in Andorra has dropped sharply in the last year – by almost 12% to around 2,000.

The majority of Consols came out against a proposal to give foreign residents (and in this debate specifically residents with Spanish nationality) the vote in local elections.

The Government agreed a decree that would establish some form of unemployment benefit for people registered as out of work and who had been resident for a certain number of years (the proposal here is reported as having paid CASS contributions for at least 36 of the last 60 months while being resident). The benefit would be at the rate of €910 per month.

There were articles indicating that some retailers had experienced somewhat better sales than expected in August. The first minimally positive news about retailing this year.

The Minister of Health indicated that GPs need to become the centre for medical attention – and that access to specialists should be via the GP.

The police in Catalunya have detained two men thought to be responsible for the break-in in August at the summer home on the Costa Brava of the President of Andbanc. One man was Italian and the other Albanian and they were arrested after they had committed another burglary.

One Sunday morning a young Andorran driving a VW Golf down Avda Meritxell with seven people in the car managed to lose control and hit various iron posts and a lamp post, injuring four of his passengers. He was quite drunk and arrested...

The banks have announced that they will not go back to opening on Saturday mornings. However, some bank branches will stay open across lunch hour instead.

The Day of the Virgen of Meritxell, the patron saint of Andorra, (September 8) was, as usual, very quiet with no shops open and no newspapers and some very confused tourists looking for something to do.

On the Catalan national day (La Diada) on September 11 there were 15 km queues to get into Andorra – mainly (or at least partly) because the holiday fell on a Friday and lots of people chose to make it a long weekend away.

The new tourist bus service had a total of 751 passengers in its first month – which may not seem many but is 40% more than the previous service.

The Chamber of Commerce presented its report on 2008 indicating that GDP had fallen by 3% and that Andorra had a basic structural problem to address as its decline had already started in 2007 and there was no hope of any upturn in 2009. It called on the Government for comprehensive measures such as

opening up the market to foreign investment, no increases in taxes and less Government spending.

A presentation on the economy sponsored by BPA showed that almost every indicator was negative in the first half of 2009 and that this would continue for the rest of the year. 2010 would bring relief only in as much as the declines should stop – not that there would be a recovery. Thereafter the recovery should be slower than after equivalent set backs to the economy in the 1990s.

Spain is proposing to increase VAT from 16% to 18% in 2010 – which should widen price differences with Andorra and may bring more tourist spending.

The Comus protested because the banks have put up the spread they charge on their loans to the Comus to 1% over Euribor.

Andorra TV has indicated that it intends to set a 2010 budget for spending 10% below the levels of 2009 by cutting back on general expenses and not renewing certain temporary labour contracts. It will also cut out participating in the Eurovision song contest.

The annual blood donor campaign continued to exclude homosexuals.

There are a total of 7,500 individual files at the Battle on people who have not paid taxes – a lot of them are for the annual vehicle tax. None of them are for ISI or similar indirect taxes as the previous Administration had not set up any mechanism for dealing with non payment of those taxes when they were introduced.

The poor state of the registries (of companies and vehicles) is making life difficult for the Government in tracking and collecting fines and unpaid taxes.

The four Comus with ski stations have calculated that between them they have invested €108 million in the last ten years on their ski stations and that they have a total of €80 million of loans still to repay as a result. Naturally they are looking for help from the Government. In their report they stress how much they spend promoting tourism (which benefits the whole country) and also they point out how much they spend on electricity and how high the price is. Clearly these are two areas where they would like help.

The issue of ski stations and their results and the division of income was also in the news.

At Grandvalira the issue is between ENSISA (ie Canillo) and the coordinating entity about how to

divide up the income from ski passes – ENSISA wants this to be done based on data for use of each piste so as to get a bigger share of the pot.

At Vallnord the issue is that Ordino is simply not happy with its situation or with the very bad economic results of Vallnord as such. There is talk there of leaving Vallnord – but what is really wanted is more information and no surprises.

Grandvalira has announced that it will drop the daily ski pass price from €44 to €42 and offer a number of special low season days at €38. The annual season ticket for residents will cost €250.

A special course to help unemployed people get work at the ski stations attracted 60 people – and the ski stations are apparently receiving far more job applications from residents than in the past.

The firemen are going back to 24 hour shifts – the end of what appears to have been a long and pointless struggle by the previous Administration – given that the end is for no change on the original situation.

Kiko Mendez was the manager of a nightclub in Andorra. Every Sunday morning after work he drove down to Barcelona to visit his family and a friend. This last time his Audi TT went off the road into a bus shelter near Ponts and he was killed. Apparently he probably swerved to avoid an animal on the road and lost control of his vehicle.

CASS is facing a substantial deficit this year on its medical side which will need to be covered from its accumulated reserves. The outlook for 2010 is equally bleak. As a result CASS has submitted a report to the Government with some 50 possible measures to save money. These include that patients must select and stick to one main doctor, that the number of tests be restricted, that generic drugs always be prescribed where available.

There are bank accounts in Andorra that have been frozen by order of the Battle which relate to people close to Hugo Chavez of Venezuela. The bank accounts have been frozen after the US authorities froze a series of bank accounts in Miami and advised other countries of suspicious accounts possibly containing laundered criminal funds used directly or indirectly to finance terrorism.

Gitte Mechlenberg appeared in court to seek to avoid extradition to the USA. Her lawyer claimed on her behalf that she had never sought to hide herself away, that she was unaware that she was considered by the US authorities to be a fugitive from justice, that the

alleged offences had prescribed and that extradition is unfair as there is no effective mutual extradition agreement with the USA. He did not appear (as reported that is) to have maintained that his client was not involved in the alleged offences related to a pyramid selling scheme for which the prime movers have already been convicted to prison sentences in the USA and the UK.

This year marks the 75<sup>th</sup> anniversary of the brief reign of Boris 1 of Andorra – a little known 10 day episode from the 1930s. It now appears that this was not only a bizarre attempted coup by a strange person but that this person was even stranger than previously thought. After the events he went to live in Portugal and various documents now known to exist have him possibly being a secret British agent (did he even have British support as a means of potentially destabilizing the situation between France and Spain was one comment). He also appears to have covered up his homosexuality by having extravagant heterosexual love affairs.

## **AROUND THE PARISHES**

**Ordino** – the annual hillclimb attracted 26 competitors to the Col d’Ordino course and was won by a local.

**Ordino** -500 people attended the 18<sup>th</sup> annual gastronomy event held at the congress centre.

**Sant Julia** – the grape harvest at Nagol is reported to be very good and there are great hopes for the white wine at the Beal vineyard.

**Sant Julia** – the Tobacco Museum has received 27% more visitors this year so far – which is still only 7,500 visitors. The Sorolla exhibition has received 4,000.

**Andorra la Vella** - the Comu looks like having to give back around €1.5 million in excess local taxes to the banks.

**Canillo** – the Palau de Gel will offer tourist packages jointly with Grandvalira to try to boost its market this winter.

**La Massana** – has published its list of unpaid taxes totalling €120,000.

## **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 held on Wednesday November 18 at the Congress Centre in Ordino with help from 5 Sentits and La Varema. Please contact Ron Spiers (841817) or John Pinnell (355275 or john.pinnell@pinnejo.com) for tickets at the price of €15 each for members and €20 each for non members.

The weekly coffee morning is held 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 at La Closeta starting at 10.30 am. The “swap morning” for items for the fair will be held on November 21 at 10.30 am at the Aldosa public car park.

Please also help by buying raffle tickets for the annual charity raffle – contact Sarah Dawtrey on 838295 if you would like books of tickets to sell.