

## THE ANDORRAN PARLIAMENT APPROVED A REFORM LAW CONSOLIDATING “SUSTAINABLE GROWTH” MEASURES AND INTRODUCING TARGETED CHANGES TO IMMIGRATION, HOUSING AND FOREIGN REAL ESTATE INVESTMENT TAX RULES

The Andorran Parliament has approved the *Llei de continuïtat i consolidació de les mesures per al creixement sostenible* (the “**Reform Law**”), a legislative package intended to consolidate and extend a set of “sustainable growth” measures through amendments to several existing statutes – an approach that has become increasingly common in recent years.

The Reform Law modifies the now outdated versions of (i) the “**Immigration Law**” (*Llei 9/2012, del 31 de maig, qualificada d’immigració*); (ii) the “**Sustainable Development and Right to Housing Law**” (*Llei 5/2025, del 6 de març, per al creixement sostenible i el dret a l’habitatge*); and (iii) the “**Tax on Foreign Real Estate Investment Law**” (*Llei 3/2024, de l’1 de febrer, de l’impost sobre la inversió estrangera immobiliària*).

### Amendments to the Immigration Law

The Reform Law introduces a targeted package of amendments to the immigration framework. It mainly affects two categories: (i) residence and work permits with self-employment authorisation; and (ii) residence without lucrative activity (passive residence). Overall, the Reform Law increases the applicable investment thresholds and converts certain refundable deposits into non-refundable payments retained by the Andorran Financial Authority.

- **Changes to the self-employment regime:** First, the Reform Law extends to qualified professionals (*i.e.* lawyers, doctors, *inter alia*) the “reservation” mechanism already used for other self-employed applicants. In practice, this adds a formal reservation step as part of the authorisation process. Second, and more significantly, it converts the EUR 50,000 amount from a refundable deposit into a non-refundable payment. A single exception applies: the EUR 50,000 will only be refundable if the initial immigration authorisation is denied.
- **Changes to the passive residence regime:** The Reform Law increases the minimum investment threshold from EUR 600,000 to EUR 1,000,000 and raises the minimum allocation per real estate unit to more than EUR 800,000 where the investment is (partly or fully) channelled into real estate. In addition, the Reform Law provides that the EUR 50,000 amount, together with EUR 12,000 for each dependant, must now be paid on a definitive, non-refundable basis and remains for the benefit of the State.

Alongside the increase in headline amounts, the Reform Law expands the ways in which the required investment may be structured by reintroducing the use of certain financial instruments issued by resident entities (and interests in collective investment undertakings). This option is expressly limited to a maximum period of 36 months, as opposed to the unlimited investment timeframe that was foreseen in older versions of the Immigration Law.

The Reform Law includes a transitional rule stating that applications submitted before its approval are governed by the prior rules (i.e., the legal regime in force at the time of filing), rather than the reformed requirements.

#### Amendments to the Sustainable Development and Right to Housing Law

The Reform Law also contains limited amendments to the Sustainable Development and Right to Housing Law. These amendments address (i) the criteria used to assess the "foreign" nature of certain real estate investments, and (ii) the suppression of a specific transitional regime.

In particular, the Reform Law refines the criterion under which an investment is deemed "foreign" by reference to the investor's residence status, including cases where a natural person ceases to be resident in Andorra.

#### Amendments to the Tax on Foreign Real Estate Investment Law

The Reform Law increases the tax rates of the Tax on Foreign Real Estate Investment by modifying the applicable percentages. In particular, it raises the rate on the first investment from 3% to 6% and sets the rate applicable from the second investment onwards at 10%. In effect, this removes the intermediate 5% bracket applicable as of today to second investments and accelerates the application of the top rate.

The revised regime compresses the scale and increases the marginal cost of additional acquisitions at an earlier stage, thereby significantly reducing the relative tax advantage of phased investment strategies.

The Reform Law has been voted on January the 22<sup>nd</sup>, 2026 will enter into force the day after its publication in the Andorran Official Gazette (BOPA).

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