2008 Economic Slow Down Could Impact Euro Tax Havens

Early signals of the British economy hitting troubled times started to emerge in the late summer of 2007 when one of the country's biggest mortgage lenders, Northern Rock, had to borrow billions from the Bank of England to allow it to continue trading.

Coming on top of the difficulties across the Atlantic in the US with their mortgage lenders, both London's FTSE and New York's Dow Jones were jittery, with the remedy provided by the Fed and British government in cutting US interest rates by a half point and guaranteeing Northern Rock's customers savings in the UK.

If the current financial situation does worsten, with the US going into recession and Wall Street, along with London FTSE taking a plunge, it could have an impact on the European tax havens of Andorra and Monaco, according to a UK based tax haven specialist company.

'City brokers in London have been earning high salaries and bonusess to reflect that', explain the company, 'but that has been on the back of ten years of economic growth under the current Labour government. The enquiries we receive for Andorra and Monaco are often from those who work in the City of London who are looking to maximise their earnings by reducing their tax bills - but if they aren't going to be getting the bonuses they're not going to be able to afford a property in Monaco.'

With the same tax benefits as Monaco, Andorra has also seen interest from UK high earners, who are attracted by the property prices which average a quarter of Monaco's - a shrewd decision for those who are prepared to sacrifice Monaco's image for a tax haven that is well known for her winter sports activities between December and mid April.

Commenting on the year so far for property sales in tax havens, the company has reported the year overall looked gloomy for estate agents in Andorra for the year overall given poor sales for January, February and March. But the second quarter proved to be dramatically better.

Rather than the season being delayed, what saved the second quarter was high net worth individuals looking for residency and taking advantage of Andorra's tax haven status that has reignited the property market.

Buyers from the UK in particular were out in force during April, May and June, with many spending twice as much as the average ski apartment buyer.

One British company who specialise in tax haven properties sees a direct link between the high prices of property in the other European tax haven of Monaco, and the high spenders moving into Andorra, usually staying in one of the Andorra hotels in the capital Andorra la Vella where the bank head offices are, before choosing a property.

Monaco property prices have risen in recent years to the extent where it challenges London for having the most expensive real estate in the world. Andorra has consistently seen double digit property inflation, but is still considerably less expensive than Monaco.

With similar tax benefits, the British company says that some buyers who initially consider Monaco end up buying in Andorra. The buyers have often budgeted a million Euros for a 2 bedroom apartment for Monaco, and are happy to pay half that price for a much larger apartment in a good area of Andorra, with top end apartments in Andorra turning over quickly to foreign buyers. Some Monaco property buyers who buy in Andorra also buy a four or five bedroom chalet with its own gardens, which start at just under a million Euros in Andorra.

The property buyers tend to head for different areas of Andorra, with the ski apartment buyers tending to purchase in the key ski resorts of Soldeu and Arinsal.

Those looking for residency for tax reasons go more for the year round villages and towns which have a resident community.

Outside of the capital (la Vella) these tend to be La Massana and the upcoming village of Anyos, Ordino and Arinsal, although Arinsal's nightlife during the ski season early December to late April tends to steer many newcomers to La Massana and her villages such as the upmarket Anyos and Erts.

About the Author

YourAndorra.com has details of Andorra holidays, the weather, banks and an
Andorra map

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