

DOING BUSINESS

IN JORDAN



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CONTENTS

1 – Introduction	3
2 – Business environment	4
3 – Foreign Investment	8
4 – Setting up a Business	13
5 – Labour	16
6 – Taxation	21
7 – Accounting & reporting	26
8 – UHY Representation in Jordan	27



1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 80 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Jordan has been provided by the office of UHY representatives:

UHY ARAB AUDITORS

P.O. Box 2879
Amman 11181
Jordan

Phone +962 6 55 11 779
Website www.arabauditors.com
Email info@arabauditors.jo

You are welcome to contact [Nabil Haddad \(nih@arabauditors.jo\)](mailto:nih@arabauditors.jo) for any inquiries you may have.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at February 2018.

We look forward to helping you do business in Jordan.

2 – BUSINESS ENVIRONMENT

The Hashemite Kingdom of Jordan (Jordan) got its independence from the British mandate on 25 May 1946. Under the 1952 constitution, the country is a hereditary monarchy with a parliamentary system.

The country consists of 12 governates and the current head of state is King Abdullah II. The current head of government is Prime Minister Hani Al-Mulqi. The Cabinet is nominated by the prime minister and appointed by the king.

The bicameral National Assembly consists of the Senate (55 seats appointed for a four year term) and the House of Representatives (120 seats, twelve of which are for women) elected by popular vote for four-year terms. The last elections took place in 2010.

POPULATION

Population 2016	10.25 million
Population less than 15 years of age	34.68%
Population age 15-64 years of age	61.87%
Population age 65 and above	3.45%

GEOGRAPHY

Location	Asia – Middle East
Time zone	GMT +3
Geographic coordinates	29° 11'N–33° 22'N, and 34° 19'E–39° 18'E, 80 kilometres east of the Mediterranean Sea
Area	89,342km sq (land 88,802km sq, water 540km sq)
Coast line	26km along the Red Sea
Climate	80% classified as arid; rainy season October–May
Terrain	Mostly desert plateau in east, highland area in west; Great Rift Valley separates East and West Banks of the Jordan River.

GDP

GDP (Purchase power parity 2017)	\$ 89 billion
GDP (Official exchange rate 2016)	\$ 40.49 billion
GDP (Real growth rate 2017)	2.3%
GDP (Per capita 2017)	\$ 12,500

CURRENCY

The currency of the country is the Jordan Dinar (1 JOD = USD 1.41)

LANGUAGE

The official language is Arabic, with English widely spoken.

MAJOR EXPORTS

The country's major exports are apparel and clothing accessories, animal or vegetable fats and oils and their fractions, natural or cultured pearls and precious or semi-precious stones, vegetables, plants, roots and tubers, mineral or chemical fertilizers, crude phosphate, pharmaceutical products, non-organic chemical compounds and products, electrical machines, equipment, appliances and parts, plastic and its products, mineral fuel, wax, bituminous substances, motor vehicles, tractors and motorcycles, tobacco and manufactured tobacco substances, pig iron and steel, and aluminium and its products.

MAJOR IMPORTS

Major imports are crude oil, electrical machines, appliances and plant machines, equipment and accessories, animal or vegetable fats and oils and their fractions, knitted fabrics, pig iron and steel, motor vehicles, tractors and motorcycles, plastic and its products, natural or cultured pearls and precious or semi-precious stones, diesel oil, petroleum spirits (benzene), paper, paperboard and its products, aluminium and its products, articles of wood and wooden charcoal, and cotton.

COMMUNICATIONS

Telephones - fixed lines:

Total subscriptions: 355 K

Telephones - mobile cellular:

Total: 15.3 million

Internet users:

Total: 5.1 million

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Country code: JO

BANKING AND FINANCIAL SERVICES

The Jordanian banking system is one of the smallest in the Middle East; the system is overbanked with 26 banks, including 13 local banks, 3 local Islamic banks and 10 foreign bank branches that serve a population of 10.25 million. Jordan's largest bank, the Arab Bank, dominates the banking system, accounting for more than half of the total banking assets. The largest five players, the Arab Bank, Housing Bank, Jordan Islamic Bank, Bank of Jordan and Jordan Ahli Bank, together control more than two-thirds of the total assets and three-quarters of total deposits.

During the last few years, Jordan enjoyed high growth levels propelled in part by investment inflows and exposure to high regional liquidity fed by petrodollars. Banks fared well, and in fact showed an unprecedented performance in terms of operating revenues, deposits and credit facilities. Their investment portfolios also generated very high revenues leading to an overall expansion of the sector. In the near future though, the profitability of banks could be affected by higher credit costs as a result of the global financial crisis. The down turn in the Amman Stock Exchange could also have a number of repercussions including, lower trading income and brokerage fees. The fundamental credit outlook for Jordanian financial institutions is stable because banks enjoy solid financial fundamentals. However, banks are becoming more exposed to the volatile equity and the struggling real estate markets. On the whole; Jordanian banks have modest risk profiles because they are inclined to offer the most basic financial instruments. Nonetheless, they are susceptible to high levels of systemic risk stemming from their exposure to the Palestinian territories and the political instability in the region.

TRANSPORTATION

Airports	7
Main Airports	Queen Alia International Airport (Amman) Marka Airport (Amman) King Hussein International Airport (Aqaba)
Port	Aqaba (Red Sea)
Highways	7,203 KM
Railways	509 KM

LAND AND BUILDING

Jordan has some of the lowest land/building costs in the Middle East and North Africa (MENA) region, as well as an abundance of space available for the establishment and expansion of businesses:

- In the capital city of Amman, apartments, independent villas and offices can be easily found at reasonable rates
- Businesses are usually located in the commercial centres of downtown Shemisani, Garden Street, Sweifieh, Jabal Al Hussein and Jabal Amman
- Annual rent for office space in West Amman ranges from USD 60–140 per square metre.
- The purchase price of land for commercial use in West Amman ranges from USD 750–2,500 per square metre
- The price of land for residential use ranges from USD 150–1000 per square metre.

Lower real estate rates can be found outside the capital. Foreign investors can purchase real estate and are entitled to own land in the Kingdom after getting all the necessary approvals from the relevant bodies, depending on the area of the designated land and the location.

The Department of Lands and Survey (DLS) has created a complete and accurate digital map covering the whole country to serve as an essential basis for the geographic information systems (GIS) needed by both the public and the private sectors. Available digital maps have already been provided to bodies such as the Greater Amman Municipality, Aqaba Special Economic Zone Authority, the Ministry of Education, the Telecommunications, Water and Electricity Authority, and many others.

HOLIDAYS IN JORDAN 2018

Holidays with vacation days:

New Year's Day	1 January 2018
Hijra New Year	11 September 2018*
Birthday of Prophet Mohammed	20 November 2018*
Labour Day	1 May2018
Independence Day	25 May2018
Eid al-Fitr	14-17 June 2018*
Eid al-Adha Al-Mubarak	20 - 24 August 2018*
Christmas Day	25 December 2018

* Indicates approximate lunar dates

3 – FOREIGN INVESTMENT

There is no discrimination of any kind between domestic and foreign investors.

Additionally, non-Jordanian investors can enjoy full ownership of their businesses and have full control over management in the sectors stipulated in law including IT, hospitals, hotels, convention centres, theme parks, mining and products produced from the Dead Sea (such as cosmetics), maritime and railroad transportation and the transportation and distribution of water, gas and oil derivatives.

- Non-Jordanian investors are afforded the same treatment as Jordanian investors. They have the right to invest in the Kingdom through ownership or participation or shareholding of any project according to the percentages set in the ‘Regulating Non-Jordanian Investment Regulation’ No. 54, 2000
 - Full ownership is allowed in the following sectors: industry, information technology, agriculture, hotels, hospitals, maritime transport, railways, leisure and recreational compounds, convention and exhibition centres
 - In addition, investors can have ownership of projects in pipeline transportation and distribution services for water, gas and petroleum derivatives, as well as its exploitation
- Except for participation in public shareholding companies, non-Jordanian investment may not be less than JOD 50,000 (or USD 70,000)
- The investor has the right to manage the project in the manner he/she deems appropriate, and through the person(s) chosen by the investor for this purpose
- The non-Jordanian investor shall be entitled to remit abroad without delay (and in a convertible currency) the invested capital, together with any returns and profits accrued, the proceeds of liquidation of the investment as well as the proceeds of the sale of all or part of the project
- Non-Jordanian technicians and administrators working in any project may transfer their salaries and remuneration abroad
- It is not permissible to expropriate any project or to subject it to any equivalent measures, unless such expropriation is done for a purpose which is in the public interest and in return for a just compensation. The amount of compensation for a non-Jordanian investors shall be made in a convertible currency
- Investment disputes between a non-Jordanian investor and Jordanian governmental agencies shall be settled amicably. If no amicable settlement can be reached within a period of six months, either party may resort to litigation or may refer the dispute to the International Centre for the Settlement of Investment Disputes (ICSID).

WHERE TO INVEST

INDUSTRIAL ESTATES

The Jordan Industrial Estates Corporation (JIEC) was established to increase support and encourage the industrial sector, as well as to increase investment opportunities and preserve the environment.

- JIEC is a semi-governmental corporation established in 1980 with a public and private ownership. Its catalytic role is to contribute to the development of small & medium industries (SMIs) by providing comprehensive and integrated industrial estates.

It owns and manages four industrial estates:

- Abdullah II Ibn Al- Hussein Industrial Estate (AIE) Amman – Sahab
- Al-Hassan Industrial Estate (HIE-QIZ) Irbid
- Al-Hussein Bin Abdullah II Industrial Estate (HUIE-QIZ) Al-Karak
- Aqaba International Industrial Estate / Aqaba.

Industrial estates offer cost-effective land and factory buildings, a reasonable cost for utilities (including power and water), a comprehensive network of roads and infrastructure, the availability of a wide range of ancillary services and an effective one-stop-shop-service. Projects in industrial zones are granted a two-year exemption of income and social services tax, total exemptions from buildings and land tax, exemptions or reductions on most municipality fees, which are in addition to all other exemptions provided for by the Investment Promotion Law.

A summary of the incentives on offer is as follows:

- Complete exemption from income and social security taxes for a two-year period as of the date of the commencement of production
- Complete and permanent exemption from the buildings and lands tax
- Exemption for or reduction on most municipality fees
- Services at Industrial Estates include:
 - Customs centre
 - Vocational training centre
 - Labour office
 - Civil defence
 - Banks and temporary bonded
 - Free zone
 - Gas station
 - Maintenance workshop
 - Customs clearance offices
 - Clinic
- Target Industries
 - Food manufacturing
 - Metal modelling
 - Pharmaceutical
 - Plastic products
 - Furniture
 - Cosmetics
 - Food and juices
 - Machinery
 - Medical
 - Engineering and electronics
 - Construction and building materials.

QUALIFYING INDUSTRIAL ZONES (QIZS)

In 1996, United States Congress authorised the designation of qualifying industrial zones (QIZ's) between Israel and Jordan, and Israel and Egypt. The QIZ's allow Egypt and Jordan to export products to the US duty-free if the products contain inputs from Israel (8% in the Israeli-Jordanians QIZ agreement, 11.7% in the Israeli-Egyptian QIZ agreement). The purpose of this trade initiative has been to support prosperity and stability in the Middle East by encouraging regional economic integration.

In order for a QIZ article to gain duty-free entry to the US, QIZ factories must add at least 35% to the value of the article. This 35% minimum content figure can include value added in Israel, Egypt/Jordan, or the United States. QIZs must encompass areas of Egypt/Jordan and Israel, though the areas do not have to be contiguous.

The immediate saving for an investor in the QIZ is the amount of US tariff on specified items. Generally speaking, US tariffs on clothing and textile goods are relatively high, which makes production of these goods in the QIZs especially attractive.

Since 1998, the US has designated 13 QIZs in Jordan and the following are operational:

- Al-Hassan Industrial Estate in the northern city of Irbid – the United States Trade Representative (USTR) designated this estate in Jordan as the world's first QIZ on 6 March 1998
- Al-Hassan Industrial Estate (Irbid) – owned and operated by JIEC
- Al-Hussein Ibn Abdullah II Industrial Estate (Al Karak) – owned and operated by JIEC
- Al-Tajamouat Industrial Estate (Amman) – privately owned
- Ad-Dulayl Industrial Park (near Zarka) – privately owned
- Jordan Cyber City (Irbid) – privately owned
- Al-Qastal Industrial Zone (Amman) – privately owned
- El-Zai Ready-wear Manufacturing Co. sub-zone (Zarqa) – privately owned.

Other QIZs which are expected to be operational in the near future include:

- Gateway QIZ (northern Jordan-Israel border)
- Aqaba Industrial Estate (Aqaba)
- Mushatta International complex (Amman).

The benefits of the QIZs with Jordan can be summarised as follows:

- Jordan's QIZ's are the country's strongest engine for job growth
 - Jordan estimates that more than 40,000 jobs have been created within its QIZs.
 - Investment in Jordan's QIZs is currently at between USD 85–100 million and is expected to grow to USD 180–200 million
- Following the QIZ agreement, the United States and Jordan negotiated a full free-trade agreement (FTA) which was approved by the US Congress in 2001.

As QIZ-related activities increase and new geographical areas grow more dedicated to and competitive at exporting to the US market, more QIZ zones may be added upon the approval of the government of the United States.

FREE ZONES

Free zones offer the necessary facilities, services and infrastructure for business, such as electricity, water, modern telecommunication networks, as well as modern networks of internal roads, yards and storage facilities. There are also branches of banks, insurance and clearance companies inside the free zones.

Companies can be registered inside the free zones instead of the Ministry of Industry and Trade (MIT).

Exemptions for businesses in free zones include:

- Exemption on project profits from income tax for goods exported outside the Kingdom as well as transit trade, in addition to any profits accruing from the selling or transferring of goods inside the borders of the free zones
 - Profits accruing from goods placed in the domestic market are excluded from such an exemption
- Exemption on salaries and allowances of non-Jordanian employees in projects established in the free zone from income and social service taxes
- Exemption on import fees, custom duties and all taxes and fees accrued thereon, except services and rent charges for all imported or exported goods (other than those destined for the domestic market)
- Exemption on buildings and real estate built in the free zones, from licensing fees as well as from buildings and land taxes.

Jordan's free zones areas were established to promote export-oriented industries and transit trade. Commodities and goods of various origins are deposited in the free zone areas for the purpose of storage and manufacturing, without having to pay the usual excise fees and other taxes since they are treated like goods outside Jordan. There are currently 17 private free zones in the Kingdom and five public free zones (as shown in the table below).

AQABA SPECIAL ECONOMIC ZONE AUTHORITY (ASEZA)

The Aqaba Special Economic Zone (ASEZ) was launched in 2001 as a duty-free, low-tax multi-sector development zone encompassing the entire Jordanian coastline (27 km), the seaports of Jordan, an international airport and the historical city of Aqaba. The ASEZ is regulated by the Aqaba Special Economic Zone Authority (ASEZA), which is charged with managing, regulating, and providing municipal services within the ASEZ.

The ASEZ is a private-sector-driven development initiative that maximises private-sector participation in a duty free, tax-advantaged and flexible regulatory operations environment, which also provides a model approach to environmentally sustainable development and governance, and a unique tourist destination on the Red Sea with a duty-free shopping oasis and a high quality of life.

According to the strategic plan 2001–2020, the zone targets 50% of investments in the tourism industry, 30% in a variety of services, 13% in heavy industry and 7% in light industry.

In the search to stimulate development in the zone and separate the regulatory role from the development role, ASEZA and the government of Jordan have established the Aqaba Development Corporation (ADC), a central development arm in the ASEZ mandated to implement the ASEZ master plan and develop infrastructure and superstructure.

ADC was established in 2004 as a private shareholding company to drive development of the ASEZ. ADC is mandated to develop the ASEZ into a leading business and leisure hub on the Red Sea consistent with the ASEZ master plan. ADC owns the port, airport, significant parcels of land and certain utilities and retains development and management rights for other projects. Although empowered to directly develop projects, ADC typically partners with the private sector to realise key development priorities to the highest standards of international best practices on a sustainable, mutually rewarding basis.

The package of incentives offered by ASEZA includes:

- A flat 5% income tax on the net profit exemption from annual land and building taxes on utilised property
- Exemption from taxes on distributed dividends and profits
- Duty-free import of goods in commercial quantities from the National Customs Territory and overseas
- No foreign equity restrictions on investments
- No foreign currency restrictions
- Full repatriation of profits and capital
- Streamlined labour and immigration procedures
- 100% foreign ownership
- Up to 70% foreign labour
- Availability of land for lease or sale
- Full guarantees on rights and ownership.

4 – SETTING UP A BUSINESS

TYPES OF PARTNERSHIP

GENERAL PARTNER

This is where partners are jointly responsible for the management of the company's activities, with full liability over the company's private properties, debts and liabilities.

LIMITED PARTNER

This is where partners contribute to the company's capital without having the right to manage the company or perform its activities. The liability of such partners is limited to their capital shares.

COMPANY CAPITAL

REGISTERED CAPITAL

The company's capital is declared within the Company Founding contract and its Memorandum of Association. This is the maximum capital that can be claimed for the duration of the company.

AUTHORISED CAPITAL

This is the company capital needed only for the registration of the company.

SHARES IN CASH

These are the partner capital shares given in return for his/her cash value contribution in constituting the company's capital.

SHARES IN KIND

These are the partner capital shares given in return for the in-kind value contribution to the company's capital.

CAPITAL VALUE IN CASH

This is the cash value of the total shares which constitute the company's capital.

CAPITAL VALUE IN KIND

This is the total shares value in kind which is paid to constitute the company's capital.

NUMBER OF SHARES OFFERED FOR PUBLIC SUBSCRIPTION

The registered capital designated for public subscription is only applicable for public shareholding companies.

COMPANY DURATION/LIFE CYCLE

This is assumed to be unlimited, unless otherwise stated by the Founding Contract and the Memorandum of Association.

TYPES OF COMPANIES

GENERAL PARTNERSHIP

This is a company founded by a maximum of 20 natural partners, all over 18 years of age.

LIMITED PARTNERSHIP

This is a company founded by natural founders, either over or under 18 years of age. Those over 18 are the general partners who are responsible for the day-to-day management of the company. Limited partners contribute only to the capital of the company but have no authority in or involvement with its management.

LIMITED LIABILITY

This is a company founded by two or more partners, their liability determined in accordance with their capital shares.

PUBLIC SHAREHOLDING

This is a company founded by a number of promoters, with a minimum of two subscribers. The liability of shareholders is limited to their capital shares. A public shareholding company can consist of one person, but only upon the approval of the Minister and Controller of the MIT.

FOREIGN COMPANY – OPERATING

This is a foreign nationality company registered outside the Kingdom with its head office located abroad. A branch office for that company is operated in Jordan mainly for the execution of a contract with a Jordanian employer. There are no restrictions as to the type of employer. The employer can be governmental, another company or an individual. An example of this would be a construction contract.

FOREIGN COMPANY – NON-OPERATING

This is a company which has a regional office located in the Kingdom to manage the foreign company's operations in the region. This company's operations are coordinated with its headquarters.

LIMITED LIABILITY – ONE PERSON COMPANY

A limited liability company consists of one person. The registration of this company is permissible only upon the approval and the recommendation of the Minister of the MIT.

LIMITED PARTNERSHIP IN SHARES

A limited liability company is founded by a minimum of four partners: two general partners and two limited partners. The general partners are jointly liable for the debts incurred by the partnership. The liability of the limited partners is limited to their capital shares.

HOLDING COMPANY

A public shareholding company is established for the purpose of acquiring shares in other companies, managing them, and extending loans, guarantees and credit facilitations. Funds are invested in shares, bonds and securities. A holding company owns more than half of the company's capital and /or has authority over selecting the company's board of directors.

MUTUAL FUND COMPANY

A public shareholding company is founded for the purpose of investing funds in securities for third parties, as per the Securities Law.

EXEMPT COMPANIES (OFFSHORE COMPANIES)

This is either a public or a private shareholding company with limited liability. This is registered as a Jordanian company which may not carry out any operations in Jordan. The company's name must include the word 'Exempt'.

LICENSING A COMPANY

In order to license a company, the following forms must be completed:

- Project Licensing Form
- Environmental Effects Form
- Non-Jordanians should also complete the Personal Details Form and provide a copy of their passport.

Conditions for licensing a company are such that a specific location for the project should be chosen.

Documents required with the licensing application are as follows:

- Land registration and ownership certificate
- Land blueprint
- Location and organisational blueprints
- Preliminary project summary
- Land coordinates*
- Copy of owner's passport or personal ID
- Land categorisation and distance from coordinates*

* Land coordinates are required for agriculturally classified lands only.

5 – LABOUR

Labour is the driving force of any successful business and labour legislation aims at facilitating the efficient use of labour. Jordan's current labour laws and policies are examined below.

LABOUR LEGISLATION

Chapter two of the Constitution establishes a number of workers' rights, including and equitable working conditions; limited working hours per week; weekly and annual paid rest; special compensation given to workers supporting families and on dismissal, illness, old age and emergencies arising out of the nature of the work; special condition for the employment of women and juveniles; equal pay for equal work; free trade unions origination within the limits of the law.

In Jordan, National Assembly (Majlis al Umma) is competent to adopt labour legislation. The legal framework is mainly comprised of the Jordanian Labour Law of the year 1996 and its amendments. This Code repeals the Labour Code of 1960, and all amendments made thereto. It governs labour affairs in Jordan. The provisions of the law apply to all employees and employers as defined by Article 2 of the Law. This law was completed by regulations, instructions and decisions issued in accordance with the above labour law. Based on ratified Conventions, amendments to the labour law were adopted on 28 August 2002. These amendments concern some important matters mainly:

- The extension of the coverage of the Labour Law to some categories of workers in the agriculture sector
- The establishment of private employment offices organising the recruitment of foreign domestic workers, and control of these offices by labour inspectors. This will extend the control of the Ministry of Labour in dealing with recruitment and working conditions of these workers
- The protection of workers from dismissal due to economic and technical factors by adoption of detailed regulation
- The regulation of working hours
- The inter-relation between employers' and workers' organisations.

CONTRACT OF EMPLOYMENT

- Chapter IV of the Labour Code deals with contract of employment. It should be drawn in Arabic and in two copies at least. If no such contract is made, the worker may establish his rights by all legal means of evidence.
- The duration of the employment contract is set by agreement of the parties. If the worker is employed for an indefinite duration, he shall be considered in service until his employment is terminated in accordance with the provisions of the Code. If he is employed for a specified period, he shall be considered in service throughout that period. In this case, the contract is automatically terminated at the end of that period. If both parties to the contract continue implementing it after that period has expired, the contract shall be considered to have been renewed as a contract for an indefinite duration and shall be deemed as such from its commencement. When a worker who is regularly employed for piece-work in the workplace or performs a series of tasks by piece-work, he shall be considered as a worker employed for an indefinite duration.

- When labour relation at stake is subcontracting, workers employed by a contractor for the execution of a project may take direct legal action against the project owner, to claim the entitlements due to them from the contractor. Such claims shall not exceed the amount of payments due to the contractor from the owner at the time when action is taken. Workers employed by a subcontractor may take direct legal action against the principal contractor and the project owner. The amounts claimed in such action may not exceed payments that are due, at the time when action is taken, to the principal contractor from the owner and to the subcontractor from the principal contractor.
- A contract of employment remains in force notwithstanding a change of employer, whether such a change is due to the sale of the undertaking or its transfer by inheritance, the merger of the establishment or any other reason. The original employer and the new employer shall, for a period of six months, be jointly liable in the discharge of any obligations arising out of the contract of employment and maturing before the date of change. After the expiry of that period the new employer has sole liability.

PROBATION

An employer may employ any worker on a trial basis to verify his competence and capacities for the work that is required of him, provided that the trial period shall not, in any case, exceed three months. This worker shall not be paid less than the fixed minimum remuneration.

The employer has the right to terminate the employment of a worker under probation without notice or indemnity during the trial period.

If a worker continues work after the end of his trial period, his contract of employment shall be considered of indefinite duration and the trial period shall be considered as part of the service period of the worker with the employer.

SUSPENSION OF THE CONTRACT OF EMPLOYMENT

An employer may suspend the contract of employment of indefinite duration, if economic or technical conditions were to require it, such as a reduction of the workload, the replacement of the old production system by a new one or the total stoppage of work, provided that the Ministry is duly notified.

A worker whose contract of employment is suspended in accordance with the above-mentioned paragraph is entitled to leave work without notice while retaining his legal rights with respect to the end of service.

The Minister of Labour may set up a tripartite commission to examine the validity of such measures.

TERMINATION OF THE CONTRACT OF EMPLOYMENT

According to Section 21 of the Labour Code, a contract of employment shall be considered terminated if:

- both parties agree to terminate it;
- the duration of the contract has expired or the work itself has been completed;
- the worker dies or is no longer capable of working due to a disease or disability certified by the medical authority.

The death of an employer shall not bring about the termination of the contract of employment unless the contract took into consideration the personality of the employer. Jordanian Labour Code makes distinction between ordinary termination (with notice) and extraordinary termination (without notice).

ORDINARY TERMINATION

One of the two parties to the contract of employment of indefinite duration shall give the other party written notice at least one month in advance. If notice is given by the employer, he may release the worker from work for the duration of the notice period, or he may not do so except for the last seven days of that period. In any case, the worker shall be entitled to his remuneration for the notice period. If it is the worker who gives notice, and he leaves work before the end of the notice period, he shall not be entitled to any remuneration for the period of absence and shall compensate the employer by paying him the equivalent of his own remuneration for that period. In this respect, an Order of the Minister of Labour has been promulgated in the 1st of February 1997 to establish committees to study the cases of termination or suspension of contracts of employment on the basis of the provisions of section 31 of the Labour Code.

If the contract of employment is for a specified period, it can be terminated before its expiry date by either the employer or the worker for any of the reasons set forth in section 29 of this Code (the work is different in nature from that agreed in the contract; conditions necessitating a change of residence; medical reasons...), the worker shall have the right to receive all his entitlements and benefits as stipulated by the contract. If the contract for a specified period is terminated by the worker for none of the reasons set forth above, the employer may claim damages from the worker.

However, the employer may not terminate the employment of a worker or give him/her notice if the worker is:

- a pregnant woman who has reached at least her sixth month of pregnancy, or a woman on maternity leave;
- performing military or reserve service;
- on annual or sick leave, on leave granted for worker education or pilgrimage or on leave agreed by both parties to take up trade union office or studies in a recognized institute, college or university.

EXTRAORDINARY TERMINATION

An employer may dismiss the worker without notice, if:

- the worker assumes false identity or submits false certificates or documents with the purpose of acquiring a benefit or causing prejudice to others;
- the worker fails to fulfill the obligations stipulated in the contract of employment;
- the worker commits a fault causing the employer considerable material damage, provided that the employer notifies the appropriate bodies of the accident within five days from the date on which he learns of its occurrence;
- the worker, in spite of receiving two written warnings, fails to observe the internal regulations of the establishment, including safety regulations;
- the worker is absent from work without good cause for more than twenty days intermittently, during any one year, or for more than ten consecutive days, provided that, prior to the dismissal, written notice is sent to his address by registered mail and published, at least once, in a daily local newspaper;
- the worker discloses work secrets;
- a court, in a final judgment, finds the worker guilty of a criminal offense or a misdemeanor involving dishonorable or immoral conduct;
- the worker is found at work in a manifest state of intoxication or under the influence of any drugs or psycho-tropic substances, or if he has committed, at the workplace, an act violating principles of moral conduct;
- the worker strikes or insults the employer, the manager in charge, a superior, a fellow worker or any other person in the course or on account of work.

PAID LEAVE

Every worker is entitled to annual leave with full pay for a period of fourteen days for every year of employment. This leave is extended to twenty one days where the worker has been in the employment of the same employer for five consecutive years. Official and religious holidays and weekly rest days shall not be counted as part of a worker's annual leave unless they fall in its course.

If a worker's employment is terminated for any reason before he uses up his annual leave, he shall be entitled to receive his remuneration for all remaining leave days. Any agreement by which a worker relinquishes his right to annual leave in full or in part shall be null and void.

MATERNITY LEAVE AND MATERNITY PROTECTION

Women workers are entitled to maternity leave with full pay for ten weeks including rest before and after delivery. Leave after delivery shall be no less than six weeks long and employment before the expiry of such a period shall be prohibited.

After expiry of the maternity leave period every woman worker is entitled, within one year of delivery, to take time off with pay for the purpose of nursing her newborn baby, provided that total time off does not exceed one hour a day.

Employers with at least twenty married women workers in their employment shall provide an adequate facility under the care of a trained nurse for the women workers' children under four years of age, if at least ten of them are in such an age group.

Every woman worker in an establishment employing ten or more workers is entitled to a maximum of one year unpaid leave to bring up her children. She has the right to be reinstated at the end of her leave, but she'll lose that right if she was engaged in gainful employment during that period.

According to section 29 of the Labour Code, a worker may leave his or her employment without given notice while preserving his legal rights to end of service indemnities and entitlements to damages, if:

1. he or she is employed in work markedly different in nature from that agreed in the contract of employment, unless it is for reasons stipulated in section 17 of this Code;
2. he or she is employed in conditions necessitating a change of residence, unless such a change is stipulated in the contract;
3. he or she is downgraded from the agreed level of employment;
4. his or her remuneration is lowered, unless it is for reasons stipulated in section 14 of this Code;
5. a medical report issued by a medical authority, proves that his or her work, if continued, could be hazardous to his health;
6. the employer, or the person acting on his behalf, strikes or insults the worker in the course or on account of his or her work.

Other laws, regulations, instructions and orders that affect the labour environment in Jordan include:

- Regulation No. 23 of 1966, as amended, which issues rules governing public service, defines individual labour relations, paid leave, compensation, temporary assignment and termination of service

- The Maritime Law of 1972 which governs maritime employment (seafarers contract of employment, advance payment withholding and authorised remittance of seafarer's wages)
- Order of the Minister of Labour to establish committees to study the cases of termination or suspension of contracts of employment on the basis of the provisions of section 31 of the Labour Law. This Order establishes committees in each governorate where there is a Directorate for work and employment, so as to study the cases of termination of contracts of employment for undetermined periods or cases of suspending such contracts for economic or technical reasons
- Regulation No. 36 of 1997 concerns work permit fees for non-Jordanian workers, issued under Article 12 of the Labour Code of 1996. This Act provides for fees to be paid by the employer for the delivery of work permits
- Regulation No. 56 of 1996 concerns labour inspection, promulgated under Article 7 of the Labour Code
- Industrial accidents and occupational diseases instructions of 1993, issued by the Social Security Authority, prescribe the procedures to be observed in the event of such accidents or diseases, and provide for medical assistance to victims and financial compensation for disability resulting from an industrial accident or the contraction of an occupational disease
- The Social Security Law No. 1 of 2014 provides for the establishment of the General Social Security Institution, which should provide social insurance for all workers under 16 with certain exceptions (seafarers, domestic servants, agricultural workers). It also deals also with labour injuries and occupational diseases, old age, disability and death benefits. The monthly social security deduction for the employee is 21.75%, where 7.50% is to be paid by the employee and 14.25% is to be paid by the employer.
- While other legislation exists, the Labour Law organises most subjects related to the labour environment. Employment is governed as well by an employment contract, which is drawn up in Arabic with two copies produced; if no such contract is made, the worker may establish his rights by all legal means of evidence. The duration of the employment contract is set by agreement of the parties. If the worker is employed for an indefinite duration, he shall be considered in service until his employment is terminated in accordance with the provisions of the Law.

All issues regarding social security can be found at the following web address –
<http://www.ssc.gov.jo>

VISA & WORK PERMITS FOR NON-JORDANIANS

Visa requirement	Visas are required for entry into Jordan
Issuing of visas	Visas are issued at Jordanian diplomatic missions abroad and at point of entry for some nationalities
Fees and length of stay	Fees and stay periods vary according to a visitor's nationality
Work permit requirement	Work permits are required
Work permits	Permits are issued by the Ministry of Labour
Work permit duration	One year

6 – TAXATION

INCOME TAX LAW

The new Income Tax Law No. (34) Of 2014 effective I January 2015.

Under the new tax law, individual's yearly tax exemptions are JD 12,000 singles and JD 24,000 for the family regardless of family numbers, a additional personal and family exemption of JOD 4,000 on Medical Expenses, University Education Expenses and Interests paid on Housing Loans, Housing rent, technical services, engineering services, legal services provided that supporting documents and invoices are available and to be granted on a case by case basis after reviewing the related supporting documents by the Income Tax Department.

Personal income tax rate as follow:-

Taxable Income (JD)	Rate
0 – 10,000	7%
10,001 - 20,000	14%
20,000+	20%

As far as corporate income tax is concerned, the rates are as follows:

- 14% for the industrial sector.
 - 24% for the main telecommunications companies, insurance and reinsurance companies, financial intermediation and brokerage firms, and financial companies, and corporate taxpayers who undertake financial leasing activities.
 - 35% for banks
 - 20% for other companies (not specifically mentioned above).
- Income generated from agricultural activities in the Kingdom is now fully exempt from personal and corporate income tax.
 - Assessed tax losses may only be carried forward for a period of 5 years (following the year in which the loss arose).
 - Resident service providers remain subject to withholding tax at 5%(on certain services).
 - Services performed by a non-resident service provider are subject to withholding tax of 10%.
 - The Jordanian tax authorities will continue to apply the provisions of previous tax laws for the respective periods in which the income arose

TREATIES FOR THE PREVENTION OF DOUBLE TAXATION

- Arab Countries: Algeria, Bahrain, Egypt, Kuwait, Lebanon, Morocco, Oman, Syria, Tunisia, and Yemen.
- Non-Arab Countries: Azerbaijan, Bulgaria, Canada, Croatia, France, Holland, India, Indonesia, Iran, Malaysia, Pakistan, Poland, Romania, South Korea, Turkey, United Kingdom and Ukraine.

CUSTOMS LAW

Customs Law No. (20) Of 1998

All imported goods are subject to custom duty, except those specifically exempted. Rates of duty vary according to the importance of the item to the national economy. Essential commodities and various raw materials attract relatively low rates of duty, while luxury goods attract higher rates.

Under the prevailing Import Tariff Schedules, valid since 1989, a high tariff rate is imposed on luxury goods and on major categories of consumer goods. However, in order to stimulate export production, import tariffs are low on many raw materials, machinery and semi-finished goods.

To secure tariff exemptions, businesses must document that the raw materials to be imported will be used in export production, maintaining at least 40% Jordanian value-added content.

The Director General of Customs may grant temporary admission status to certain goods such as heavy machinery and equipment used to implement government projects or important projects which have obtained government approval. Foreign construction companies operating alone or with a Jordanian partner can apply for this temporary admission status.

Customs play an important role in investment and trade. Jordanian laws provide the investor with total customs exemptions on imported fixed assets, ease of licensing and registration procedures, and freedom from customs duties for export industries on imported raw materials.

However, customs procedures in Jordan have historically been a major impediment to free trade. Overlapping areas of authority and excessive signature clearances on paperwork for shipments remain unchanged. Actual commodity appraisal and tariff assessment practices often differ from the written regulations. Discretionary decisions are sometimes made about certain cases that are subject to conflicting instructions and regulations.

In cooperation with the USAID-funded AMIR Program (Achievement of Market-Friendly Initiatives and Results), the Jordanian Customs Department worked for more than a year and a half on upgrading customs services. This program will strengthen the national economy through providing an excellent civil service system for various sectors dealing with the Customs Department. It will also reinforce the principle of real partnership between customs and the private sector, based on joint responsibility and mutual cooperation. The Program further aims at enhancing the trust in the Jordanian investment environment by facilitating the procedures of goods movement across borders, especially with regard to Jordanian exports.

INTELLECTUAL PROPERTY LAW

Intellectual property rights (IPR) protection can be considered as a powerful tool for economic growth in many sectors.

In Jordan, for example, recent intellectual property reforms have greatly benefited the country's economy in general and its pharmaceutical sector in particular. Jordan's pharmaceutical sector has gained new export markets and has started to engage in innovative research as a result. New health sectors, such as contract clinical research, have emerged, and health-sector employment has grown as well.

Jordan joined the World Trade Organization (WTO) in 2000, becoming its 136th member. In 2001, it entered the US-Jordan Free Trade Agreement (FTA), the first such agreement between the United States and an Arab trading partner. Through these agreements, the government of the Hashemite Kingdom of Jordan continued a process of comprehensive economic reforms that had been underway for about a decade. In fact, Jordan passed several new laws to improve protection of intellectual property rights prior to its accession to the WTO.

Laws consistent with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) now protect trade secrets, plant varieties and semiconductor chip designs in Jordan. Registration of copyrights, patents and trademarks is required. Copyrights are registered at the National Library and patents are registered with the Registrar of Patents and Trademarks, which is part of Jordan's Ministry of Industry and Trade. Jordan has signed the Patent Cooperation Treaty and the protocol relating to the Madrid Agreement concerning the registration of marks, but ratification was still pending in early 2005. Jordan has also acceded to the World Intellectual Property Organization (WIPO) treaties on copyrights (WCT) and performances and phonograms (WPPT). There has been considerable debate about the importance of intellectual property (IP) laws in encouraging investment, in particular FDI. Understanding the relationship between IP and investment requires a comprehensive analysis, but for our purposes a brief evaluation of the correlative capacity of the two factors is sufficient.

Having a proper IP system will enhance the overall business environment in Jordan; it will allow Jordan a more comprehensive approach to bettering its business environment. Part of this approach is recognising that there are some types of investments that are more sensitive to the level of IP protection than others. This means that higher standards of IP protection could generate more investments in certain industries and the absence of a certain level of IP protection might be a major impediment to these industry investments. The main beneficiaries of higher standards of IP protection are those industries that depend on IP to boost their development. Pharmaceuticals and chemicals, information and communication technologies (ICT), and integrated circuits' designs are examples of business activities that are highly affected by the level of IP protection. Even within the same industry there are certain activities that seem to be more sensitive to IP protection than others. For example, in the pharmaceutical sector, research and development (R&D) seems to receive more attention than sales and distribution. It is expected, therefore, that any investor in the aforementioned areas would expect a certain level of IP protection in order to start his own business in a given country.

In establishing a sound investment environment which includes IP protection, three considerations should be kept in mind. The first is that it is not enough to have IP laws and regulations without having a proper enforcement system. In other words, it is important to introduce an IP system which is efficient in its three components; legislation, administration, and enforcement. The second is that it is not enough to have a strong IP system in order to attract investments. The investment climate consists of a wide range of economic, political, social and legal elements, and all these should be consistent and attractive to investors. The third consideration is related to other industries which are seemingly immune to the level of IP protection such as textiles. These industries do not seem bothered about the level of IP protection because it's not a major element in their production.

Finally, it should be noted that the current standards of IP protection in Jordan might be problematic in some areas. The rush to adopt these laws and accelerate their maturation to levels found in developed countries raises a series of questions regarding their effects on vital sectors such as public health and education. Another issue is whether developing countries should adopt standards of IP protection consistent with their level of economic and technological development and gradually improve these alongside their economic capacity. This point of view should be taken seriously by Jordanian policy makers in any further steps to increase the level of IP protection. Another serious issue is the cost of enforcing IP laws. It is widely accepted that enforcing such laws is a costly process that requires huge financial and human resources. This could only be justified if the economy can achieve benefits that would outweigh these costs.

COMPETITION LAW

Competition plays a major role in developing the business environment.

The importance of competition is derived from the fact that it is mainly based on market freedom, which is vital for the growth of businesses. Despite the importance of competition, Jordanian policy makers were not, until recently, concerned about developing a legislative framework to develop this area. However, things have changed and there is now considerable attention being paid towards the importance of competition. This has taken the form of legislative and institutional activities.

The legislative activities related to competition are the promulgation of two laws. The first is the Unfair Competition and Trade Secrets Law No. 15 of 2000. The second is the Competition Law No.33 of 2004. The Competition Directorate within the MIT is responsible for the implementation of these competition laws and ensuring that all commercial practices are consistent with its provisions.

The overall effects of competition on investment need deeper analysis but one can suggest that generally the existence of sound legal organisation should enhance the business environment and attract more investments. For foreign investors there are certain areas where competition law is significant. In particular, merger and acquisition practices are highly affected by competition and anti-trust rules. Thus, it should be noted that a comprehensive analysis of the importance of competition policies on investments is required.

ENVIRONMENTAL LAW AND POLICY

Jordanian policy makers should be aware of the importance of the environmental dimension in the business climate.

Although environmental concerns might not affect all economic activities, it still remains important to bear in mind concerns about the appropriateness of certain investments as regards environmental policy.

The environmental dimension should be considered carefully while designing a sustainable development strategy. One should not ignore the facts that affect Jordan in this regard. For example, the agricultural area in Jordan is almost 3.1 million dunums, representing 4% of the total area of the Kingdom, with forests covering no more than 760,000 dunums. The country also has scarce water resources which depend mainly on rainfall. The quality of water is easily affected by industrial and agricultural waste, and by wastewater treatment plants.

It should also be noted that water allocation policy in Jordan implies that 20% of total consumption is for potable use, 79% for irrigation and 15% for industrial purposes. Investment strategies must take into account these allocations and other environmental realities when generating policy.

There is a complicated relationship between investment and the environment. It is the joint responsibility of public and private institutions to reach an ideal situation regarding the best practices in terms of attracting more investments while protecting the environment.

Currently there is a set of laws and regulations governing environmental issues. The Environment Protection Law No. 52 of 2006 is the primary legislation which organises the environmental issues in Jordan. There are other regulations which organise specified areas such as water protection, air protection, nature protection and environmental impact. This legislative framework is essential to preserve the environment in Jordan and might affect the investment process in some cases. This suggests that policy makers should pay some attention to the relationship between investment and environmental law and policy.

7 – ACCOUNTING & REPORTING

International standards in accounting and auditing were adopted in 1990 by Jordan's Association of Certified Public Accountants (JACPA). All parties are required to maintain their records accordingly.

JACPA is the sole party able to license external auditors through examinations prepared for this purpose.

Having adopted international standards on accounting and auditing since 1990, all accounts have to be in accordance with international standards and the auditor has to state this clearly in his report.

The General Assembly of a Public Shareholding Company, a Limited Partnership in Shares, a Limited Liability Company and a Private Shareholding Company, must elect one or more licensed auditors (from amongst licensed auditors) for one renewable year, and shall determine their remuneration or authorise the Board of Directors to determine such remuneration. The Company shall inform the elected auditor by writing within fourteen days from the date of his election.

A General Partnership, whose capital is JOD 100,000 or more, shall undertake to appoint a licensed auditor to be elected by the majority of the partners. All associations, clubs and unions are required to appoint external auditors to check their accounts and report to the general assembly.

All companies and establishments registered under the laws of Free Zone or Aqaba Special Economic Zones are required to appoint an external auditor to check their accounts and report to the general assembly.

Should the auditor fail, for any reason whatsoever, to perform the duties and responsibilities vested in him in accordance with the provisions of the Law, then he/she must, prior to declining the auditing of the company accounts, submit to the Controller a written report and a copy thereof to the Board of Directors. This report shall include the reasons hindering his work or preventing him from performing his duties. The Controller shall resolve these reasons with the Board of Directors. If the Controller fails to do so, then he must put the issue before the General Assembly at the first meeting held by it.

8 – UHY REPRESENTATION IN JORDAN

UHY ARAB AUDITORS

P.O. Box 2879
 Amman 11181
 Jordan
 Phone +962 6 55 11 779
 Website www.arabauditors.com
 Email info@arabauditors.jo
 Contact Nabil Haddad

CONTACTS

Liaison contact: Nabil Haddad
 Position: Managing Partner
 Email: nih@arabauditors.jo

SOCIAL MEDIA CONNECTIONS

- Facebook: www.facebook.com/pages/UHY-Arab-Auditors/243452562354559

Year established: 1979

Number of partners: 3

Total staff: 23

BRIEF DESCRIPTION OF FIRM

The main services provided by our firm include audit (external and internal), tax, consulting and financial advisory services. UHY Arab Auditors believe that quality in everything we do with complying with law and the Code of Ethics, high professional standards and best practices. As of 1 January 2015, we had added a new service line which is Intellectual Property & Trade Mark registration.

As economic challenges become one of the most important issues in our country, as major changes happened to laws in relation with economic such as Income and Sales Tax, UHY Arab Auditors decided to tailor its services to clients to help them enhancing their respond to these changes and to let them get the right information whenever they need it.

UHY Arab Auditors have teams of experienced auditors were they apply the highest standards of professional integrity, objectivity, independence and technical excellence to all our activities.

SERVICE AREAS

Internal audit and review of internal controls
 Income & sales tax consultations.
 Compilation of financial statements and other financial reports
 Special purpose audits.
 Operational audits.
 Valuation of business.
 Review
 Compliance auditing
 Intellectual Property
 Trade Marks

PRINCIPAL OPERATING SECTORS

Chemicals
 Construction
 Educational Services
 Engineering
 Industrial Products

Trading Companies

LANGUAGES

Arabic and English.

CURRENT PRINCIPAL CLIENTS

Nestle – Jordan
 Ghadeer Water
 Caterpillar – Jordan & Palestine
 Cozmo Grand Stores
 Dana Plaza Hotel, Amman
 Cambridge School – Jordan
 Jordan Economic & Development - Comedat
 E.Construct
 Morgan International - Jordan
 World Wide Hearing
 Jordan Industrial Petrochemical Co.
 Jordan Insecticides & Agro-treatment Manufacturing Co.
 Construction Management Association

BRIEF HISTORY OF FIRM

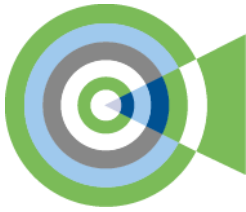
Ibrahim Shaddad founded Shaddad Public Accountants in 1979 to provide audit and bookkeeping services to the Jordan market.

The firm became a partnership in 1992 when Omran Tillawi and Nabil Haddad, after six years with the firm, became partners. Ibrahim Shaddad changed his professional direction at this time to law, gaining a his law degree from Jordan

National University and registering to practice law with the Lawyers Association. He now has his own law office but continues as a silent partner with the firm.

Following five years with the firm, Munir Qawasmi became a partner in 2003 and the firm changed its name to Arab Auditors.

The firm joined UHY in 2009, at the same time re-branding and changing its name to become UHY Arab Auditors.



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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