

DOING BUSINESS

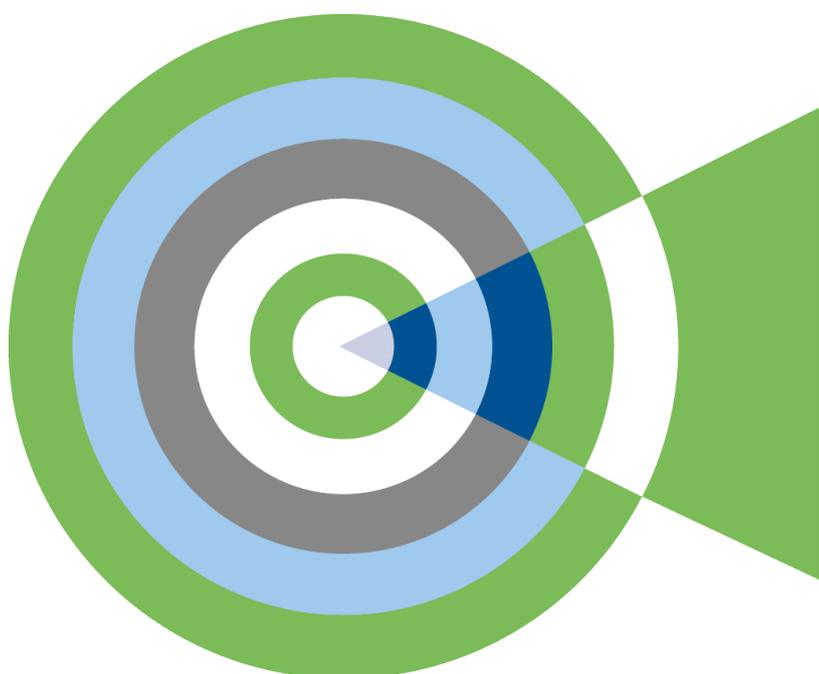
IN JORDAN



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 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:

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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 July 2023.

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 Dr Omar Al-Razzaz. 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 2018	11.11 million
Population less than 15 years of age	34.4%
Population age 15-64 years of age	62.0%
Population age 65 and above	3.6%

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.

GPD

GDP (official exchange rate)	\$ 45.34 billion
GDP (Real growth rate 2021)	2. %
GDP (Per capita 2019)	\$ 4,270
GPP (Per Capita PPP)	\$9,431

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: 428 K

Telephones - mobile cellular:

Total: 7.6 million

Internet users:

Total: 6.9 million

Country code: JO

BANKING AND FINANCIAL SERVICES

Jordan enjoys a very well-developed banking sector by regional standards with a wide array of business, investment, and retail services. Both local and international banks are operational and growing in Jordan.

There are 25 banks in Jordan: 16 Jordanian banks out of which 3 are Islamic Bank and 9 non-Jordanian Banks.

Whereas the Amman Stock Exchange is modern and enjoys no taxes on capital gains, no taxes on cash dividends, free repatriation of investment and income, no ceiling on foreign equity ownership and privatization. With a comprehensive legal Infrastructure, internationally compliant financial environment, and a modern and well-established stock market, your investments are bankable, and your profits will grow.

Jordan enjoys a comprehensive Legal Framework (Central Bank of Jordan Law, Banking Law and Anti-Money Laundering and Combating Financing of Terrorism Law, the Money Exchange Business Law, The Public Debt Law, Foreign Currency Control Law, Electronic Transactions Law).

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 because 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. Overall; 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	7,999 KM
Railways	897 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, Jabal Amman and Abdali Boulevard.
- 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 2023

Holidays with vacation days:

New Year's Day	1 January 2023
Hijra New Year	18 July 2023*
Birthday of Prophet Mohammed	27 September 2023*
Labour Day	1 May 2020
Independence Day	25 May 2023
Eid al-Fitr	21-24 April 2023*
Eid al-Adha Al-Mubarak	28 June - 1 July 2023*
Christmas Day	25 December 2023

* Indicates approximate lunar dates

3 – FOREIGN INVESTMENT

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

The Ministry of Investment organizes the work of development zones and free zones throughout the Kingdom which are dedicated to various fields of business and industries and are equipped with the investor's needs from infrastructure to services. These areas are supervised by development companies that work on developing the infrastructure and facilitate the work of investors. Moreover, the development areas aim to distribute the economic development gains and create job opportunities through creating a competitive advantage for each area based on specialization and providing an integrated system of services to investors that support the growth and development of companies. Free zones also promote Jordan's position commercially by facilitating the transit of goods and stimulating economic movement.

Why to invest in Jordan

- Investment Incentives and Tax Exemptions
- Strong Banking and Financial Institutions
- Education Excellence and Labour Market
- Development and Free Zones
- Macro-Economy
- Market Access
- Ease of Doing Business
- Modern Infrastructure
- Quality of Life

The Comprehensive Investment Service

The Comprehensive Investment Service at the Investment Ministry, or the One-Stop window, is one of the most important means of empowering local and foreign investments by simplifying registration and licensing procedures for investment projects that benefit from the Investment Law.

The Comprehensive Investment Service includes fully authorized representatives of the government authorities concerned who have the authority to issue approvals and licenses for investment projects, as well as qualified staff from the Ministry for procedure facilitation and follow-up.

- **Services provided by the Comprehensive Investment Service:**
 - Provide information and technical advice to investors.
 - Register companies and sole proprietorships within and outside the development zones.
 - Issue the licenses and the approvals necessary for economic activities to conduct their business and issue licenses to practice economic activity within the development zones.

- **Objectives of the Comprehensive Investment Service:**

- Enhance confidence in Jordan's investment environment by providing data, information and facilities for the establishment of investment projects.
- Streamline procedures and shorten the number of days required to issue the approvals and licenses necessary for investment projects.
- Contribute to strengthening the status of local and foreign investments through diligent follow-up on their requirements, overcoming all difficulties, and providing support.

- **Parties concerned with the registration and licensing of investment projects that are represented at the Comprehensive Investment Service:**

- **Registration of private companies and sole proprietorship:**

- Ministry of Industry and Trade
- Companies Control Department
- Income and Sales Tax Department
- Amman Chamber of Industry
- Amman Chamber of Commerce

- **Regulatory and Environmental Licenses:**

- Greater Amman Municipality
- Ministry of Municipals Affairs
- Ministry of Environment
- Department of Land and Survey

- **Sectoral Licenses:**

- Ministry of Tourism and Antiquities
- Ministry of Agriculture
- Food and Drug Administration
- Ministry of Health

- **Security Approvals:**

- Ministry of Interior

- **Work Permits:**

- Ministry of Labor

- **Licensing Guide for investment projects:**

The Comprehensive Investment Service provides a "licensing guide" that outlines the procedures for processing investment projects, starting from the registration process through all the requirements for issuing the regulatory and sectoral approvals and licenses. The Ministry also provides a services guide that provides a directory of the services and advantages granted to investment projects covered in the Investment Law

- **Work permit and related work:**

It is mandatory for any non-Jordanian worker legally residing in the Kingdom to work for an employer in the Kingdom.

An investor may submit an application to the Ministry for any of the following services:

- Import labour.
- Replace labour.
- Renew work permits.
- Employment permit
- Transfer of sponsorship
- Change of profession
- Grant residence

4 – SETTING UP A BUSINESS

A- TYPES OF COMPANIES

1. GENERAL PARTNERSHIP COMPANY

The company is made up of not more than twenty natural partners, provided that each of them is over eighteen years of age.

General Partners

Partners responsible for managing the company and its activities and are jointly responsible for the company's private properties, debts and liabilities.

2. LIMITED PARTNERSHIP COMPANY

The company is made up of two types of natural partners; any one of them could be over or below eighteen years of age. The partners who are over eighteen years of age are known as general partners and are responsible for managing the company and its activities. The limited partners contribute to the company's capital only and have no right to interfere in the company's management or activities.

3. LIMITED LIABILITY COMPANY

The company is made up of two or more people, the liability of the partner being in accordance with his capital shares.

4. PUBLIC SHAREHOLDING COMPANY

The company is made up of no less than two founders, the liability of each being in accordance with his/her capital shares. The Minister alone, with the recommendation of the Controller, can approve the registration of a one-person public shareholding company.

Limited Partners

Partners who contribute to the capital without having the right to manage the company or its activities. The liability of each partner is determined according to his/her capital shares in the company.

5. OPERATING FOREIGN COMPANY

It is a company of a non-Jordanian nationality registered outside the Kingdom with its head office in another country. A branch of this company can be registered in the Kingdom for the purpose of executing contracts given to it by a Jordanian person or organization. There are no restrictions on the nature of the contractors. They can be a government party or individuals. An example is construction contracts.

6. NON-OPERATING FOREIGN COMPANY

A regional office located in the Kingdom for the purpose of managing the foreign company's business in the region in coordination with the company's head office.

7. LIMITED LIABILITY COMPANY – ONE PERSON

A limited liability company made up of one person. This type of company can be registered only with the approval and recommendation of the Minister.

8. LIMITED BY SHARES PARTNERSHIP COMPANY

A limited liability company made of at least five partners, a minimum of two general partners and of three limited partners. The general partners are jointly responsible for the company's debts and liabilities and their personal funds are subject to accountability. Each of the limited partners is accountable for the company's debts in accordance with his capital shares.

9. HOLDING COMPANY

A public shareholding company founded for the purpose of acquiring shares in other companies, managing them, extending loans, guarantees and financing. The company could invest its funds in shares, bonds and securities. The company could own more than half of the capital of subsidiary companies and/or have authority over the selection of their Boards of Directors.

10. JOINT INVESTMENT/MUTUAL FUND COMPANY

A public shareholding company registered in a separate register in the Companies Control Directorate for the purpose of investing its funds and funds of others in securities per the Securities Law.

11. EXEMPT COMPANY

A company that is either a public shareholding company or a limited liability company and, according to the law, is registered as a Jordanian company that carries out its business outside Jordan. The term "exempt" is added to its name.

B- COMPANY CAPITAL**1. REGISTERED CAPITAL**

The company's capital declared in the company's establishment contract and internal bylaws. It is the maximum capital value that can be increased during the company's duration.

2. AUTHORIZED CAPITAL

The company's capital required for the purpose of registering the company only.

3. CASH SHARES

The partner's capital share in return for cash paid into the company's capital.

4. IN-KIND SHARES

The partner's capital share in return for in-kind shares contributed to the company's capital.

5. CAPITAL VALUE IN CASH

The total value of shares paid in cash into the company's capital.

6. CAPITAL VALUE IN-KIND

The total value of in-kind shares contributed to the company's capital.

7. THE NUMBER OF SHARES OFFERED FOR PUBLIC UNDERWRITING

The registered capital offered for underwriting. This applies to public shareholding companies only.

C- CLASS OF COMPANY

The company class can be defined according to its type, where each class has its own set of conditions. The following are the classes of companies permissible by law:

- Regular
- Civil
- Exempt
- Non-profit
- Holding
- Joint investment/ mutual fund

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 fulfil 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 misdemeanour involving dishonourable 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 and its amendments 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 Income Tax Law No. (34) Of 2014 amended by Law No (38) of 2018 effective 1 January 2019.

The modifications were published in the Official Gazette on 2 December 2018.

The New Income Tax Law affects a broad range of tax aspects applicable to corporations and individuals. This includes changes to corporate income taxes, withholding taxes, personal income taxes, penalties, and taxation in the Development Zones and Free Zones. The New Income Tax Law also imposes a new national contribution tax that will be levied upon the income of corporations and certain high-earning individuals in conjunction with income taxes.

This Alert summarizes the key changes.

1- Individuals' income tax

Individuals income tax exemption

Details	Annual exemptions (JOD)
Personal exemption	9,000
Dependents exemption	9,000
Additional exemptions for medical expenses, educational expenses, rent and home loan interest	1,000 for the individual, 1,000 for the spouse, and 1,000 for each child up to 3,000

Individuals' income progressive tax rate table

Taxable Income (JD)	Rate
0 – 5,000	5%
5,001 – 10,000	10%
10,001 – 15,000	15%
15,001 – 20,000	20%
20,001 – 1,000,000	25%
1,000,000 +	30%

- National contribution tax rate is 1% will be imposed on the taxable income of individuals exceeding JOD 200,000.

2- Corporates' income tax

Industrial sector

Tax year	Industrial, pharmaceutical and clothing	All other industrial activities	National Contribution
	Tax Rate	Tax Rate	Rate
2019	10%	15%	1%
2020	14%	16%	1%
2021	16%	17%	1%
2022	18%	18%	1%
2023	19%	19%	1%
2024	20%	20%	1%

Other sectors

Sector	Tax rate	National Contribution
Banking	35%	3%
Electricity generation	24%	3%
Basic mining companies	24%	7%
Finance, financial intermediary and financial leasing	24%	4%
Telecommunication	24%	2%
Insurance and reinsurance	24%	2%
Other sectors	20%	1%

3- Development Zones and Free Zones Income tax

- Income tax at rate of 5% is applied on manufacturing companies registered in Development Zone that has an in country added Value for not less than 30%.
- Other companies registered in Development Zones shall be taxed at 10%.
- Companies registered inside Free zones became taxable in Jordan in relation to its activities inside the free zone and taxed using the same tax rates applies to other similar Jurisdiction persons (entities) in Jordan.

4- Transfer pricing

1- Types of documentation required:

The disclosure file must contain details about the type of related party transaction must be included (e.g., purchase or sale of goods, fixed assets, or provision or receipt of services, agency services, lease agreements, financing of research and development, royalty and license agreement and financial transactions). The transfer pricing disclosure form must also include details about the transfer pricing method used, the taxpayer's acknowledgement of whether transactions were conducted without payment (i.e., non-cash consideration) during the tax period, and a statement regarding the maintenance of the master file and local file.

The local file must contain specific information on related party transactions, such as a description of the related party transaction, the amount of intra-group payments and receipts for each category of related party transaction involving the taxpayer, the identity of the related party involved in a related party transaction, copies of all intercompany agreements reached by the taxpayer, detailed comparability and functional analysis of the taxpayer and related parties, an indication of the related party involved in the related party transaction, and any other related party information that may be relevant, and shall contain financial data, such as annual financial statements for the taxpayer's fiscal year, information and allocation schedules illustrating the use of financial data in determining the transfer pricing method, and a summary of schedules of pertinent financial data for comparable used in the analysis.

The master file shall include a description of the group's operations, including key drivers of business profit, a description of the supply chain for the group's largest product and service offerings by turnover plus any additional products and services accounting for more than 5% of group turnover, a list and a brief description of significant service agreements as well as other arrangements between group members, the primary geographic markets for the group's products and services, a functional analysis of the group's operations, and any other information that is relevant to the group, and should include details about the group's intangible assets, such as a list of intangibles, significant agreements reached between relevant parties, transfer pricing guidelines, and group policies for managing and transferring such assets. Additionally, it must include details on the intercompany financial activities of the group, a general description of the group's financing, identification of any group members who are thought to perform the central financing function, and transfer pricing guidelines pertaining to financing agreements between related parties.

2- Deadline to prepare and submit documentation:

Disclosure form: Must be presented by the deadline for filing the tax return.

Master File and Local File: Keeping this document with the transfer pricing disclosure form will allow it to be submitted when the Income and Sales Tax Department asks for it.

Country-by-Country Report: Notifications must be made by the deadline for filing the tax return, and the CbCR itself must be submitted within a year after the year's end. Criteria for international organizations with headquarters in Jordan and outside of Jordan and aggregated sales of more than JOD 600 million

For natural persons and small businesses with related-party transactions valued at less than JOD 500,000 at arm's length, an exemption is offered.

3- Return disclosure related party disclosure:

A "Disclosure Form" must be submitted by the taxpayer each year along with their income tax return. The Disclosure Form will contain specifics on the related party transactions of the taxpayer.

4- Statute of limitations:

4 years following the year these transactions were recorded.

5- Burden of proof:

If transaction is comparable, burden of proof is on Income Tax Department. In case comparing is with foreign transactions, burden of proof is on the taxpayer.

6- Principal differences with OECD guidelines:

The Organization for Economic Co-operation and Development (OECD) criteria are substantially reflected in the Regulations' comprehensive definition of Related Persons. Yet, it is important to note that according to the regulations, two people are considered related if they are under the same common control or if one has effective control over the other.

CUSTOMS LAW

Customs Law No. (20) Of 1998 and its amendments

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.

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 JORDAN



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- LinkedIn: <https://www.linkedin.com/in/arab-auditors-b69740153/>

Year established: 1979
Number of partners: 3
Total staff: 27

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 many laws in relation with economic such as Income and Sales Tax, UHY Arab Auditors decided to tailor its services to clients to help them enhance their response to these changes and to let them get the right information whenever they need it.

UHY Arab Auditors have teams of experienced auditors where 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



The network
for doing
business



UHY ARAB AUDITORS JORDAN



PRINCIPAL OPERATING SECTORS

Industry & Manufacturing Sector
Mining Including the Phosphate Mining.
Sports & entertainment
Consultations
Construction
Hotels
Schools
Freight & shipping

LANGUAGES

Arabic and English.

CURRENT PRINCIPAL CLIENTS

Caterpillar – Jordan
Cozmo Grand Stores
Dana Plaza Hotel, Amman
Cambridge School – Jordan
Jordan Economic & Development - Comedat
Morgan International - Jordan
Bread for the World
Jordan Industrial Petrochemical Co.
Jordan Insecticides & Agro-treatment Manufacturing Co.
Construction Management Association
Qudurat Invest Holding Co.

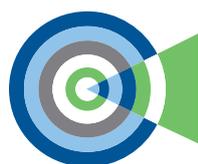
BRIEF HISTORY OF FIRM

Established in 1979, providing audit, tax, accounting and intellectual property services. Located in Amman, Jordan

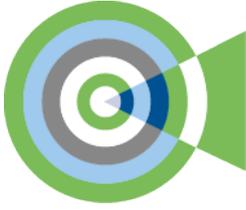
The firm became a partnership in 1992 when Omran Tillawi and Nabil Haddad, after six years with the firm, became partners. Ibrahim Shaddad changed his professional direction at this time to law, gaining a his law degree from Jordan National University and registering to practice law with the Lawyers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



The network
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