**International Tax**

**Jordan Highlights 2019**

Updated April 2019

**Investment basics:**

- **Currency** – Jordanian Dinar (JOD)
- **Foreign exchange control** – No
- **Accounting principles/financial statements** – IFRS applies. Financial statements must be filed annually.
- **Principal business entities** – These are the public and private shareholding company, limited liability company, partnership and branch of a foreign entity.

**Corporate taxation:**

- **Residence** – Jordanian tax law does not define residence for tax purposes, but a company that is registered in Jordan is deemed to be resident. For a foreign entity to operate for any period of time in Jordan, even for one day, it must be established and registered with the authorities.
- **Basis** – Resident companies are taxable on income sourced in Jordan.
- **Taxable income** – Income derived from Jordanian sources is taxable.
- **Taxation of dividends** – Dividends and shares distributed by Jordanian resident entities to other entities are exempt from income tax. However, dividends received by banks, primary telecommunication companies, basic material mining companies, insurance companies, reinsurance companies, brokerage companies, financial companies and legal persons engaged in financial leasing activities are taxable at the corporate income tax rate for the sector.

**Capital gains** – Capital gains derived from Jordanian sources are exempt from income tax except for those realized (i) on depreciable assets; (ii) from the sale of shares in a legal entity; and (iii) from the sale of shares in information technology institutions and companies that are realized after 15 years from the date of their establishment or 1 January 2019, whichever is earlier.

**Losses** – Losses approved by the tax authorities may be carried forward for up to five years. The carryback of losses is not permitted.

**Rate** – The standard corporate income tax rate for most sectors is 20%. The rate is 35% for banks and 24% for primary telecommunications companies, electricity generation and distribution companies, mining companies, insurance and reinsurance companies, financial brokerage companies and financial institutions and juristic persons conducting financial leasing activities. Reduced corporate income tax rates apply for the industrial sector for the period 2019-2023. The rate is 15% for 2019 (10% for pharmaceutical and clothing manufacturing companies) and increases annually until it reaches 20% (the standard rate) in 2024.

In addition to the corporate income tax, as from 1 January 2019, companies are subject to a new “national contribution tax” ranging from 1% to 7%, which is collected by the tax authorities and will be used to repay Jordan’s public debt.

The following table summarizes the 2019 corporate income tax and national contribution tax rates for the various sectors:
### Sectoral Income Tax Rates

<table>
<thead>
<tr>
<th>Sector</th>
<th>2019 Corporate Income Tax Rate</th>
<th>2019 National Contribution Tax Rate</th>
<th>Total 2019 Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>35%</td>
<td>3%</td>
<td>38%</td>
</tr>
<tr>
<td>Electricity distribution and generation companies</td>
<td>24%</td>
<td>3%</td>
<td>27%</td>
</tr>
<tr>
<td>Basic material mining companies</td>
<td>24%</td>
<td>7%</td>
<td>31%</td>
</tr>
<tr>
<td>Financial brokerage companies, financial companies and legal persons engaged in financial leasing activities</td>
<td>24%</td>
<td>4%</td>
<td>28%</td>
</tr>
<tr>
<td>Telecommunications, insurance and reinsurance companies</td>
<td>24%</td>
<td>2%</td>
<td>26%</td>
</tr>
<tr>
<td>Drug and clothes manufacturing companies</td>
<td>10%</td>
<td>1%</td>
<td>11%</td>
</tr>
<tr>
<td>Other industrial companies</td>
<td>15%</td>
<td>1%</td>
<td>16%</td>
</tr>
<tr>
<td>Other sectors (standard rate)</td>
<td>20%</td>
<td>1%</td>
<td>21%</td>
</tr>
</tbody>
</table>

#### Surtax – No
#### Alternative minimum tax – No
#### Foreign tax credit – No
#### Participation exemption – No
#### Holding company regime – No
#### Incentives – Tax incentives are available, including for certain companies registered in “development zones.”

### Withholding Tax:

#### Dividends – No, but see Islamic financing considerations under “Interest,” below.

#### Interest – The withholding tax on interest paid to a nonresident is 10%. The rate may be reduced under a tax treaty.

Banks and financial institutions, licensed companies permitted to accept deposits and specialized lending institutions in Jordan are required to withhold 7% on interest from deposits, commissions and profit participations of Islamic banks in the investment of such deposits (5% for payments to individuals). Such withholding is considered a final tax for individuals and a payment on account for legal persons.

#### Royalties – The withholding tax on royalties paid to a nonresident is 10%. The rate may be reduced under a tax treaty.

#### Technical service fees – The withholding tax on technical service fees paid to a nonresident is 10%. The rate may be reduced under a tax treaty.

#### Branch remittance tax – The income tax law that was published on 2 December 2018 and effective from 1 January 2019 does not address whether branch remittances are taxable, and the government is expected to provide additional instructions on this matter.

#### Other – Management fees paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

Fees paid to local providers of certain services are subject to a withholding tax of 5%. This tax is considered a payment on account for the service providers and may be offset against their annual income tax liability when filing their annual income tax returns for periods up to four years from the date of withholding.

### Other Taxes on Corporations:

#### Capital duty – No

#### Payroll tax – Payroll tax is withheld by the employer from monthly compensation at progressive rates ranging from 5% to 30%.

#### Real property tax – A property tax is levied at a rate of 15% of the estimated annual rental value.

#### Social security – The employer contributes 14.25% of an employee’s salary and the employee contributes 7.5%. The maximum monthly salary subject to social security contributions is JOD 3,186. The employer is required to withhold and report contributions on a monthly basis.

#### Stamp duty – Contracts signed in Jordan are subject to a stamp duty fee of 0.3% of the contract value. Contracts signed with a governmental body or with public shareholding companies are subject to a stamp duty fee of 0.6% of the contract value.

#### Transfer tax – No

### Anti-avoidance Rules:

#### Transfer pricing – Jordan does not have a formal transfer pricing regime or documentation requirements. However, the tax law requires all transactions between related parties to be based on arm’s length terms.

#### Thin capitalization – All interest and “murabaha” (a form of Islamic financing) profits paid or accrued to unrelated persons are fully tax deductible. Interest and
murabaha profits paid or due to related persons (including capitalized interest) on debt exceeding a 3:1 debt to equity ratio (i.e. total debt to paid-up capital or the average equity interest, whichever is greater) cannot not be deducted or carried forward.

Controlled foreign companies – No

Disclosure requirements – No

Compliance for corporations:

Tax year – Calendar year or fiscal year

Consolidated returns – Consolidated returns are not permitted; each company must file its own return.

Filing requirements – Companies must file a tax return within four months of the end of the accounting period, and tax is payable with the return. In certain cases, tax may be paid in installments.

Penalties – Late payment fees are imposed at 0.4% for each week of delay. A penalty of JOD 1,000 applies for late filing by public and private shareholding companies; the penalty is JOD 300 for other types of companies.

Rulings – No

Personal taxation:

Basis – Resident and nonresident individuals are taxed only on income sourced in Jordan.

Residence – An individual present in Jordan for 183 days or more in a calendar year is treated as a resident for tax purposes.

Filing status – Joint assessment of spouses may be requested.

Taxable income – Most income of individuals is subject to tax.

Capital gains – Jordan does not tax capital gains except for those realized (i) on depreciable assets; (ii) from the sale of shares in a legal entity; and (iii) from the sale of shares in information technology institutions and companies that are realized after 15 years from the date of their establishment or 1 January 2019, whichever is earlier.

Deductions and allowances – Personal and family exemptions are JOD 10,000 and JOD 20,000 per year for 2019 and JOD 9,000 and JOD 18,000 per year for 2020 and later years, respectively.

For 2020 and thereafter, an individual will be entitled to an additional exemption of JOD 1,000, and additional exemptions of JOD 1,000 for a spouse and JOD 1,000 for each child (up to a maximum of three children) to cover medical, education, rent and housing loans interest and murabaha profits.

Invoices and documents under the name of each beneficiary should be maintained to support the additional exemptions.

Nonresident Jordanians can benefit from the family exemptions if the nonresident is responsible for the family members’ support.

Individuals with special needs are granted an additional exemption of JOD 2,000 per year.

Rates – The rates of tax on the annual taxable income of individuals are as follows:

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First JOD 5,000</td>
<td>5%</td>
</tr>
<tr>
<td>JOD 5,001 to JOD 10,000</td>
<td>10%</td>
</tr>
<tr>
<td>JOD 10,001 to JOD 15,000</td>
<td>15%</td>
</tr>
<tr>
<td>JOD 15,001 to JOD 20,000</td>
<td>20%</td>
</tr>
<tr>
<td>JOD 20,001 to JOD 1,000,000</td>
<td>25%</td>
</tr>
<tr>
<td>Over JOD 1,000,000</td>
<td>30%</td>
</tr>
</tbody>
</table>

As from 1 January 2019, an additional 1% national contribution tax applies for individuals on income exceeding JOD 200,000.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – A property tax is levied at a rate of 15% of the estimated annual rental value.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – The employee contribution is 7.5%, which is withheld and reported by the employer on a monthly basis. The maximum monthly salary subject to social security contributions is JOD 3,186.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Individual tax returns are due by 30 April following the end of the tax year, and any tax due is payable with the return.

Penalties – Late payment fees are imposed at 0.4% for each week of delay. A penalty of JOD 100 applies for late filing.

Sales tax:

Taxable transactions – Jordan levies a sales tax on supplies of manufacturers, importers and suppliers of services.

Rates – The standard sales tax rate is 16%, with reduced rates and exemptions granted on certain products and
services, and a higher rate applying to certain luxury items. Certain items are exempt.

**Registration** – Businesses with annual taxable turnover of more than JOD 30,000 must register for sales tax purposes.

**Filing and payment** – A sales tax return must be filed every two months, with the tax due paid at that time.

**Source of tax law:** Income Tax Law and General Sales Tax Law

**Tax treaties:** Jordan has signed approximately 32 tax treaties.

**Tax authorities:** Income Tax and Sales Tax Department

**Contact:**
Karim Nabulsi (knabulsi@deloitte.com)