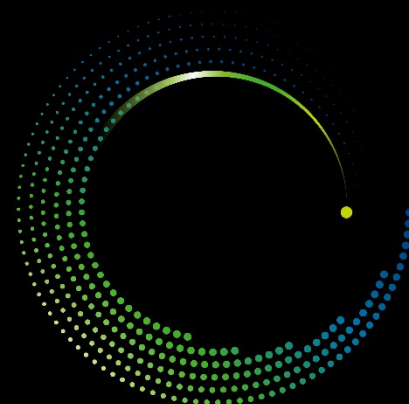


International Tax Jordan Highlights 2023

Updated January 2023



Investment basics

Currency: Jordanian Dinar (JOD)

Foreign exchange control: There are no foreign exchange controls.

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

Rates

Corporate income tax rate	21% (including national contribution tax) (see table below for tax rates applicable to certain sectors)
Branch tax rate	21% (including national contribution tax) (see table below for tax rates applicable to certain sectors)
Capital gains tax rate	0% or corporate income tax rate for sector

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. Branches are taxed in the same way as subsidiaries.

Taxable income: Income derived from Jordanian sources is taxable.

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, financial services companies, and legal persons engaged in finance leasing activities.

Reduced corporate income tax rates apply for the industrial sector for the period 2019 through 2023. The reduced rates are being increased annually until reaching 20% (the standard rate) in 2024.

The following table summarizes the 2023 corporate income tax and national contribution tax rates for the various sectors:

Sector	Corporate income tax rate	National contribution tax rate	Total tax rate
Banks	35%	3%	38%
Electricity distribution and generation companies	24%	3%	27%
Basic material mining companies	24%	7%	31%
Financial brokerage companies, financial services companies, and legal persons engaged in finance leasing activities	24%	4%	28%
Telecommunications, insurance, and reinsurance companies	24%	2%	26%
Pharmaceutical and clothing manufacturing companies	19%	1%	20%
Other industrial companies	19%	1%	20%
Other sectors (standard rate)	20%	1%	21%

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

Alternative minimum tax: There is no alternative minimum tax.

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 telecommunications companies, basic material mining companies, insurance companies, reinsurance companies, brokerage companies, financial services companies, and legal persons engaged in finance 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 (based on the sale value but subject to assessment and confirmation by the tax authorities); and (iii) from the sale of shares in information technology institutions and companies that take place more than 15 years after the earlier of the date the institutions/companies were established or 1 January 2019.

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

Foreign tax relief: There is no foreign tax relief.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Tax incentives are available, including for certain companies registered in development or free zones and companies registered in the Aqaba Special Economic Zone.

Compliance for corporations

Tax year: Companies may use a calendar year or a 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 when the return is submitted. In certain cases, tax may be paid in installments (but will be subject to interest).

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 company.

Rulings: There are no tax ruling procedures in Jordan.

Individual taxation

Rates		
Individual income tax rate	Taxable income (JOD)	Rate
	Up to 5,000	5%
	5,001–10,000	10%
	10,001–15,000	15%
	15,001–20,000	20%
	20,001–1,000,000	25%
	Over 1,000,000	30%
National contribution tax	Over 200,000	1%
Capital gains tax rate		0% (generally)

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

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

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

Rates: The rates of tax on the annual taxable income of individuals are progressive and range from 5% to 30%. An additional 1% national contribution tax applies for individuals on taxable income exceeding JOD 200,000.

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 (based on the sale value but subject to assessment and confirmation by the tax authorities); and (iii) from the sale of shares in information technology institutions and companies that take place more than 15 years after the earlier of the date the institutions/companies were established or 1 January 2019. The rate of tax payable on the gain depends on the type of asset.

Deductions and allowances: Individual and family exemptions are JOD 9,000 and JOD 18,000, respectively, per year.

An individual is 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 expenses, education, rent, housing loan interest, and profits from “murabaha” (a form of Islamic financing).

Invoices and documents in the name of each beneficiary must 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.

Foreign tax relief: There is no foreign tax relief.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Joint assessment of spouses may be requested.

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.

Rulings: There are no tax ruling procedures in Jordan.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%/corporate income tax rate	0%	0%	0%
Interest	Corporate income tax rate	Individual income tax rate	10% (plus national contribution tax at sector rate)	10% (plus 1% national contribution tax)
Royalties	Corporate income tax rate	Individual income tax rate	10% (plus national contribution tax at sector rate)	10% (plus 1% national contribution tax)
Fees for technical services	Corporate income tax rate	Individual income tax rate	10% (plus national contribution tax at sector rate)	10% (plus 1% national contribution tax)

Dividends: There generally is no withholding tax on dividends paid to nonresidents, although the situation is unclear for dividends received by companies in some sectors that have a certain ownership percentage in the payer company distributing. Dividends paid to residents are not subject to withholding tax, except for dividends paid to banks; primary telecommunications, basic material mining, insurance, reinsurance, brokerage, or financial services companies; or legal persons engaged in financial leasing activities, which are subject to withholding at the corporate income tax rate for the sector. See also Islamic financing considerations under "Interest," below.

Interest: The rate of withholding tax on interest paid to a nonresident company or individual is 10% (plus an additional national contribution tax). The rate may be reduced under an applicable tax treaty. Tax is withheld from interest paid to a resident at the company's or individual's income tax rate.

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 rate of withholding tax on royalties paid to a nonresident company or individual is 10% (plus an additional national contribution tax). The rate may be reduced under an applicable tax treaty. Tax is withheld from royalties paid to a resident at the company's or individual's income tax rate.

Fees for technical services: The rate of withholding tax on fees for technical services paid to a nonresident is 10% (plus an additional national contribution tax). The rate may be reduced under an applicable tax treaty. Tax is withheld from technical services fees paid to a resident at the company's or individual's income tax rate.

Branch remittance tax: The income tax law 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 (plus an additional national contribution tax), unless the rate is reduced under an applicable 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.

Anti-avoidance rules

Transfer pricing: Transfer pricing regulations apply to multinational enterprise (MNE) groups headquartered and/or operating in Jordan and undertaking related party transactions and generally are consistent with OECD guidelines. A disclosure form must be submitted if a taxpayer's transactions with related parties exceed JOD 500,000 in value over a period of 12 consecutive months. The disclosure form must be submitted with the tax return. A taxpayer also must prepare a local file (describing the taxpayer's transactions with related parties) and a master file (describing the global business and transfer pricing policies of the MNE group), both of which must be submitted within 12 months following the tax period.

Country-by-country (CbC) reporting requirements apply (see "Disclosure requirements," below).

Interest deduction limitations: All interest and murabaha 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 be deducted or carried forward.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: CbC reporting and notification obligations apply to MNE groups with consolidated revenue exceeding JOD 600 million. If the ultimate parent entity is tax resident in Jordan, such entity must submit a CbC report within 12 months following the tax period. An entity that is tax resident in Jordan and part of such an MNE group is required to file a notification in Jordan.

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Sales tax

Rates	
Standard rate	16%
Reduced rate	0%/2%/4%/5%/10%

Taxable transactions: Jordan levies a sales tax on suppliers of manufactured goods, 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 (depending on the item) 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 when the return is filed.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

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 3,394. The employer is required to withhold and report contributions on a monthly basis.

Payroll tax: Individual income tax is withheld by the employer from an employee's monthly compensation at progressive rates ranging from 5% to 30%.

Capital duty: There is no capital duty.

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

Transfer tax: There is no transfer tax.

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

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties: Jordan has concluded around 30 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Jordan on 1 January 2021.

Tax authorities: Income Tax and Sales Tax Department

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