



## International tax

# Jordan Highlights 2016

### Investment basics:

**Currency** – Jordanian Dinar (JOD)

**Foreign exchange control** – No

**Accounting principles/financial statements** – IFRS. 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 Jordan or from Jordanian sources is taxable.

**Taxation of dividends** – Dividends distributed by a resident company generally are exempt from tax, with special rules regarding addbacks and distributions to banks and other financial institutions.

**Capital gains** – Income derived from capital gains generally is exempt, except for capital gains on assets subject to depreciation, intangible assets (e.g. goodwill) and capital gains recognized by banks, primary telecommunications companies, mining companies, financial institutions, financial brokerage companies, insurance and reinsurance companies and juristic persons conducting financial lease activities. Capital gains realized by other companies/sectors from investments within Jordan are exempt from income tax.

**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 tax rate is 20%, and the rate on banks is 35%. A 24% rate applies to primary telecommunications companies, electricity generation and distribution companies, mining companies, insurance and reinsurance companies, financial brokerage companies and financial institutions (including money exchange companies) and juristic persons conducting financial leasing activities. A 20% rate applies to the contracting, trading and services sectors and a 14% rate applies to the industrial sector.

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – No

**Participation exemption** – No

**Holding company regime** – No

**Incentives** – No

### 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 5% on interest from deposits, commissions and profit participations of Islamic banks in the investment of such deposits. Such withholding is considered a final tax for individuals and a payment on account for a corporate taxpayer.

**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** – No

**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 income tax of 5%. This tax is considered as 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 7% to 20%.

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

**Social security** – The employer contributes 13.25% of an employee’s salary and the employee contributes 7%. However, the maximum salary subject to social security contributions is JOD 3,084. 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 – No

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – No

#### Compliance for corporations:

Tax year – Calendar 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 by installment.

Penalties – Late payment fees are imposed at 0.4% for each week of delay. A penalty of JOD 500 applies for late filing by public and private shareholding companies; the penalty is JOD 200 for other types of company.

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 – Income from employment in Jordan is taxable.

Capital gains – Jordan does not tax capital gains.

Deductions and allowances – Deductions and allowances are determined at JOD 12,000 for a single person and JOD 24,000 for a family. An additional annual exemption of JOD 4,000 is available to cover medical treatment, housing loan interest, rent, education expenses and technical, engineering and legal services. The exemption is granted on a case-by-case basis after the Income Tax Department has reviewed the related supporting documents.

Rates – Tax is levied at progressive rates on taxable income as follows: 7% on the first JOD 10,000; 14% on income between JOD 10,000 and JOD 20,000; and 20% on the excess

#### 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%, which is withheld and reported by the employer on a monthly basis. The maximum salary subject to social security contributions is JOD 3,084.

#### 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 rate is 16%, with a higher rate applying to certain luxury items. Certain items are exempt.

Registration – Businesses with an 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

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