



# Doing Business in Jordan 2024

**A Tax and Legal Guide**





## Table of content

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Welcome to the Jordan ‘Doing Business Guide’	03
Introduction	04
Establishing a business in Jordan	04
Taxation	07
Key tax indicators in Jordan	12
About PwC Middle East	13
Contacts	14

# Welcome to this guide

Your journey begins

Location

Presence

Objectives

Operations

Jordan is a constitutional monarchy in Western Asia that gained independence in 1946. It has 12 governorates with Amman as the capital. The official language is Arabic and the currency is the Jordanian dinar (“JOD”).

The country joined the World Trade Organization in 2000 and the European Free Trade Association in 2001. Jordan's economy is small with limited natural resources, but it has seen growth since 2003 with a projected gross domestic product (“GDP”) growth of 2.8% in 2023. The manufacturing and service sectors make up the majority of GDP.

Jordan's economy is dependent on exports, primarily of chemical products / clothing / apparel. The country is also dependent on tourism and foreign investment. The currency is pegged to the USD, and the Central Bank of Jordan is committed to maintaining the peg.

The government established multiple Special Economic Zones (“SEZ”) such as the Aqaba Special Economic Zone (“ASEZ”) and King Hussein Business Park, Zarqa Free Zone as an initiative to increase investment in Jordan, providing certain tax incentives, streamlined processes, and investor-friendly policies. Other special zones have been established by the government to enhance the Jordanian economy such as the development zones and free zones which are considered attractive points to foreign investors who are looking to take Jordan as an export hub given its strategic location in the region.

This guide is intended to provide an introduction to the taxation and legal aspects of doing business in Jordan, particularly from the perspective of the items an inbound investor will have in mind.

We hope you find the guide useful.

**Jochem Rossel** - Middle East Tax and Legal Services Leader  
**Wael Saadi** - Jordan Tax Market Leader

## Introduction

The Hashemite Kingdom of Jordan is strategically located in the Middle East. Neighbored by Syria to the north, Iraq to the northeast, Saudi Arabia to the east and south and the Red Sea to the south.

Under the enacted companies Law in Jordan, six basic types of companies are permitted to be incorporated where each legal form offers advantages and has its requirements. The following are the types of Companies:

1. General Partnership
2. Limited Partnership
3. Limited Liability Company
4. Limited Partnership in Shares
5. Public Shareholding
6. Private Shareholding Companies

## Establishing a business in Jordan

### 1. General Partnership

A General Partnership consists of at least two persons and not more than twenty who are jointly and severally liable for the partnership's debts. Only the names of the actual partners may be included in the name of the Company. A partnership's interest may be transferred with the approval of all partners or in accordance with conditions established in the partnership agreement. The management of the partnership is vested with one or more managers who are individuals who may or may not be partners in the partnership. According to the Company Law, if the partnership consists of two partners, the withdrawal of one of the partners will not lead to the dissolution of the partnership. Instead, the remaining partner may seek to replace the absent partner with another. Failure to do so within three (3) months of the partner's withdrawal will result in the partnership's dissolution by virtue of law.

### 2. Limited Partnership

A Limited Partnership is formed of the two following categories of partners whose names should be listed in the Partnership Agreement. The General Partners shall manage the Partnership and realize its operations. They are also jointly and severally liable for all the Partnership's debts and liabilities with their private properties. The Limited Partners shall contribute to the capital of the Partnership without having the right to manage the Company or to realize its operations, and the liability of each one of them towards the Company debts and liabilities is limited to his share in the capital of the Company.

### 3. Limited Liability Company

The limited liability company comprises of two persons/ shareholders or more. However, the Controller may agree to the registration of a Limited Liability Company composed of one person. The Company with its assets and properties, shall be exclusively liable for its debts and obligations. The capital of the Limited Liability should not be less than JOD 1 divided into indivisible shares of equal value of not less than one Dinar each. However, the minimum capital contribution of each foreign shareholder should not be less than JOD 50,000 of the company's capital.

### 4. Limited Partnership in Shares

A Limited Partnership in shares is composed of two categories of partners:

- General Partners where their number shall not be less than two and they shall be liable for the Company debts and obligations in their personal property.
- Limited Partners where their number shall not be less than three, and each partner shall be liable for the Company debts and obligations in proportion to his shareholding. The capital of the Limited Partnership in share shall not be less than JOD 100,000 divided into negotiable shares of equal value. The value of each indivisible share is 1 JOD, provided that the Partnership's capital offered for subscription shall not exceed double the shares subscribed for by the general partners in the Partnership.

### 5. Public Shareholding Company

A Public Shareholding Company shall consist of a number of founders not less than two who subscribe for shares that can be listed on the Stock Exchange and may be negotiated and transferred in accordance with the provisions of this Law and any other legislation in force. The Minister may, upon a justifiable recommendation by the Controller, approve that the Public Shareholding Company be established by one person, or that the Company ownership devolves to one person in the event he purchases all its shares. The authorized capital of the Public Shareholding Company and the subscribed part shall be fixed in Jordanian Dinars and shall be divided into nominal shares at a par-value of 1 JOD each, provided that the authorized capital shall not be less than JOD 500,000 and the subscribed capital shall not be less than JOD 100,000 or twenty percent (20%) of the authorized capital, whichever is greater. The un-subscribed capital shall be paid within three (3) years of the date of the Company founding or the increase of the capital, as the case may be. In the event of default in payment of the un-subscribed capital within the said period, the following should be observed:

- If the subscribed capital exceeds five hundred thousand (500,000) Dinars at the end of the period, the authorized capital of the Company shall become its actual subscribed capital.
- If the subscribed capital is less than five hundred thousand (500,000) Dinars at the end of the period, the Controller shall issue a warning to the Company to pay the necessary difference in the amount with the effect that the actual subscribed capital of the Company becomes five hundred thousand (500,000) Dinars within thirty days from the date the notice is served to the Company.



## 6. Private Shareholding Company

The Private Shareholding Company consists of two or more persons. Upon a justified recommendation of the controller, the minister may agree to register a private shareholding company consisting of one person. The independence of the financial liability of the shareholders in the private shareholding company. The amount of subscribed capital in this type of company shall not be less than 50,000 and shall be specified in Jordanian Dinar.

### Other Legal Structures (Foreign Companies)

#### 1. Operating Foreign Company

Operating Foreign Company, is an entity which is registered outside the Kingdom, whose headquarters is in another country and whose nationality is considered non-Jordanian. Such entities are divided into two types:

- Companies operating for a limited period (i.e awarded tenders in the Kingdom for a limited period).
- Companies operating permanently in the Kingdom.

#### 2. Non-operating Foreign Company

Non-operating Foreign Company is an entity which has a regional or representative office in the Kingdom for its operations conducted outside the Kingdom for the purpose of using such a regional or representative office for managing its operations and coordinating them with its headquarters.

### Free Zones in Jordan

Jordan free zones have been 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 given the fact that such zones are considered to be areas incorporated outside of Jordan. The free zones offer the necessary facilities, services and infrastructure such as electricity, water and modern telecommunication networks, in addition to modern networks of internal roads, yards and storage facilities. The Free Zones provide the availability of branches of banks, insurance and clearance companies inside the free zones in order to facilitate the necessary services for the investor.

The Companies that are registered and exercising an economic activity inside the free zones enjoy (amongst other tax incentives) the following main tax exemptions:

- Exemption from income tax on the profits generated from the following activities:
  - Exportation services to outside the Kingdom.
  - Transit Trade.
  - The sale of or transferring the ownership of goods within the borders of free zones.
  - Providing and rendering services inside the free zone.
- Exemption from income tax on the salaries and allowances paid to non-Jordanians who are working in the projects established in the free zones.
- Exempting imported goods or exported therefrom to parties other than domestic market from import fees, custom duties and all taxes and fees accrued thereon except services fees.



## Other Special Zones in Jordan

### 1. Development Zones

Similarly, Development Freezones aims at increasing investment into the Kingdom, empowering the private sector to lead in the Zones' development and management, stimulating economic growth and enhancing local living standards. Transforming the Development Zones vision into a reality. The regulatory framework manifested in the Investment environment law no.(21) for the year 2022, introduces a legal foundation that facilitates the creation of economic growth within certain zones, and ensures a business-friendly and investment attracting environment.

Below are some of tax breaks which are granted under the new Investment environment law no.(21) for the year 2022:

- Reduced flat corporate income tax rate of 5% or 10% (depending whether the activity would meet the local origins rule / 30% added local value) ;
- Exemption from sales tax on purchases related to the business;
- Exemption from Custom duties.

### 2. Aqaba Special Economic Zone 'ASEZ'

Investors can also benefit from establishing its operations inside ASEZ where it is considered a major duty-free economic development node for tourism, recreational services, professional services, multi-modal transportation, and value-added industries in the Middle East. Aqaba offers global business opportunities in a competitive location with a high-quality lifestyle.

Below is some of the tax exemptions / incentives are offered by ASEZA for Companies registered in accordance with its law and rules:

- Reduced Flat 5% corporate income tax on the net profit generated from undertaking the economic activities inside the zone or any income accrued from undertaking the activities outside the Kingdom;
- Custom Duty-free import;
- Streamlined labor and immigration procedures through a one-stop-shop.

## Visa and Immigration for Business

Generally foreign investors should go through the process of applying for visa to be able to enter the country where also the following supporting documents should be submitted to the Ministry of Interior:

- Copy of passport;
- Statement of visit purpose and investment interest.

## Process and Time for Establishment

All Jordanian and foreign individuals and companies intending to register a legal entity in Jordan should register at the Commercial Register Department at the Ministry of Industry and Trade. Any subsequent changes or modifications relating to the nature or ownership of the business must also be registered and updated at the commercial register. The time frame to do so is all based on the nature of the business that is being undertaken.

The estimated time to complete the registration of an entity in Jordan should take 1 - 2 days following receipt of all approvals and provided all documents are available.

## Key Considerations

Jordan offers conducive and efficient ecosystem for starting a business, making it a prime destination to set up camp. The minimum capital requirement for establishing a company has been significantly reduced from 1,000 JOD to 1 JOD, with only half of it required prior to registration. This made starting a business more accessible and achievable. Jordan has also simplified the process of importing by streamlining customs clearance procedures, implementing a single window system and upgrading infrastructure at the Aqaba customs and port. Making it an easier and smoother for businesses to bring in goods and materials.





## Taxation

In 2018 Jordan had introduced a new income tax law , which entered into effect from 1 January 2019. The new Law includes several amendments to individual and corporate income tax ("CIT") rates, withholding tax ("WHT") rates and National Contribution ("NC"), and various administrative changes.

### Basis of Taxation

According to the enacted income tax law, any income derived in or from Jordan, regardless of the place of payment, shall be subject to income tax. Absent any particular tax exemptions, there are various sources that would be considered taxable.

### Corporate Residence

An entity will be deemed to be resident in Jordan if it has been established and registered in accordance with the provisions of the Jordanian legislation in force and:

1. Has an office or branch practicing management and supervision of its work in Jordan, or
2. Whose management head office or actual office is located in Jordan, or
3. Which the government or any official or public institutions own more than 50% of its capital.

### Permanent Establishment (PE)

The concept of PE has been recently introduced in the transfer pricing regulations. The definition of PE in Jordan is slightly similar to the OECD definition / example.

### Corporate Income Taxes

The corporate tax rates in Jordan are applied based on the industry/business activities from which the taxpayer generates income. According to the new income tax law, the corporate tax rates are as follows, starting from 1 January 2019:

- 35% for banks.
- 24% for telecommunication, insurance and reinsurance, financial intermediation companies (including exchange and finance leasing companies), companies that generate and distribute electricity, and companies that undertake mining raw material activities.
- 18% for the industrial sector in FY22.
- 20% for other companies.

Jordanian resident corporations are not subject to income tax on their worldwide income unless that income is raised from sources that originate and relate to Jordanian deposits and funds. For foreign branches of Jordanian resident corporations, all of the branch net income is taxed at a fixed rate of 10%.

### National Contribution

The 2019 amendment to the income tax law had introduced National Contribution tax, whereby it applies on taxable income for individuals and companies by at different rates depending on the sector (ranging from 1%-7%).

## Income Determination

Any income incurred in or from Jordan, regardless of the place of payment, shall be subject to tax. This includes, but is not limited to, income from:

- Professional services or activities;
- Interest, commissions, discounts, currency differences, deposit profits, and profits from banks and other legal resident persons;
- Royalties;
- Selling goods produced in Jordan, whether sold in Jordan or exported;
- Selling or leasing of movable properties located in Jordan.
- Insurance premiums due according to insurance and reinsurance agreements for risk in Jordan;
- All forms of telecommunication services, including international telecommunications;
- Transportation between Jordan and any foreign country;
- Service compensation gained by a non-resident person from Jordan for a service provided to any person if the activity or the work related to this compensation was carried out or the output of this service was used in Jordan;
- Any contract in Jordan, such as construction contracting, commercial agencies profits, and any other similar entities, whether their source is inside or outside Jordan;
- Any other source, which has not been exempted according to the provisions of the law.

### Exempt Sources of Income

Per the enacted income tax law, the following shall be exempted from tax (including but not limited to):

- Income of public and official institutions and municipalities, excluding its income from any, leasing, key money, investment activities or annual surplus that the Council of Ministers decides, upon the recommendation of the Minister, to be subject to tax;
- Income generated by non-operating foreign companies, such as the regional office and the representative office, and which is received for its business abroad;
- Income of charity awqaf (public endowment) and income from the Orphans Development Fund;
- Income of unions, professional commissions, cooperation societies, and other societies legally registered and licensed from non-profit activities;
- Income of any religious, charity, cultural, educational, sports, or health institutions with a public character, not aiming to achieve profit, as per the related regulation;
- Profits from stocks and dividends distributed by a resident to another resident, except profits of banks, financial companies, main telecommunication companies, companies who undertake mining raw materials activities, and insurance and reinsurance companies, and juristic persons who undertake financial lease activities;
- Income generated by venture capital firms and registered under the Companies Act.

## Deductibility of Expenses

The following expenses shall be deductible:

- Business related expenses
- Amounts paid as civil compensation under contracts concluded by the taxpayer for the purpose of carrying out taxable activities.
- Social Security employer contributions.
- Hospitality and travel expenses incurred by the taxpayer.
- Expenditures for employees' certain medical treatment, meals during duty, travel, transport, and life insurance against work injuries or death.

## Withholding Tax in Jordan

### 1. Non-resident withholding tax:

Taxpayers are required to withhold a non-resident withholding tax by a rate of 10% on any taxable income made to a non-resident person on the earlier of the due date of the payment or the date of payment, as a final tax. National contribution by a rate ranging between 1-7% should also apply.

### 2. Resident Withholding Tax:

Taxpayers are required certain services provided by resident persons (i.e resident doctors, lawyers, auditors, consultants, ..etc) are subject to the withholding tax at a rate of 5% which is due within 30 days of the date of payment.

## Tax Treaties

Jordan has entered into income tax treaties with Algeria, Azerbaijan, Bahrain, Bulgaria, Bosnia and Herzegovina, Canada, Croatia, Czech Republic, Cyprus, Egypt, France, India, Indonesia, Italy, Iran., Kuwait, Lebanon, Malaysia, Malta, Morocco, Netherlands, Pakistan, Palestine, Poland, Qatar, Romania, Saudi Arabia, South Korea, Singapore, Sudan, Syria, Tajikistan, Tunisia, Turkey, United Arab Emirates, Ukraine, Uzbekistan, the United Kingdom and Yemen.

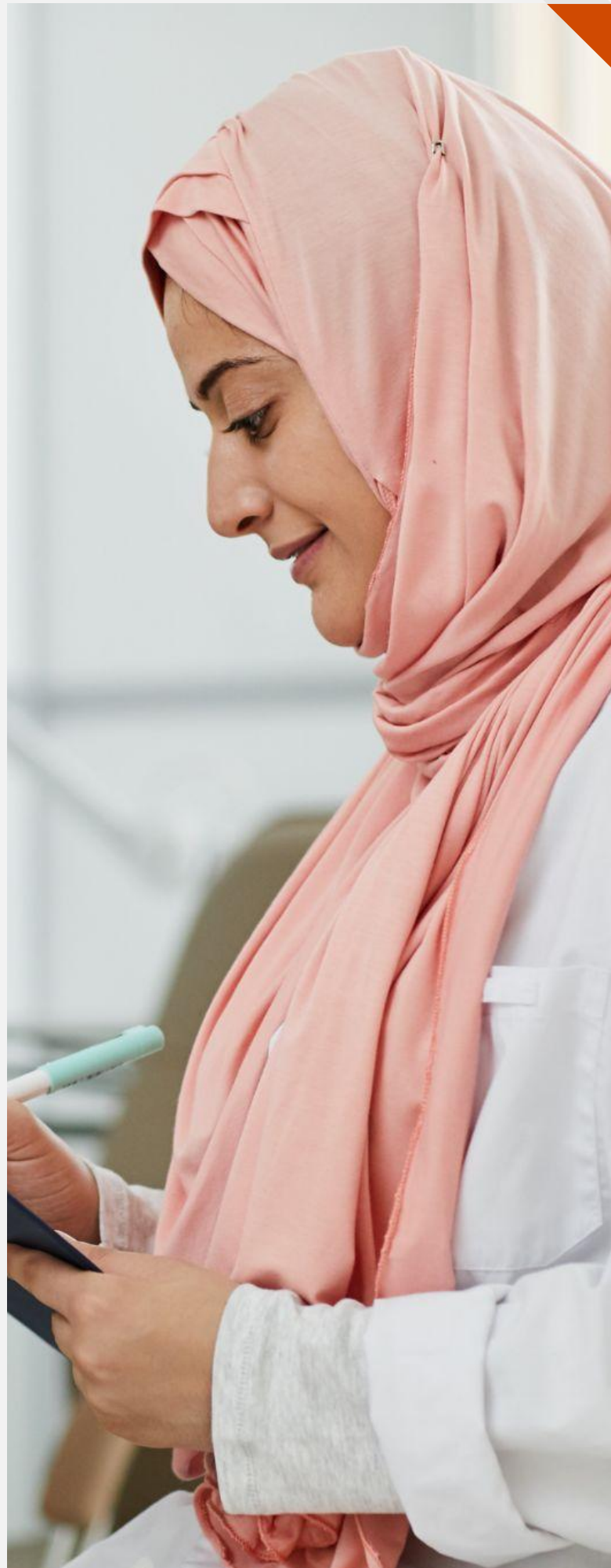
## Taxable Period

A taxpayer's due tax shall be computed on a calendar year basis.

A taxpayer who closes one's accounts on a date other than the end of the calendar year may calculate the due tax according to the fiscal year, provided that prior approval shall be obtained from the General Director of the income tax department.

A taxpayer who commences activity within the first half of the calendar year shall compute the due tax for the period from the establishment date until the end of the calendar year.

A taxpayer who commences activity within the second half of the calendar year may compute the due tax for the period from the establishment date until the end of the next calendar year.





## Tax returns filing

Taxpayers are obligated to file the CIT tax return before the end of the fourth month following the end of the tax period, including details related to income, expenses, exemptions, and tax due. Tax returns are submitted via the tax authority online portal.

## Tax audit process

The tax audit is likely to take place within four years from the date of filing/amending the return (unless the relevant falls out of the statute of limitation).

## Statute of limitations

The statute of limitations in Jordan from corporate tax and sales tax perspective is four years, and up to 8 years in cases of suspected tax evasion.

## Individual Taxation

Under the applicable income tax law, the personal income tax is imposed progressively by rates ranging from 5% - 30%. A resident person in Jordan is a natural person who actually resides in Jordan for at least 183 days during the year, whether consecutive or interrupted, or a Jordanian employee working for the government or any of the official or public institutions inside or outside Jordan.

## Social security contributions

Social security contributions are imposed on the employer and the employee by rates of 14.25% and 7.5% respectively on monthly salaries and certain allowances.

## Controlled foreign companies (CFCs)

There are no detailed CFC rules in Jordan. However, we note that net income generated from foreign investments made from Jordanian sourced income is subject to 10% flat income tax rate.

## Foreign tax credit

There are no specific regulations concerning foreign tax credit in Jordan.

## Other Taxes and Duties

### Sales tax

A general sales tax similar in operation to a value-added tax (VAT) is imposed at the rate of 16% on the following transactions:

- Sales of goods or services, or both.
- Importing any service or goods from outside Jordan or from the free zone areas and markets inside Jordan.

Special tax rates are applied on certain items.

A zero rate is applied to the export sales of goods and services outside Jordan, to the free zone areas and markets, to the Aqaba Special Economic Zone (ASEZ), and to development areas.

A zero rate is also applied to sales inside Jordan of certain food items, books, magazines, manure, farm tractors, other agricultural tools, and salt. In addition to goods/services made to religious institutions and armed forces but not limited to them.

Certain goods are exempt from sales tax which include but are not limited to eggs, bread, water packed in less than 5 liters, trees and plants, fruits, vegetable oils, honey, tea, sugar, gold, money, potash, emergency and fire vehicles, electricity, and pharmaceutical products.

## Customs duties

Certain goods imported to Jordan are subject to customs duties. Customs duties vary depending on the type and the origin of imported goods, as prescribed by the Customs Tariff. The Customs Tariff is based on the Harmonized Commodity Description and Coding System (HS Nomenclature).

## Excise tax

The special sales tax that is imposed on certain goods and services, including cement, tobacco products, wines, spirits, cars, beer, fuel, and lubricants.

## Property taxes

There is a property tax in Jordan that is paid annually, and the tax rate is determined by the municipality depending on the location and size of the property and in the case of buildings, depending on annual rental value.

## Transfer property taxes

Transfer of property is currently subject to tax at a rate of 6%.

## Stamp duty

The contracts signed in Jordan are generally subject to 0.3% stamp duty fee of the contract value. Also, for the contracts signed with the governmental bodies and Public Shareholding Companies, a stamp duty fee of 0.6% shall be imposed on the contract value.

## Key Considerations

As part of Jordan's digital transformation journey, Jordan has been making a great effort towards simplifying the tax return filing process. The process of actually submitting a tax return is a matter that can be completed in a few minutes online through the tax authority's portal. All additional documentation, requirements that may be required during a tax audit would be requested separately by the auditor beforehand. Exemptions are also granted for a variety of conditions that could be met to decrease the total tax due.

## Invoicing

The Hashemite Kingdom of Jordan ("Jordan") published Regulation No.34 for the year 2019 in its Official Gazette in 3 April 2019 ("theregulation"). The regulation introduced formal invoicing requirements in accordance with the provisions of Article 23 of the Income Tax Law No. 38 of 2014 (the Income Tax Law) and came into effect 60 days after the date of publication in the Official Gazette. In principle the most prominent matter that the regulation provided is that all taxpayers (with the exception of certain industries that did not meet the applicable threshold per annum) should meet the tax invoices requirement.

The requirements are as follows:

- Serial number that uniquely identifies the invoice and Date of the invoice.
- Seller's full name and address.
- Seller's tax identification number
- Description of the type of goods or services supplied, their quantity and value as well as the gross amount of the invoice.
- Purchaser's full name when a deferred or installment sale is made

## E-invoicing

E-invoicing, often known as electronic invoicing, is the process of sending and receiving invoices digitally. It attempts to streamline and automate the invoicing process, lowering paper waste and increasing business transaction efficiency. Many nations are implementing e-invoicing to increase accuracy, shorten payment periods, and make tax compliance easier. On 6 December 2022, the Hashemite Kingdom of Jordan ("Jordan"), the Minister of Digital Economy and Entrepreneurship, the Minister of Finance, and the General Manager of the Tax Authority held a news conference to announce the implementation of the e-invoicing regime. According to the release, Jordanian Tax Authority (JTA) implemented the E-Invoicing in two stages:

## Registration phase

All taxpayers should register and get a username and password by no later than 30 January 2023.

## Integration phase

Whilst there are still no comprehensive regulations or executive instructions on this matter, we would expect the integration phase to go live in the first quarter of 2023. The integration phase entails various factors. We have listed below the most prominent ones for reference:

1. Linking the billing systems of taxpayers with that of JTA system
2. Issuing E-Invoices based on a specific format including a number of elements in the E-Invoice associated files (XML files).

JTA has not yet issued a formal complete and comprehensive regulations or executive instructive with respect to e-invoicing. Further, there is still no deadline date for the integration phase, however we expect it to be issued shortly.

## Key Considerations

Taxpayers are recommended to register and get username and password in the e-invoicing portal. Also, it is recommended that all taxpayers assess their revenue streams for the year 2022 to ensure readiness for the integration phase of E-Invoicing and to implement the required changes.

We expect the integration phase will entail a comprehensive review of ERP systems to ensure a smooth integration with the JTA system. Taxpayers are recommended to conduct a gap analysis and take the required actions at the earliest.



## Pillar Two

### Background

On 1 July 2021 and 8 October 2021, the Organisation for Economic Cooperation and Development (OECD) Inclusive Framework (IF) issued a 'Statement' focused on addressing the remaining key challenges of base erosion and profit shifting (BEPS) arising from the digitalization of the global economy.

The Statement proposed a 'Two Pillar' Solution, comprised of (i) Pillar One which aims to ensure a fairer distribution of taxing rights is established with respect to the profits of large multinational enterprises (MNEs); and (ii) Pillar Two which implements a new global minimum Effective Tax Rate (ETR) of 15% for MNEs.

### Pillar Two

Pillar Two aims to ensure an appropriate level of tax is paid by MNEs through a series of measures aimed at modernising the international tax system for modern businesses. The Subject to Tax Rule (STTR) and the Global Anti-Base Erosion (GloBE) are the two components of Pillar Two.

#### STTR

The STTR is a treaty based rule that applicable to intra-group payments from source countries that are subject to low nominal tax rates in the country of the payee. The STTR focuses on where a source country has given up taxing rights on certain outbound intra-group payments, and it should be able to recover some of those rights where the income in question is taxed in the state of the payee at a nominal rate below 9%. The STTR applies to interest, royalties and a defined set of other payments made between 'connected persons', including services.

The OECD IF members have committed to adopt the STTR when requested by other IF members that are developing countries, as well as developed countries. In October 2023, the OECD IF issued a multilateral instrument ("MLI") that brings into effect the STTR by allowing for multiple bilateral tax treaties to be amended at the same time. Signature of the MLI is underway and applicability of the STTR expected to be commence in the near future.

#### GloBE

The GloBE Rules are designed to ensure that in-scope MNE Groups are subject to a minimum level of tax on the income arising in each jurisdiction where they operate.

Over 140 countries have committed to implementing the GloBE measures, and for the rules to have effect, individual jurisdictions must implement them into domestic law.

The GloBE Rules require implementation into domestic law by individual countries before they become effective. The rules came into effect on 1 January 2024, and over 30 countries have introduced tax rules that put into force a 15% effective tax rate on in scope entities, as well as over 100 being expected to also introduce rules that will come into effect in 2024 or 2025.

In brief, the GloBE Rules have been designed with an objective of accommodating a diverse range of tax systems, including different tax consolidation rules, income allocation and entity classification rules, as well as rules for specific business structures such as joint ventures and minority interests.

The GloBE Rules contemplate three different mechanisms for assessing tax on a MNE's income, and MNEs will have to comply with the filing requirements for each applicable rule. The first opportunity to collect the top up tax is the so called Qualified Domestic Minimum Top-up Tax (QDMTT) which gives the choice for the low tax jurisdiction itself to collect the tax (relating to this country). Second in line is the so called Income Inclusion Rule (IIR), which generally imposes tax on the parent entities within the MNE group to the extent that the foreign subsidiaries of the Group are taxed at a rate less than 15% (after the application of the QDMTT in their respective countries, if any).

These two mechanisms are accompanied by a 'backstop' rule, known as the Undertaxed Profits Rule (UTPR) which permits the collection of any remaining Top-up Tax (after QDMTT and IIR are applied) globally by any country where the MNE is active, meaning where there are people and/or tangible assets on the ground. Under certain conditions, the QDMTT could be elevated to a safe harbour that switches off the IIR and UTPR in other jurisdictions.

#### Status of Pillar Two in Jordan

As a member of the OECD Inclusive Framework, Jordan has committed to implement Pillar Two. However, no official announcement has yet been made on how and when Jordan will be implementing Pillar Two.

#### What to expect?

Whilst Jordan levies corporate income tax at rates ranging between 18% and 35%, there is currently no visibility as to how the Pillar Two rules are expected to interact with the domestic tax rules in Jordan and further details should be expected in the near future once Jordan makes an official announcement on its implementation plan.

However, even if the rules will not be implemented in Jordan in 2024, Jordan headquartered MNEs with consolidated subsidiaries in at least one implementing jurisdiction, may still be required to undertake the GloBE calculations for all the jurisdictions and may have specific compliance requirements. Further guidance is expected from the OECD with respect to filing obligations / location of submission of the GloBE Information Return (GIR), in cases where the ultimate parent entity jurisdiction such as Jordan does not implement the rules in 2024.

As per the existing Pillar Two administrative guidance, where a MNE is headquartered in a location that has not implemented the rules, GIR filing would be made in a different location, i.e. the location of a 'designated filing entity', where the MNE has operations and the respective location has implemented the rules earlier than the MNE's headquarter location.



## Key Tax Indicators in Jordan

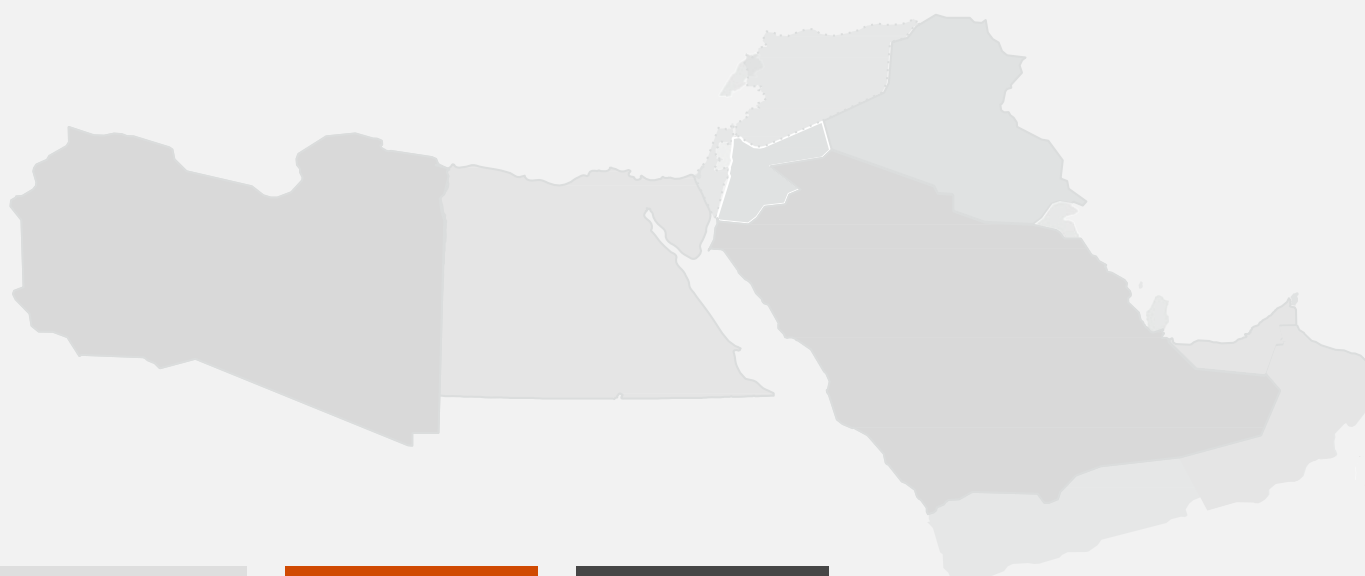
Tax Indicators	Resident	Non-Resident *
Fiscal year end	Calendar year. However a special year end can be used provided permission is granted in advance by the Jordanian Tax Authorities.	Not applicable
<b>Companies</b>		
Income Tax	<p>According to the new income tax law, the corporate tax rates are as follows, starting from 1 January 2015:</p> <ul style="list-style-type: none"> <li>• 35% (previously 30%) for banks.</li> <li>• 24% for telecommunication, insurance and reinsurance, financial intermediation companies (including exchange and finance leasing companies), companies that generate and distribute electricity, and companies that undertake mining raw material activities.</li> <li>• 18% for the industrial sector in FY22.</li> <li>• 20% for other companies.</li> </ul> <p><b>In addition to national contribution tax at a rate ranging from 1% - 7%.</b></p>	<p>Taxable income generated by a non-resident person in Jordan are broadly subject to the following:</p> <ul style="list-style-type: none"> <li>• 10% on the gross cross border service amount (final tax)</li> <li>• national contribution tax at a rate ranging between 1% - 7%.</li> </ul>
Tax on Capital Gains	Capital gains realised inside Jordan are generally exempt from income tax, except for depreciable assets and shares and interest of certain types of entities	Sale of shares are generally subject to non-resident capital gains tax and national contribution with the exception of certain types of companies.
General Sales Tax	GST is similar in operation to VAT. Standard GST rate is 16%. Certain goods and services are subject to a reduced rate	Not applicable
Value Added Tax	Not applicable	Not applicable
<b>Individuals</b>		
Personal Income Tax	Personal income tax is imposed progressively by rates ranging from 5% - 30% after taking into account the applicable deductions	No non-resident personal income tax, but Jordan sourced income may attract a withholding tax
Social Security	Social security contributions are imposed on the employer and the employee by rates of 14.25% and 7.5% respectively on monthly salaries and certain allowances.	Social security contributions are imposed on the employer and the employee by rates of 14.25% and 7.5% respectively on monthly salaries and certain allowances.
<b>Withholding Tax</b>		
Dividends	0%	0%
Interest	5%/7% on bank deposits and bonds	<ul style="list-style-type: none"> <li>• 10%WHT and NC by a rate ranging between 1-7%</li> <li>• 5%/7% on bank deposits and bonds</li> </ul>
Royalties	0%	10%WHT and NC by a rate ranging between 1-7%
Management Service Fees	0%	10% WHT and NC by a rate ranging between 1-7%
<b>Customs</b>	Customs duties vary depending on the type and the origin of imported goods, as prescribed by the Customs Tariff. The Customs Tariff is based on the Harmonised Commodity Description and Coding System (HS Nomenclature)	
<b>Thin Capitalisation</b>	Interest paid on related-party debt exceeding a 3:1 debt-to-equity ratio is non-deductible for tax purposes	
<b>Transfer Pricing ("TP")</b>	Submission of documents such as TP disclosure form, affidavit, local and master file, in addition to the country-by-country notification and reports (where applicable) to ensure compliance with tax regulations.	
<b>Double Tax Treaties in Force</b>	Algeria, Azerbaijan, Bahrain, Bulgaria, Bosnia and Herzegovina, Canada, Croatia, Czech Republic, Egypt, France, India, Indonesia, Italy, Iran, Kingdom of Saudi Arabia, Kuwait, Lebanon, Malaysia, Malta, Morocco, Netherlands, Pakistan, Palestine, Poland, Qatar, Romania, Singapore, South Korea, Sudan, Syria, Tajikistan, Tunisia, Turkey, United Arab Emirates, Ukraine, Uzbekistan, the United Kingdom, and Yemen.	

# About PwC Middle East

EWe are one of the fastest growing PwC member firms globally and the largest professional services firm in the Middle East. Our tailored solutions help clients meet the challenges and opportunities of doing business in the Middle East and beyond.

We've experience in diverse industries, including government, energy, financial services, retail, construction, manufacturing, telecoms and more. Our clients in the Middle East include leading public and private companies, governments, banks and more. More than 50 employees from our worldwide network are on secondment to the Middle East firm, bringing global perspectives and support to our clients in the region.

Established in the region more than 40 years, PwC has more than 10,000 people in 12 countries across the region: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates.



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# Contacts

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## **Jochem Rossel**

Middle East Tax and Leader Services  
Email: [Jochem.rossel@pwc.com](mailto:Jochem.rossel@pwc.com)

## **Wael H Saadi**

Tax Partner  
Email: [wael.h.saadi@pwc.com](mailto:wael.h.saadi@pwc.com)

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