



JOINT ITALIAN ARAB CHAMBER OF COMMERCE
الغرفة التجارية العربية الإيطالية المشتركة

Doing Business in Jordan



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Introduction:

Jordan in numbers

GEOGRAPHY (updated to 2021)	
Capital	Amman
Area	89,342 sq km
Population	10,269,021 inhabitants
Density	About 115 inhabitants per sq km
Language	Arabic
Government	Unitary parliamentary constitutional monarchy
ECONOMY (updated to 2021)	
Currency	Jordanian Dinar (JOD)
GDP (at market prices in 2019)	43,361 Millions \$
Administrative subdivisions	<ul style="list-style-type: none">• 3 Regions• 12 Governorates• Municipalities

Source: <https://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/400/index.html>

Introduction:

Jordan in numbers

INFRASTRUCTURES (updated to 2021)	
Railways	509 km
International airports	3
Roads (updated to 2019)	7,999 km of paved highways
Ports	Aqaba
ICT (updated to 2021)	
Telephone country code	+962
TLD	.jo

Source: <https://www.railwaypro.com/wp/>

Introduction:

Economic overview

Jordan is an Arab country strategically positioned to serve as a regional business platform.

Since King Abdullah II's 1999 ascension to the throne, Jordan has strongly encouraged foreign investments and has developed a modern-oriented, market-based, and globally-competitive economy.

Jordan is also uniquely placed to host investments focused on the reconstruction of Iraq, Syria, and projects in other regional markets.

Jordan is committed to prioritizing growth in the coming years after demonstrating resiliency in spite of a series of exogenous crises that slowed down its GDP from an average of 6.5% during the period prior to the global financial

Introduction:

Economic overview

For Jordan to grow as in the past, it must attract FDIs, increase its exports, and decrease its dependence on imported energy, all of which require a competitive investment ecosystem.

Jordan ranked 75th out of 190 countries in the 2020 Doing Business ranking published by the World Bank.

Institution for foreign investors

The **Jordan Chamber of Commerce** is a non-profit institution that serves its members in all economic, commercial and service sectors. The main task of the Chamber is to provide an umbrella for the activities of sixteen national chambers of commerce in Jordan. The Chamber is also involved in providing an umbrella for the activities of sixteen national chambers of commerce in Jordan. The Chamber is also involved in providing an umbrella for the activities of sixteen national chambers of commerce in Jordan.

Introduction:

Institution for foreign investors

Jordan Chamber of Commerce sought aspiration from the royal directions of the homeland leader HM King Abdullah II, who is utterly keen to promote the drive of the economic growth, invigorate all economic activities and sectors, raise the level of citizen livelihood, attain renaissance in all fields for Jordan to become an example to follow, and to position the Kingdom of the world investment map and integrate the national economy into the world economy.

Major activities of the Jordan Chamber of Commerce include achieving the interests of the business community, providing of information and consultancy to the members, building up the economic development, providing of economic and market condition statistics, encouraging foreign investments and facilitating international trade.

Introduction:

Institution for foreign investors

The **Jordan Investment Commission (JIC)** is an independent governmental authority, established in accordance with the Jordanian Investment **Law No. (30)** for the year 2014. The Commission aims to establish a leading authority that attracts and embraces foreign investments and enables local investments in order to achieve economic prosperity in Jordan.

This is achieved through the Commission's work in supporting the investment environment in the Hashemite Kingdom of Jordan by simplifying and facilitating the establishment of investment projects in Jordan and the process for obtaining vocational and other licenses via the establishment of the Investment Window.

The Investment Window comprised of representatives from various govern effectively providing a “one-stop shop” for the registration and licensing



Introduction:

Institution for foreign investors

The Commission further aims to improve the legislative framework and regulations related to investments, and enhance the incentives granted to investors.

Why invest in Jordan?

When investing in Jordan, foreign investors must think about the country as a future regional hub: Jordan must not be considered only as an arrival destination but also as the starting point of future middle-eastern ventures.

The country represents a perfect gateway for the entire region and especially for the countries that will face a long reconstruction period. These countries are Ira



Introduction:

Why invest in Jordan?

According to UN estimates, Iraq would need roughly 100 billion \$ of investments to reconstruct the country. Syria on the other hand would need more likely 250-300 billion \$, according to Staffan de Mistura, former UN special envoy for Syria.

After re-opening land borders with the two countries, Jordan invested in large infrastructures capable of channelling huge amounts of goods to both countries. The plan is to establish a logistics hub and other facilities in Mafraq in north-eastern Jordan, near the country's frontier with Iraq and Syria.

The **2014 Investment Law** provides for equal treatment to be granted to foreign and local investors alike, unless otherwise provided for under applicable laws.

Introduction:

Why invest in Jordan?

This means that there are no additional restrictions on foreign investment other than those stated in the applicable regulations, and unless expressly prohibited, foreign investors may hold up to 100% of any investment in Jordan.

Establishment of business:

Introduction

Business vehicles in Jordan are mainly regulated by the **Companies Law of 1997**. The main business forms are the following:

- General Partnership;
- Limited Partnership,
- Limited Partnership in shares;
- Limited Liability Company (LLC);
- Joint Stock Company (JSC);
- Private Shareholding Company (PSC);
- Branches of Foreign Companies.

Different requirements apply to their formation, minimum capital, governance and other compliance rules.

Establishment of business:

General Partnership

A **General Partnership** is formed by at least 2 and at most 20 partners. Each partner is personally jointly and severally liable, along with the other partners, for the debts and obligations of the partnership.

The person or persons responsible for managing the general partnership must be indicated in the partnership agreement.

The partner authorized to assume such a role is treated as the legal representative of the partnership and is required to submit periodic reports to the other partners to account the management.

Establishment of business:

Limited Partnership

A **Limited Partnership** consists of general and limited partners, with the general partners assuming responsibility for the management and the conduct of its activities.

The general partners remain personally jointly and severally liable for the debts and obligations of the partners.

The limited partners have no right to manage the partnership but are required to contribute to the partnership's capital, with their liability being limited to such contributions.

Establishment of business:

Limited Partnership in shares

A **Limited Partnership in shares** is composed of at least two general partners who are personally liable for the company's debts and at least three limited partners whose liability is limited to their shareholding. Limited partnerships in shares are required to maintain a minimum capital of at least JOD 100,000 divided in negotiable shares, each with an equal value of JOD 1.

The management of a limited partnership in shares is the responsibility for its general partners as set out in the partnership's association.

The main supervisory bodies of a limited partnership in shares are its general assembly, consisting of all of the general and the limited partners, and the supervisory council, consisting of at least three members elected from among the limited partners.



Establishment of business:

Limited Liability Company (LLC)

A **Limited Liability Company** is composed of 2 or more shareholders, but formation by a single person may also be permitted with the prior approval of the Controller of Companies.

The minimum share capital requirements of an LLC are JOD 1 if all the shareholders are Jordanian.

Foreigners must make a minimum share capital contribution of JOD 50,000. Public subscription for raising capital is not permitted.

The LLC is a separate legal entity from its shareholders, and wherein the liability of the shareholders is limited to their respective capital contribution.

Establishment of business:

Joint Stock Company (JSC)

A **Public Shareholding Company** must have at least two founders, although the Minister of Industry and Trade could approve a single person to establish such a company or the transfer of the company's ownership to one person who purchases all its shares.

Each founder subscribes for shares that may be listed on the stock exchange and his liability is limited to the proportion of his share ownership in the company.

A public shareholding company has to maintain a minimum capital of JOD 500,000, with a subscribed capital of at least JOD 100,000 (20% of the authorized capital).

The minimum capital requirements for specific sectors may be higher.

Establishment of business:

Private Shareholding Company (PSC)

A **Private Shareholding Company** is composed of 2 or more shareholders, although in some cases a single person may establish such a company with the prior approval of the Minister of Industry and Trade.

The minimum share capital requirements of a PSC are JOD 50,000, if all the shareholders are Jordanian. The liability of the shareholders in the company is limited to the value of shares to which they have subscribed. A PSC may issue shares, corporate bonds, and other securities.

The PSC is a separate legal entity from its shareholders, and wherein the liability of the shareholders is limited to their respective share capital contribution.

Establishment of business:

Private Shareholding Company (PSC)

The PSC offers flexibility to shareholders, in that in accordance with the certified Memorandum and Articles of Association of a PSC, a PSC may provide for various types and categories of shares which might differ in terms of their nominal value, voting force, method of profit and loss distribution among shareholders, as well as their rights, priorities, restrictions, and advantages.

The PSC is managed by a Board of Directors. The liquidation of a private shareholding company is similar to the conditions and procedures applied to the liquidation of a public shareholding company.

Establishment of business:

Branches of Foreign Companies

An **Operating Branch of a Foreign Company** may be incorporated for the execution of certain works (e.g. construction) in Jordan, under a contract with a Jordanian employer.

There are no restrictions as to the type of employer, public or private. The foreign operating company is limited to the purpose and period of the said contract.

The foreign operating company is not a distinct legal entity, does not grant limited liability to its Parent Company, and is not subject to any minimum capital requirements.

A Jordanian representative/manager must be appointed to act as a liaison with governmental and regulatory authorities.

Establishment of business:

Branches of Foreign Companies

A **Non-operating Branch of a Foreign Company** may be incorporated to act as a regional or representation office in Jordan for operations it concludes outside of Jordan.

The foreign non-operating company is prohibited from carrying out any business or commercial activities in Jordan, including operations of commercial agencies and intermediaries.

The foreign non-operating company is not a distinct legal entity, does not grant limited liability to its Parent Company, and is not subject to any minimum capital requirements.

A Jordanian representative/manager must be appointed to act as **a liaison with** governmental and regulatory authorities.

Taxation:

Corporate Income Tax

The **Income Tax** applies to both individual and corporate taxpayer on any income generated “in or from the Kingdom” (regardless of the place of payment) listing a number of activities that shall be included, such as, but not limited to: (i) business profits, (ii) royalties, (iii) income from selling or leasing intangible assets located in Jordan, included goodwill, etc. Any other income that is not exempted, may be taxable.

CIT rates in Jordan are applied based on the industry, unless falling under the standard rate.

As of January 2019, a National Contribution Tax has been introduced, increasing the effective tax rate as follows:

Taxation:

Corporate Income Tax

Sector	CIT rate	National Contribution	Effective Rate
All sectors	20%	1%	21%
Main telecom companies, insurance and reinsurance companies	24%	2%	26%
Electricity distribution and generation companies	24%	3%	27%
Basic mining material companies	24%	7%	31%
Financial intermediaries, companies, etc.	24%	4%	28%
Banks	35%	3%	38%

Taxation:

Personal Income Tax

Individuals, such as companies, shall be taxable on income generated “in or from the Kingdom” and also from employment income. Such income is deemed to include: salaries, wages, bonuses, rewards, allowances, and any other cash or in-kind amounts.

Payments to the National Security contribution (or other pension plan) and other listed costs paid by the employers on behalf of employees are deductible from the employee taxable base.

Some items are tax exempt such as accommodation services provided by the employer at workplace, meals, and furnishing of equipment and uniforms. End of service benefits can gain remarkable exemptions in some cases or be subject to lower 9% rate.

Taxation:

TP, Thin-Cap and WHTs

The New Income Tax Law introduced **Thin-Cap** rules providing that interests (and *Mudarabah* profits) payments to related parties, exceeding the 3:1 debt-to-equity ratio cannot be deducted by the payer.

New **transfer pricing (TP)** has been introduced holding that the Department shall assess whether any transaction, agreement, or arrangement among related parties is different from the terms and conditions that “could have been agreed” between independent parties.

Such assessment shall be carried out “in accordance with international standards”. Indeed, it is important to underline that, whether the it was artificial or fictitious, the transaction will be disregarded, and tax shall be assessed as if the transaction did not occur.

Taxation:

TP, Thin-Cap and WHTs

Under Jordan Income Tax Law, **withholding** obligations upon “passive income” (income from deposit interest, commissions, profits of deposits participating in investments of banks and interest-free financial companies), is withheld as follows: (i) at a 5% rate for individual recipients; (ii) at a 7% rate for a legal person.

Italy and Jordan signed a Double Tax Treaty in 2004 (in force as of 2010) and, under the relevant treaty taxes withheld in any of the two countries (upon outbound payments) with very few exceptions (such as interest payment, where the payor is the State).

Taxation:

VAT

A general sales tax is imposed at the rate of 16% on: (i) Sales of goods or services and: (ii) Importing any service or goods from outside Jordan or from the Free Zone areas and markets inside Jordan.

Export of goods and services outside Jordan, to the Free Zone areas and markets, to the Aqaba Special Economic Zone (ASEZ), and to development areas are zero-rated.

Exemptions apply with respect to sales of listed goods such as bread, water packed in less than five litres, tea, sugar, gold, money, and electricity. Services exempt from sales tax include the following: air transport, education, disposal of sewage and waste, public health and similar activities, activities of religious organisations, activities of social organisations.

Taxation:

VAT

Jordan is member country of the WTO and has entered into a Free Trade Agreement with the EU which led, in 2016, to a simplified rule of origin used by Jordan exporters to the EU, revised in December 2018 and to be applied until 2030.

Tax on Real Estate Properties

A property tax is levied according to the tax rate determined by the municipality (depending on location and size of the property and, in case of buildings, depending on annual rental value). Transfer of property is subject to taxation at a 9% rate, while registration fee is charged at 5% rate and sale of property at a 4% rate.

Trade:

Jordan and Italy

Jordan and Italy share a long history of economic and commercial exchanges.

Today, the two countries are bound by even more solid economic and commercial relations, worth in 2020 a total commercial interchange of 449 million EUR.

In 2020, Jordan exported approximately 34 million EUR of goods and services to Italy and imported, in the same year, about 415 million EUR.

In 2020, available data suggests an overall lowering of Italian exports to Jordan, approximately -30% compared to 2019.

Trade:

Jordan and Italy

According to the Italian Ministry of Economic Development, Jordan exported to Italy mostly basic chemicals and fertilizers (approx. 1.4 million EUR), metals (approx. 1.3 million EUR) and waste (approx. 1.3 million EUR).

Italy on the other side, mainly exported industrial machinery (approx. 9.9 million EUR), metals (approx. 9.9 million EUR) and power generation and transmission products (approx. 5.2 million EUR).

Italy is also a “net investor” in Jordan. In 2019, Italian Investments in Jordan counted for approximately 874 million EUR, whereas Jordanian investments in Italy counted for 7 million EUR. Italian FDI’s are mainly concentrated in Amman and in the main Free Zones and Industrial Development Zones scattered throughout the country.

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