A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2016/17 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 30 April 2016, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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STRUCTURE OF COUNTRY DESCRIPTIONS

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MEMBER FIRM

City  Name                  Contact Information
Amman  Mohammed Khattab    +962 795 572 746
                                             mkhattab@pkf.jo

BASIC FACTS

Full name: The Hashemite Kingdom of Jordan
Capital: Amman
Main languages: Arabic
Population: 9.5 million (2015 PRB)
Major religion: Islam
Monetary unit: Jordanian dinar (JOD)
Internet domain: .jo
Int. dialling code: +962

KEY TAX POINTS

• Domestic companies are subject to income tax on worldwide income, although income from the
  export of goods is exempt until 31 December 2018. Foreign companies are subject to tax on
  income from Jordanian sources.
• Special rates of corporate income tax apply to certain industries including transport, construction,
  banking and other financial industries.
• Capital gains are taxed at the appropriate corporation tax rate if the assets are subject to
  depreciation rules.
• Credit for foreign taxes is generally only available where a relevant double tax agreement is in
  place.
• No withholding tax is charged on the payment of dividends by Jordanian companies. However,
  withholding taxes are charged on the payment of interest, royalties and other charges to both
  residents and non-residents.
• Income tax is payable by residents and non-residents on salaries earned from any employment
  in Jordan.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

The Jordanian Tax year is a calendar year starting on 1 January until the 31 December of each year.
The taxpayer might change the Tax year to be compatible with his business.

COMPANY TAX

Domestic companies are subject to income tax on all their sources of income wherever arising.
Foreign working branches (companies) are subject to income tax only on their income from Jordanian
sources.

Export sales of goods are only income tax exempted until 31 December 2018, most of the time the
Tax Department might extend this exemption, the taxpayer should maintain regular audited
accounting records with a separate cost centre for export activities.

Export sales of some services are exempted including accounting services, computer services,
feasibility studies services and IT services. Dividends received from domestic companies are exempt
from tax. Company tax is levied as follows:
Domestic companies and foreign operating branches:

<table>
<thead>
<tr>
<th></th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>35%</td>
</tr>
<tr>
<td>Major telecom companies, electricity distribution and generation companies, mining companies, insurance and re-insurance companies, brokerage, legal persons who practice financial leasing.</td>
<td>24%</td>
</tr>
<tr>
<td>Industrial sector</td>
<td>14%</td>
</tr>
<tr>
<td>All legal persons except what was stated above</td>
<td>20%</td>
</tr>
</tbody>
</table>

FOREIGN NON-OPERATING COMPANIES

SECURITIES TRANSACTION TAX

Security Transaction Tax is not applicable in Jordan.

CAPITAL GAINS TAX

Capital gains are taxed at the appropriate corporation tax rate if the assets are subject to depreciation rules.

TONNAGE TAX FOR SHIPPING INDUSTRY

Tonnage Tax for shipping industries is not applicable in Jordan.

DIVIDEND DISTRIBUTION TAX

Profits from stocks and dividends distributed by a resident to another resident are exempted, except profits of mutual investment, funds of banks and financial companies.

BRANCH PROFITS TAX

Jordanian companies’ branches operating outside the Kingdom, and foreign investments if the source of capital was originated inside the Kingdom are subjected to 10% tax ratio, based on net income declared in their final accounts which are certified by an external certified auditor.

SALES TAXES / VALUE ADDED TAX (VAT)

The rates of the sales tax are:

- 16% as a general rate for goods and services;
- 8% on home Internet, building iron, reinforcement steel, certain types of food.
- 4% for specified agricultural products, fruits, meat, vegetables and live animals;
- Zero rate for a list of specified products like energy-saving products and pharmaceutical industry inputs.

A state government initiative to promote industrial growth provides sales tax exemption and defers the payment of the tax payable on goods and services at importation.

FRINGE BENEFITS TAX

There is no separate fringe benefits tax. Benefits provided by employers to their employees are subject to income tax, computed in the prescribed manner. Employers are obliged to withhold payable income tax on all benefits provided to employees on their behalf. If the company adopts provident funds or insurance plans, employers are required to contribute.
LOCAL TAXES:

STAMP DUTY

Stamp Duty of 0.6% is payable on all transactions with governmental and publicly traded corporations.

LAND AND PROPERTY TAX

No tax is levied on land property except for improvement taxes. However, real estate property is subject to tax at a variable rate between 2% to 5% of a credited value.

OTHER TAXES:

CUSTOMS DUTY

Customs Duty is payable on goods imported into Jordan. The rates of basic Customs Duty may reach up to 30% depending on the governmental strategy.

RESEARCH AND DEVELOPMENT

Research and development expenses can be deducted whenever incurred.

WEALTH TAX

Wealth tax is not applicable in Jordan.

GIFT TAX

Income from prizes, which its value or amount exceeds 1,000 JOD is subjected at the rate of 15% and the withheld amount is considered a final tax.

B. DETERMINATION OF TAXABLE INCOME

Any income incurred in or from the Hashemite Kingdom of Jordan for any person regardless of the place of payment shall be subject to income tax. Generally, to be deductible, an expenditure must be assigned to generate taxable income. Some expenses require a special treatment. Non-resident taxpayers pay tax only on Jordanian earned income. The assessment year is the period of 12 months from 1 January until 31 December.

DEPRECIATION

Depreciation allowance is available as per the following rates depending on the nature of asset:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Depreciation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings (depending upon their nature)</td>
<td>2% to 10%</td>
</tr>
<tr>
<td>Furniture and Fixtures</td>
<td>5% to 15%</td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>20% to 35%</td>
</tr>
<tr>
<td>Intangible Assets (patents, trademarks, know-how, licences, copyrights, etc)</td>
<td>10% - 50%</td>
</tr>
<tr>
<td>Modes of Transportation (land, air, sea)</td>
<td>15%</td>
</tr>
</tbody>
</table>

Assets used for less than 180 days in the year of acquisition are entitled to half of the normal...
depreciation allowance. Depreciation not set off against current year’s income can be carried forward for set off against any future income for unlimited period.

**STOCK / INVENTORY**

The valuation of closing stock is normally completed on the basis of cost or market value, whichever is lower. The accepted valuation methods include FIFO, weighted average cost or other valuation methods in accordance with IFRS. The valuation basis is to be consistently followed.

**INTEREST DEDUCTION**

Interest incurred or paid on borrowings used for business purposes is tax deductible within the same year as mentioned below:

a) For new businesses, interest incurred prior to commencement of commercial production is to be capitalised.

b) Interest paid for financing another taxpayer is not deductible.

c) Interest paid by banks, financial companies and financial leasing companies is wholly deductible.

Interest paid by banks, financial companies and financial leasing companies is wholly deductible.

**EXPENDITURE INCURRED FOR EXEMPT INCOME**

Expenditure incurred in earning an exempted income from tax is not tax deductible. With regards to the exempted income from trading in dividends, stocks, bonds, equity loan, treasury bonds, mutual investment funds and currencies, the non-deductible amount shall be 25% of the exempted income. In all cases, the non-deductible amount should not exceed the allowable expenses.

**LOSSES**

Business losses can be set off against any other income in the same assessment year and against business profits. Losses can be carried forward not exceeding (5) years. Losses for activities outside the Kingdom are deducted from the activity’s profits. There are no provisions for carrying losses backward. Export losses cannot be carried forward.

**MINIMUM ALTERNATE TAX (MAT)**

MAT is not applied in Jordan.

**FOREIGN SOURCED INCOME**

Jordanian companies' branches operating outside the Kingdom, and foreign investments if the source of capital was originated inside the Kingdom are subjected to 10% tax ratio.

Any income for a resident person from sources outside of the Hashemite Kingdom of Jordan shall be subject to tax, provided that it originates from money or deposits from inside the Kingdom. Income for a non-Jordanian resident fiscal person is exempt from income tax if this income is incurred outside of Jordan.

**INCENTIVES**

In addition to the incentives which are available for export sales of goods, the investment Law provides tax and customs exemptions on certain new projects. In case of an undertaking located in a Special Economic Zone, the tax incentives for the first ten years are normally 75%. Input sales tax for export sales is refundable.
FOREIGN EXCHANGE EARNINGS

Foreign exchange earnings are only taxable for companies.

C. FOREIGN TAX RELIEF

UNILATERAL TAX CREDIT WHERE THERE IS NO TAX TREATY

Where a resident of Jordan has paid tax in any country with which Jordan does not have a tax treaty, credit is not available for such tax payment in Jordan.

TAX CREDIT UNDER TAX TREATIES

Jordan has entered into tax treaties with many countries. Under applicable tax treaty, Jordanian residents paying taxes in other countries can claim credit in Jordan for foreign tax payments as mentioned in each treaty.

D. CORPORATE GROUPS

There are no provisions in Jordan for consolidation of accounts for tax purposes or provisions for group taxation.

E. RELATED PARTY TRANSACTIONS

Related party transactions are required to be reported separately and the tax authorities are given power to consider whether transactions are at an arm's length. Where prices paid for the purchase of goods or services are excessive or unreasonable, the assessing officer can disallow a deduction for the excess portion.

F. WITHHOLDING TAX

The law dictated that the legal person should deduct and pay a rate of 5% as a down payment of the fees and wages paid to a resident person of:

1. Doctors;
2. Lawyers;
3. Engineers;
4. Auditors;
5. Consultants;
6. Authorized persons for taxpayers (Tax Advisors);
7. Insurance and Re-insurance brokers;
8. Arbitrators;
9. Customs brokers;
10. Real estate brokers;
11. Arbitrators by commissions;
12. Financial brokers;
13. Shipping brokers by commissions;
14. Any other persons which are identified under instructions.

Income from royalties and any other non-exempted income paid by a resident to a non-resident person directly or indirectly is subject to withholding tax at the rate of 10% and the withheld amount shall be considered a final tax.

G. EXCHANGE CONTROL

There are no exchange control rules in Jordan.
H. PERSONAL TAX

Jordanians and other non-Jordanians resident individuals are both subject to the same rules and taxes are assessed on income in, or from, Jordan. Taxable income is the gross income less the following deductions (exemptions):

- Tax on physical person:
  a) 12,000 JOD yearly exemption for resident natural person;
  b) 12,000 JOD yearly exemption for dependents;
  c) 4,000 JOD yearly exemption for natural person and dependents to cover medical treatment, education, housing loans interests, Murabaha on housing, technical, engineering and legal services, provided that invoices or supporting documents are presented.

- Income tax according to the following ratios:
  a) First 10,000 JOD are subjected to 7% ratio;
  b) Second 10,000 JOD are subjected to 14% ratio;
  c) Any amount above that is subjected to 20% ratio.

A non-Jordanian resident pays tax only on income from Jordanian sources of income. Income from stocks and dividends distributed by a resident is considered as an exempt income for individuals.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Under the Jordanian domestic laws, the withholding tax rates for non-treaty countries are as follows:

<table>
<thead>
<tr>
<th>Non-Treaty Countries</th>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>0%</td>
</tr>
<tr>
<td>Interest</td>
<td>10%</td>
</tr>
<tr>
<td>Royalties</td>
<td>10%</td>
</tr>
</tbody>
</table>

In some cases, the double tax agreements between Jordan and the overseas territories reduce the rates of withholding tax applicable to those listed above to be zero.