

# Insight into the New Jordanian Investment Law

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This Law supports the government of Jordan's goal of striving to lead the economy to stability and attract foreign investors. This will be achieved through developing its laws and systems to enable Jordan to meet global market standards.

The Law improves and develops on previous initiatives, and retains certain benefits that were already granted to investors.

## **Key Areas that Remain Unchanged**

### *Powers of Council of Ministers*

The Law empowers the Council of Ministers with the right to grant any project (economic activity) falling within any exempted sectors, such as energy, ICT-BPO and tourism, additional exemptions, privileges and incentives based on the location of the project.

Non-Jordanian same as Jordanian

There is a reaffirmation, as in previous initiatives, that Non-Jordanian investors shall be treated like Jordanian investors.

## **Key Areas Addressed in the Law**

### *Economic Activities*

The previous initiatives used the term "Project" to describe investor activity in Jordan. The Law has changed the term to "Economic Activity", and has expanded the definition such that is not limited to activities covered only by the Law or any instructions or regulations. This expansion is for the benefit of investors in Jordan.

### **Expansion of Sectors**

The Law expands the sectors covered by the previous investment promotion initiatives to include crafts and services; in addition to manufacturing, agriculture, hospitality, healthcare, entertainment cities, research centres, media production, convention centres and events, transport, distribution and/or extraction of water, gas and oil derivatives using pipelines, air transport, sea transport and railways.

For these Sectors, any materials, equipment, or necessary items needed for carrying out the economic activity whether imported or purchased locally, will be automatically exempt from any customs fees and will be subject to 0% sales tax.

### **Capital Investment**

The Law provides that foreign capital investments may be in cash, in-kind, material, or moral rights of a

financial value, which include trademark and patents. This is an expansion from the definition used in the previous initiatives.

Pursuant to the above, the Law further stipulates that no restrictions shall apply to foreign capital investment amounts within the development zones and/or the free zones. Previous initiatives had capped the foreign investment. Therefore, we are happy to see such capping removed.

Moreover, the Law continues with the spirit of previous initiatives, and has granted foreign investors the right to withdraw the entire amount of the investor's investment in Jordan, to transfer any capital gains, liquidate and or withdraw and sell the investor's share in their investment, and lastly to run their economic activity any way they deem appropriate and fit to achieve success and profits.

### *Deductions and Exemptions*

The Law provides a wide range of exemptions and deductions on income tax, sales tax, and customs fees.

Not only that, the Law categorises items necessary to carry out the economic activity into schedules and stipulates that based on these, the income tax department and the sales tax department have to refund any tax paid within 30 days from the date that such a request is submitted.

Further, the Law categorizes deductions on items and materials needed for carrying out the economic activity based on the location of the activity, whether it is within the development zone, the industrial zone, or the free zone. Investors in each area get different benefits. For instance, in the development zones, material needed to building infrastructure, machines etc. are all exempt from customs fees. In the free zones, the exemptions are on the goods being exported out of Jordan.

### *Income Tax Deductions*

Companies carrying out economic activities in the development zone will be taxed at a rate of 5% on their income.

Companies carrying out economic activities in the industrial zone will be taxed at the same rate of 5% on their income.

### *Sales Tax Deductions/Exemptions*

Here, the Law stipulates that any goods or services, whether imported or local, needed for carrying out the economic activity will be assessed a 0% sales tax, otherwise the regular sales tax rate will apply if the good or services are not used for the benefit of the economic activity.

### *Past Granted Exemptions*

The Law only provides investors with one option as opposed to past legislation where investors were granted the option of either continuing with the old exemptions or adjusting their status to apply the new exemptions to the economic activities.

Under the Law, investors are able to maintain and enjoy already granted exemptions until they are due to expire. They are not given the option of adjusting their status to take advantage of the new Law.

However, the Law does grant investors who have not began work on the economic activity for which they obtained exemptions a period of two years to commence work on the project or risk losing these past exemption.

### *Investment Window*

The Law establishes a one-stop shop, the Investment Window, with the aim of providing a single point of

contact to license economic activities in Jordan. Through the Investment Window, the Law creates a streamlined and co-ordinated mechanism necessary to acquire all the required approvals for investors.

### **Key Areas Not Addressed in the Law**

#### *Income Tax*

In the previous initiatives, there were specific categorization of the zones, the income tax exemption rate, and the period for which the exemption applied. Different areas and categories received a different rate.

However, under the Law these specifications have not been determined yet. They are set to be determined in accordance to instructions to be issued soon.

#### *Merger*

Pervious initiatives had clearly discussed investors merging their projects. However, under this Law there is only one article that discusses the ability to merge and continue to benefit from the exemption, but it refers to instructions that are yet to be drafted for further details.

#### *Future Impact*

With the new Law's investment incentives, such as the automatic exemptions from customs and sales tax, investors will hopefully be more interested in entering the Jordanian market and commence economic activities that take advantage of all these benefits.