Tax Burden in Jordan:

Reality & Prospects

Jordan Independent Economy Watch

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Introduction

Taxes are defined to be compulsory payments made to the government, and are usually levied on a wide range of economic activities, ranging from consumption to income-accruing activities. Governments charge many different types of taxes based on specified criteria, which are usually broadly grouped under two main categories: direct taxes and indirect taxes. According to the OECD[1], it is difficult to distinguish between fees and duties that are treated as taxes and those which are not, because the link between the fee and the service provided may vary substantially. And this is the reason why a country may have a number of different estimates of the tax burden on its citizens.

Direct taxes are defined to be taxes that are paid directly to the government by the person or establishment on which it is imposed, and is usually dependent on an individual's income or wealth. Because of this, direct taxes, such as income tax, is usually considered to be a progressive tax, meaning that the higher a person's income is, the higher the rate of taxation. On the other hand, indirect taxes are taxes that are levied on goods or services rather than on individuals or establishments. The most common form of indirect tax is general sales tax (GST) or value-added taxes (VAT) which are usually considered much easier to collect than direct taxes. Such taxes are ultimately passed on to individuals or establishments in the form of higher prices, such that they indirectly pay the tax. These taxes depend on the level of consumption and are therefore considered to be more regressive such that poorer people pay a higher share of their income on consumption (i.e. consumption tax) than richer people who tend to save or invest more, or even spend the money outside the country.

Therefore, a country's tax system is usually a combination of direct and indirect taxes levied on individuals/establishments' incomes, consumption, and overall economic activities. According to international best practices, the simpler a tax system is, the easier it will be to manage the administration and collection of taxes, and the lower the rate of tax evasion will be.

The traditional and main purpose of taxes is for the government to generate revenues in order to finance its expenditures, which should ideally return to the taxpayer in the form of a benefit. For example, a company pays its taxes so that it may use the infrastructure provided by the government to produce a good or service. Similarly, an individual pays taxes in order to benefit from the public services provided by the governments (e.g. electricity and water grids, education.. etc). Furthermore, tax revenues provide the means for national defence.

However, with the evolution of economic theory, taxes now have a range of different functions alongside the purpose of generating public revenues. Governments may use taxes (direct taxes in specific) and associated transfer systems to lessen the income/wealth inequality amongst its citizens. This is usually done through a progressive tax system under which those with higher incomes tend to pay a higher share of their incomes as taxes than those with lower incomes. Almost all countries aim to have a progressive tax system in order to meet social development goals.

[1] OECD (1996) 'Definition of Taxes' Note by the Chairman

Some governments also use taxes to steer the economy into a certain direction with incentives. By providing lower tax rates on some economic sectors, governments can direct the economy's resources into the sectors it views as having the most potential. However, some economists perceive this function to have a distortionary effect on free markets, while others see it as a correction to market failures. Moreover, government may use taxes as a stabilisation tool for the macroeconomy. In other words, best practices reveal that governments should employ an anti-cyclical fiscal policy, which means that taxes are lowered during times of recession and are raised during a boom. In such a way, taxes (and subsidies) can have a stabilising macroeconomic role. Yet another use of taxes is to reduce or eliminate negative market externalities[2] such as pollution.

The aim of this paper is to shed light on the most recent amendments made to the income tax system in Jordan as per the new Income Tax Law for 2014 (no. 34), and analyse expected changes resulting from the law. Following from the introduction, the second section provides an overview of the tax system in Jordan and offers a glimpse of its evolution then delves into the total tax burden compared to other countries. The section then presents a detailed analysis of the evolution of tax revenues over the past decade or so. The third section will investigate the recent amendments in the new income tax law, while the fourth section concludes and provides some points on the way forward.

Tax Structure in Jordan

Historical Brief

Tax administration and management was an ordeal in the early history of Jordan. Early efforts in introducing direct taxes by the state of Transjordan were not successful and actually led to a series of uprisings across Transjordan in the 1920s. Therefore, Jordan had to rely on indirect tax for its domestic revenues, mainly in the form of custom duties and license fees, while the majority of expenditures were financed by foreign aid.

A consolidated land tax was finally introduced in 1933 to become the first type of direct taxation applied in Jordan.[3] This was made possible after the British completely reformed land policy and tenure to the benefit of tax collection. During the wartime of the early 1940s, the merchant community in Transjordan was achieving high profits, to which the government had sought access through the application of an income tax. Facing strong opposition by the business community, an informal agreement was made between the Amman Chamber of Commerce (ACC) and the government, under which a limited amount of income taxes would be collected by ACC and handed over to the government. This arrangement had greatly undermined the already-weak institutional development and legitimacy of state taxation.[4]

Finally, the state was successful in introducing an income tax law less than one year before independence, after negotiations with the business community lowered initial proposed tax rates, and the law was finally passed by the legislative council in 1945. However, soon after independence, an 'Encouragement of Investment Law' was enacted, under which a multitude of tax exemptions were introduced. From that point onwards, the tax legislation went through a number

[2] A negative market externality is usually considered to be a social cost inflicting a third party, that it is not reflected in market dynamics, and thus is not reflected in prices.
[3] Robins, P. (2004). *A History of Jordan*. Cambridge University Press. Page 40
[4] Carroll, K. B. (2003). *Business as usual? Economic Reform in Jordan*. Lexington Books

of developments to cope with the changing socioeconomic environment of the Kingdom until the issuance of the Income Tax Law of 1964 and later a new one in 1985. Again, the new Tax Law introduced in 1985 was accompanied by investment related laws. Nevertheless, indirect taxes remained the main source of domestic revenues. By 1985, 40% of domestic revenues were obtained from customs while direct taxes accounted for only 13% of government revenues.[5]

After the economic and financial crisis of 1989, Jordan embarked on a series of deep fiscal reforms conditioned and guided by the International Monetary Fund (IMF). The reforms completely revamped the tax structure that had existed before the crisis, and were focused on introducing a general sales tax (GST) as well as eliminating trade related taxes (e.g. customs). The reforms took significant time to unfold due to national opposition, but were eventually introduced in a gradual manner. The main tax related reforms are presented in the adjacent box.

From 1989 to 2004, Jordan reduced its maximum tariff rate from over 300% to 35%, while a large amount of tariffs were abolished under free trade agreements signed by Jordan and also due to Jordan joining the World Trade Organisation in 2000. On the other hand, this period witnessed the introduction of a general sales tax of 7% gradually rising to 16% by 2003. These legislative reforms were also accompanied by institutional reforms, the result of which is the establishment of a unified Income and Sales Tax Department (ISTD) by 2004. Furthermore, Jordan's Income Tax Law was amended in 1995 for the purpose of simplification and thus to limit the extent of tax evasion. Since 2004 and until today, the income tax law passed through a few amendments including once in 2009 and one in 2014. The GST law was also amended several times in this period with the latest amendment being in 2009.

Currently, there are over 120 types of taxes and fees existing in Jordan[6] which gives an indication of the complex nature of the tax system in the Kingdom. Moreover, many of the tax rates and fees are enacted by the government without being first passed by parliament, which puts into question the constitutionality of many of these taxes. The purpose of fees charged on specific activities (e.g car license renewal) is cost recovery, but the fee rate changes with the value of the underlying asset, meaning that such fees should be considered taxes.

Tax reforms during Jordan's reform programme with the IMF (1989-2004)

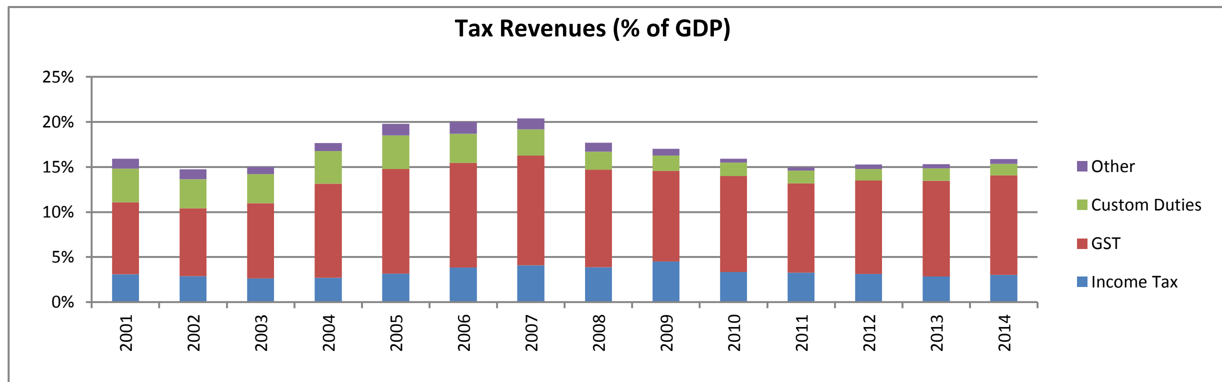
- ***1989-93:*** *preparations for introduction of GST. Conversion of trade taxes to ad valorem bases (from specific rates). Maximum tariff rate reduced from over 300% to 70%.*
- ***1994:*** *Introduction of GST at a rate of 7% to be levied on imports, manufactured goods, and selected services.*
- ***1995 :*** *GST basic rate increased from 7% to 10%. Income tax law amended to:*
  (i) eliminate most tax holidays,
  (ii) lower maximum rates for corporate and personal income tax,
  (iii) reduce number of tax bands
- ***1996:*** *Maximum tariff rate reduced from 70% to 35%. Creation of a separate GST Department; separated from the Customs Department*
- ***1999:*** *Maximum tariff rate reduced from 50% to 35%*
- ***2002:*** *Amendment to GST law to reduce exemptions and to extend the tax to essential consumer goods at a lower rate of 2%.*
- ***2003:*** *GST basic rate increased to 16%, and lower rate increased to 4%*
- ***2004:*** *Merger of Income Tax and GST Departments*

Source: IMF (2005). "Evaluation Report, IMF Support to Jordan, 1989-2004

[5] International Business Publications (2012). *Jordan Business Law Handbook: Strategic Information & Laws.*
[6] Mansur, Y. (Jan, 2015)"What's with Taxes" Jordan Times

Impact of Tax Policy on Public Revenues

It is worthwhile now to investigate the trend in tax revenues over the past decade or so, to check the effectiveness of Jordan's tax policy in generating revenues in this period. The chart below displays tax revenues as a share of GDP, according to type of tax, for the past 15 years.



The above figure reveals a trend of increasing revenues (as a % of GDP) from 2003 to 2005, before levelling off between 2005 and 2007 and beginning a declining trend in 2007. Changes in tax and investment legislation clearly explain this trend. First of all, the increase in tax revenues from almost 15% of GDP in 2003 to 19.8% of GDP in 2005 may be attributed to the amendment made to the GST rate, which was increased from 10% to 16% in 2003, and also due to the cancellation of a number of exemptions previously provided. This is a massive increase in the tax rate, which was reflected in a surge in revenues from 2003 to 2005. In fact, sales tax revenues alone increased from 8.35% of GDP in 2003 to 11.6% of GDP in 2005.

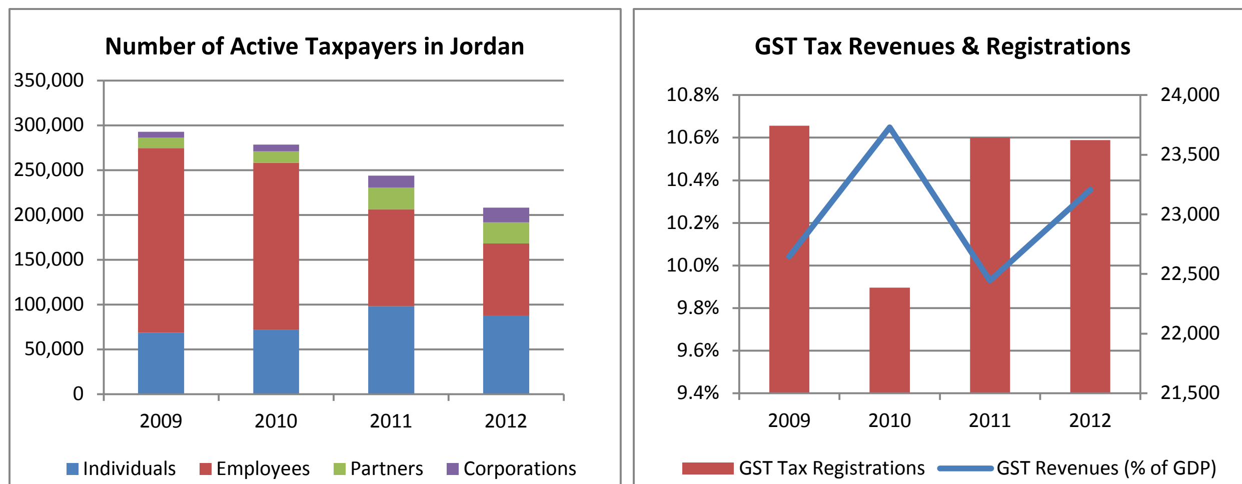
However, in 2005, an amendment was introduced to the special sales tax regulation under the sales tax law, whereby the sales tax rate charged on a large number of basic goods was either lowered or eliminated. The continued deterioration in revenues as a share of GDP after 2008 was a result of the various amendments introduced to tax legislation, most importantly the temporary tax laws of 2009, which introduced exemptions on income that eroded the tax base over time. According to PWC's paying taxes 2014[7], the fall in corporate income tax revenues from 2009 to 2010 in specific was due to the elimination of educational, vocational, and support funds accrued from companies, as well as the reduction of rates of corporate income tax and property transfer tax. Another legislation enacted during this period was the Development and Free Zones Law of 2008 which provides exemptions for registered companies operating within the countries development zones.

The multiplicity of tax exemptions provided upon certain conditions and criteria has greatly undermined the potential of tax revenues. A study carried out by the 'Jordan Fiscal Reform Project II'[8] revealed that there are at least 80 provisions from around 20 laws that provide tax relief in Jordan, where forgone tax revenues from these provisions amounted to at least JD1,556 million or 7% of GDP in 2012. A significant part of forgone revenues was a result of discretionary decisions from the cabinet, which under law, has the right to grants tax breaks and exemptions. The study also mentions how the number of items with reduced sales tax or those that are exempted from sales tax have been expanding over time, eroding the GST tax base.

[7] PwC (2014) "Paying Taxes 2014: the global picture"
[8] Jordan Fiscal Reform Project (2013) "Evaluating Tax Expenditures in Jordan"

The large number of laws involving taxation and incentives has created a complex tax structure in Jordan, where exemptions and incentives were provided according to sector categories and according to geographical location. This greatly facilitated the process of both tax evasion (illegal) and tax avoidance (legal) as such a complex system creates loopholes through which individuals and companies can avoid paying tax in legal ways. The most recent study on the issue carried out in 2014 by the Economic & Social Council[9], estimated that the cost of tax evasion in Jordan grew from JD1,067 million in 2011 to an estimate of JD1,578 million in 2015, indicating a rise of around 48%. The study shows that at least JD695 million is lost due to tax evasion alone; 29% of the forgone revenues were from income tax revenues while 71% from sales tax revenues.

The charts below illustrate the effect of tax evasion and tax avoidance on the number of tax payers over the period between 2009 and 2012.



Source: ISTD, FRPII - (2013)Tax System Benchmarking Review

Source: Registrations: ISTD, FRPII - (2013)Tax System Benchmarking Review
GST Revenues: Ministry of Finance

The total number of active taxpayers in Jordan dropped from 292,744 in 2009 to 208,271 in 2012, indicating a fall of more than 28%. The biggest decline was witnessed from employee tax payers, which dropped by more than half over this period. However, all other categories of taxpayers increased over the period, especially corporations; but due to the tax exemptions and reductions introduced in 2009, total revenues obtained from these corporations remained somewhat stagnant, and actually dropped drastically by over 19% between 2009 and 2010. Income tax revenues were not the only revenues item affected by the 2009 amendments, but also sales tax revenues. The second chart shows a deterioration in both GST revenues and the number of GST registrations over the period, with a sharp drop witnessed in registrations witnessed in 2010, accompanied by a drop in revenues a year later.

The deterioration of public revenues until 2012 as well as a surge in current expenditures due to the country's energy crisis (i.e. shortfall in natural gas imports) have prompted authorities to introduce amendments to the income tax law, supported by the IMF under the Stand-By Agreement signed late 2012. The next section will look at the amendments introduced in the new Income Tax law for 2014 and investigate potential effects. But before this, the following sub section will present the tax burden and structure in Jordan compared to other countries, as well as gauge the impact of taxation policy on investment.

[9] Economic & Social Council, Jordan (2014) "Tax Evasion in Jordan: Causes, Means, & Size"

Effect on Investment & Public Services

The tax policy of any country inevitably affects its attractiveness as an investment destination. Although higher tax rates increase the costs of any investment, investors are more interested in the profitability, sustainability and protection of their investment. In other words, investors place a high value on a country's institutional set up for investor protection as well as the country's infrastructure quality as well as other public services. A policy brief prepared by the OECD[10] states that "while tax is recognized as being an important factor in decisions on where to invest, it is not the main determinant". The brief adds that "FDI is attracted to countries offering: access to markets and profit opportunities, a predictable and non-discriminatory legal and regulatory framework; macroeconomic stability; skilled and responsive labour markets, and well-developed infrastructure".

An analysis of the effect of taxation on the trend of FDI inflows into Jordan over the past decade would not provide concrete results. Many other variables have a strong influence on the level of FDI including privatisations, regional developments, and the many variables of the global economy. However, there is some existing evidence that points towards the link between the tax legislation and investment decisions.

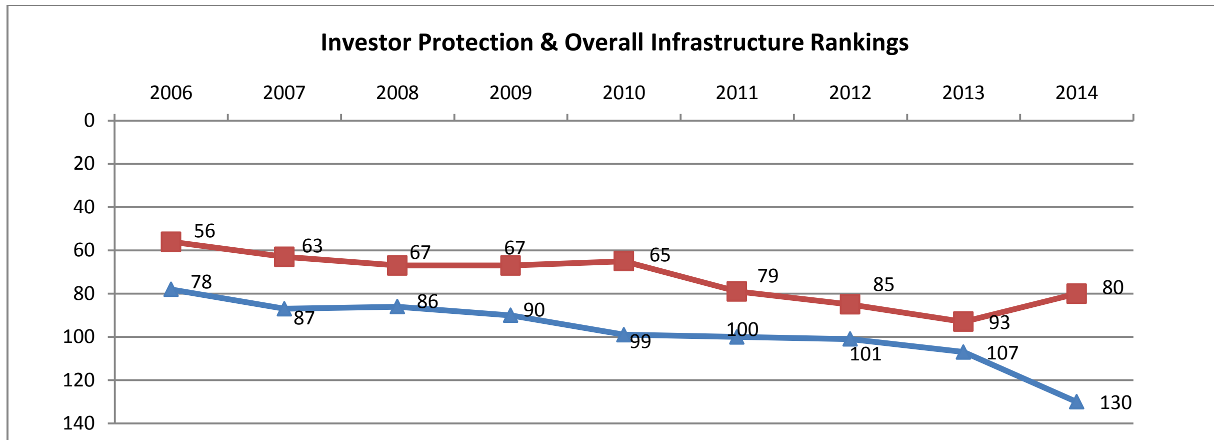
As part of a study conducted by the Jordan Strategy Forum[11], a survey was administered to over 250 private sector companies and focus group discussion were held with a wide array of private sector representatives. The study revealed that over 60% of respondents believe that the current tax administration and its procedures (e.g. estimation and auditing) are not clear, transparent, nor fair. More importantly, the majority of focus group participants agreed on the fact that the instability of the tax legislation is a huge disincentive for investors to enter any economy. Another case Jordan Times is the very recent statement made by the Saudi ambassador to Jordan who said that despite Jordan's attractive investment climate, the business environment requires much more stability in terms of laws governing taxes, underlining the importance of stability in tax legislation for international investors[12]. Continuously amending laws also tends to create a weak legislative framework that will often result in some laws being incompatible with one another. The Ministry of Energy recently admitted that the delays facing renewable energy projects partly stem from the incompatibility in relevant legislation.

According to the Global Competitiveness Index (GCI), Jordan's ranking in terms 'Strength of investor protection' deteriorated from 78th in 2006 to 130th in 2014. In terms of the 'infrastructure' pillar of the Index, Jordan's ranking deteriorated from 56th to 80th over the same period. The chart below provides Jordan's annual rankings under these two indicators

[10] OECD (2008) *Tax Effects on Foreign Direct Investment*. Policy Brief.

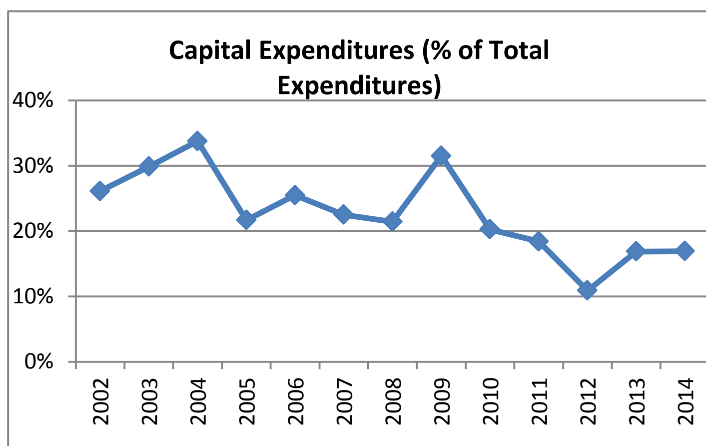
[11] Jordan Strategy Forum (2014) "The Effect of Government Policy on the Competitiveness of the Business Sector in Jordan"

[12] Jordan Times (May 2015) "Saudi Envoy Sees Legislation Giving Jordan Added Investment Clout"



Source: Global Competitiveness Index - Data Set

The deteriorating investment protection ranking means that Jordan is providing a less enabling environment for investment in relation to other countries, meaning that legislations supporting the investment environment do not provide enough protection for investors. The deterioration in infrastructure points to another serious issue, which is the quality of public services in Jordan.



Source: Ministry of Finance

Despite the continuous increases in taxes and fees over the past two decades, the level of public services has not developed at the same rate as public revenues. This is because the government has been spending most of its budget on current expenditures (e.g. salaries, pensions.. etc) and not enough on capital expenditures which are the basis of expanding public services and improving their quality. According to official figures, the share of capital expenditures out of total expenditures has been on a long term declining trend. This is despite the high economic growth rate achieved in the 2000s before the global financial crisis. According to the World Bank, the Jordanian government throughout this period has been following a pro-cyclical fiscal policy which has been a major source of macroeconomic instability[13]. Furthermore, despite the increase in current spending in this period, many of the public hospitals and schools charge higher fees than private ones, and most of the increase in current spending was channelled into public sector salaries. In fact, compensations to public sector employees more than doubled between 2004 and 2013, increasing by 173%. Such an increase was not accompanied by improved public services, where for example, the quality of education has been on the decline for the last decade as was recently admitted by the Ministry of Education. This is mainly a result of the 'administrative slack' which His Majesty referred to recently when describing the public sector.

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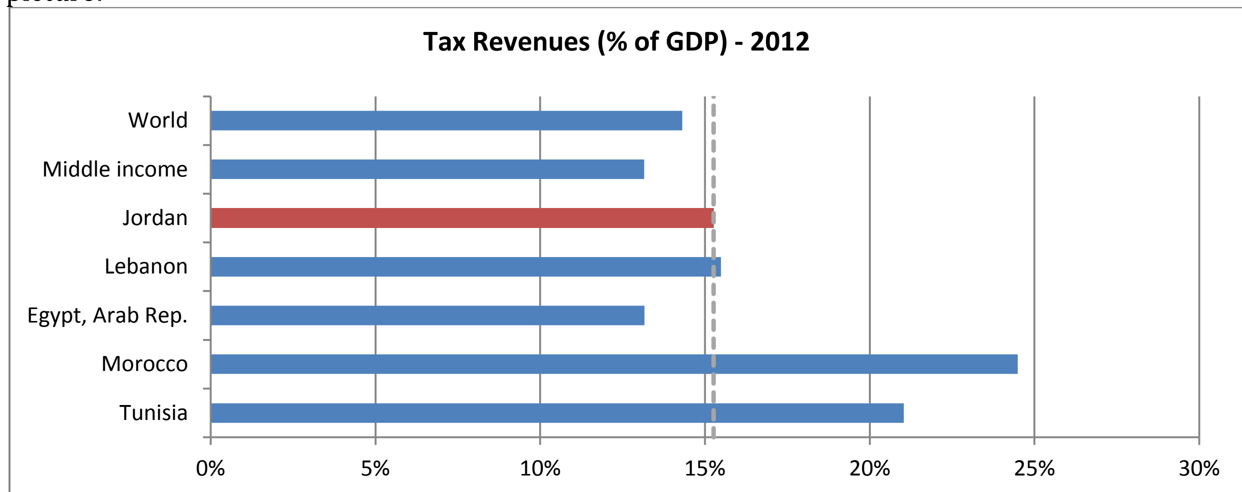
[13] World Bank (2012) "Hashemite Kingdom of Jordan, Options for Immediate Fiscal Adjustment and Longer Term Consolidation" Poverty Reduction and Economic Management Department, MENA Region.

Tax Burden - Jordan in Comparison to Other Countries

The most utilised indicator measuring a country's total tax burden is the tax ratio (total tax revenues expressed as a percentage of GDP). Past studies investigating Jordan's tax system revealed that the overall tax burden in Jordan is neither too high nor too low, which is a healthy indicator of the competitiveness of Jordan's tax system (CITE). However, the below chart paints a different picture:

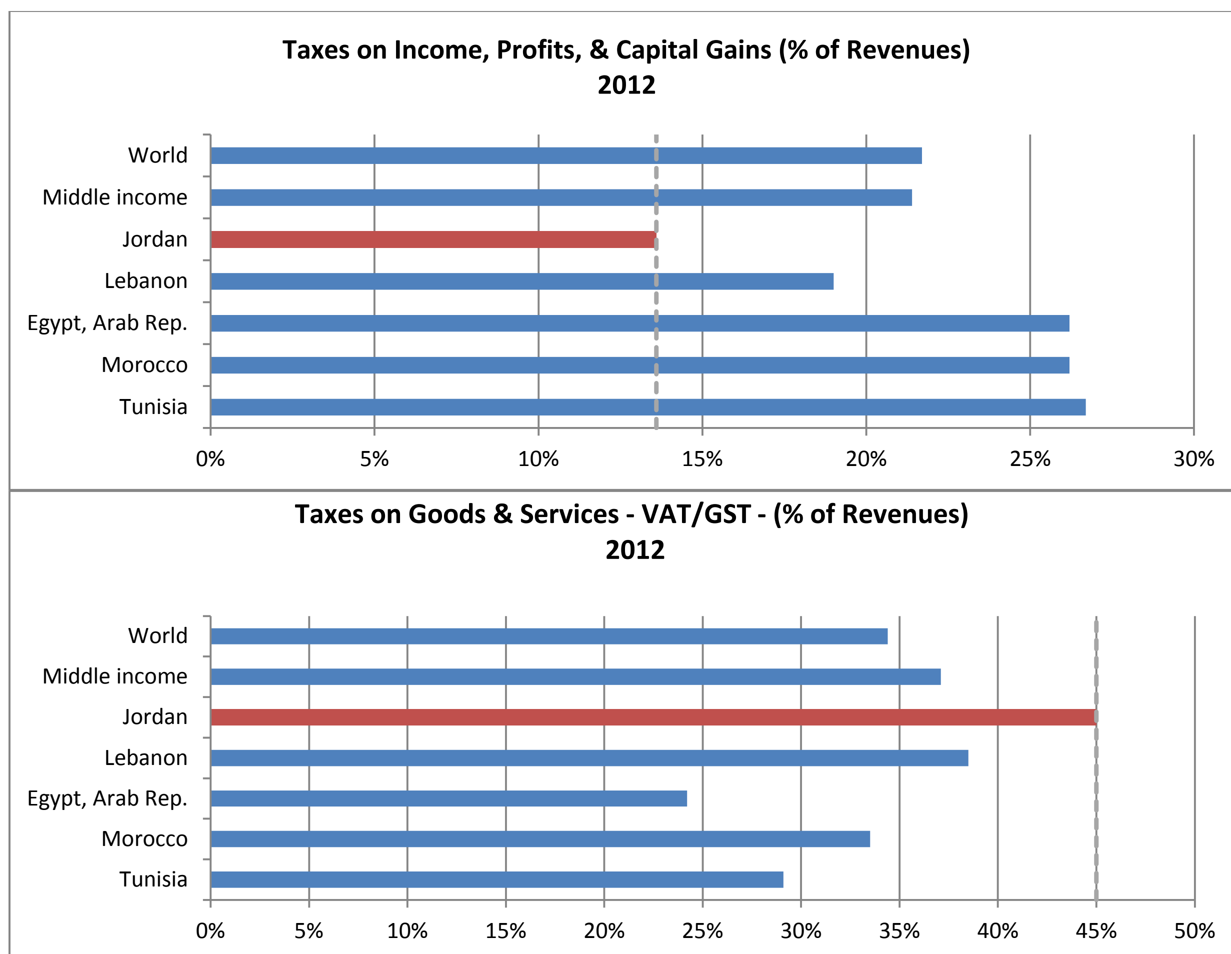


Source: World Bank Indicators

Jordan's tax revenues amounted to 15.3% of GDP in 2012, which is in line with other oil-importing countries in the region, but is above the world average of 14.3% and the average of 13.2% in middle income countries. It should be noted that this indicator includes the revenues of the four main types of taxes (income, sales, trade, and real estate taxes) but does not include the revenues from the multitude of other fees and duties. Although some of these fees are in reality taxes, they are nevertheless categorised under 'non-tax revenues' and are therefore excluded from this indicator. It can therefore be concluded that the actual tax burden in Jordan may even be higher than the official value stated above.

Furthermore, the above indicator measures the total tax burden but does not reveal information on the incidence of the tax (i.e. who bears the cost of the tax). A deeper look at the structure of taxation in Jordan, in terms of direct and indirect taxation, would provide more information with this regard. In other words, investigating the contribution of direct tax revenues and of indirect tax revenues to total revenues would shed light on the incidence of the tax burden and its progressivity or regressivity.

Luckily the World Bank development database contains indicators that show the contributions of each of direct taxes and indirect taxes to total revenues. The first chart presented below shows the revenue share of taxes on goods & services (proxy indicator for indirect tax revenue contribution) while the second chart shows the revenue share of taxes on income, profit, and capital gains (proxy indicator for direct tax revenue contribution).



Source: World Bank Indicators

As can be observed from the first figure, 45% of Jordan's total revenues in 2012 came from taxes on goods and services, i.e. from the 16% GST revenues. This share is considered to be very high and is well above the world average of 34.4% and the average of middle income countries which stood at 37.1%. It is also much higher than that of other oil-importing countries in the region. In fact, Jordan came in the 12th position globally in terms of the highest share of sales tax revenues from total revenues. In other words, only 11 countries out of the total countries in the World Bank database for which data is available had a sales tax contribution that is over 45%.

On the other hand, only 13.6% of Jordan's total revenues in 2012 came from taxes on income, profits, and capital gains, i.e. from income tax revenues. This share is considered to be very low and is well below the world average of 21.7%, and the average of middle income countries which amounted to 21.4%. It is also much below that of other oil-importing countries in the region. Out of the total countries in the World Bank database for which data is available, only 26 countries have an income tax share that is lower than 13.6%.

Therefore, when considering Jordan's tax structure in comparison with other countries, it becomes clear that Jordan's treasury relies too heavily on indirect taxes for most of its public revenues. In other words, Jordan's tax structure is in clear imbalance, being highly skewed towards indirect taxation and away from direct taxation. Such implications have severe consequences on tax equity in Jordan due the regressive nature of indirect taxation. In other words, the poorer segments of

society end up paying a higher share of their income in indirect taxes compared to richer segments who usually save or invest more (as opposed to consume) or even consume goods and services outside of the country, meaning that they spend relatively less of their income on indirect taxation. The majority of economic studies conducted on the issue of tax equity, tax incidence and tax reform in a variety of developing and developed countries conclude that indirect taxation is in reality regressive, as opposed to direct taxation which is usually more progressive[14].

Income Tax Amendments

The process of introducing a new income tax law began with the arrival of the IMF and the beginning of the SBA programme in late 2012. However, the draft law took much time to be endorsed given its various economic, social and fiscal effects, but was finally passed at the end of 2014 to come into effect beginning in 2015. The Lower House endorsed the draft law only around a week before the end of 2014, after introducing several amendments serving social and economic goals, but which had negative fiscal effects. This did not leave enough time for the Upper House to properly review the draft law, before endorsing it immediately before the end of 2014. This led the head of the economic committee at the Upper House to make a recommendation regarding a proposal to amend the law after the committee properly reviews the law and consults with the various sectors concerned.

A number of different amendments were made on the Income Tax Law, in its latest version. Annex 1 presents a detailed word comparison between the new and old laws, while this section presents an analysis of the main changes, and the anticipated fiscal and economic effects of the new law. The following section will first present the most important amendments in relation to tax rates and exemptions, and will discuss other amendments in this context. The following table presents a comparison of the tax rates and exemption thresholds between the new and old Income Tax Laws:

Corporate Income Tax			
Sector	**New Law**	**Old Law**	**Change**
Banks	35%	30%	Tax rate increased by 5 percentage points
Industrial Sector	14%	14%	No change
Main telecom operators, electricity generation and distribution companies, mining companies, insurance companies, financial intermediaries.	24%	24%	No change

[14] For example, see:
Williams, D. (2009) "Direct Taxes or Indirect Taxes?" KPMG's Tax Business School, UK.
Decoster, A., Loughrey, J., O'Donoghue, C., & Verwerft, D. (2009) "Incidence and Welfare Effects of Indirect Taxes"
Thirsk, W.R. ed. (1999) *Tax Reform in Developing Countries.* World Bank, Washington D.C.
Minh Le, T. (2003) "Value Added Taxation: Mechanism, Design, and Policy Issues" Paper prepared for the World Bank course on Practical Issues of Tax Policy in Developing Countries, Washington D.C.

All other sectors	20%	14%	Tax rate increased by 6 percentage points
Individual Income Tax			
Sector	**New Law**	**Old Law**	**Change**
Individual Income Tax	7% for first JD10,000 above threshold. 14% for second JD10,000. 20% for every JD above the second JD10,000.	7% for first JD12,000 above threshold. 14% for every JD above the first JD12,000.	Tax brackets above threshold decreased from JD12,000 to JD10,000, implying higher tax burden on individuals Additional bracket of 20% added for higher incomes
Threshold for Individual income tax	JD24,000 per household and up an additional JD4,000 according to the billing system.	JD24,000 per household.	Exemption threshold maintained, but new law provides opportunity to gain further exemptions against certain conditions.

The following points analyse the direct effect on companies and individuals.

Corporate Income Tax:

- The most serious implication of the above cited changes is the increase in the income tax rate from 14% to 20% charged on all sectors with the exception of sectors that have specific tax rates[15]. This means that companies will be paying around 43% extra tax each year under the new law, which will inevitably shrink their profit margins.

Example: Under the former tax law, a company operating in the non-financial services sector making a profit of JD100,000 would pay an income tax of JD14,000 (JD100,000 * 14%), which means that its profits would reach JD86,000. Under the new income tax law, the company would have to pay an income tax of JD20,000 (JD100,000 * 20%), resulting in an annual profit of JD80,000. Under this example, the company's annual income tax payment would increase by 43% (from JD14,000 to JD20,000), and its profits will decline by 7% (from JD86,000 to JD80,000).

- The income tax levied on banks has also been raised from 30% to 35% entailing an increase of around 16.7% in the annual income tax paid by banks. This means that profits of the banking sector under the new law would be around 7% less than their profits under the former law.

  The income tax rates for other specified sectors have not been amended:

- The tax rate of the industrial sector has remained 14% after much heated discussions and calls from the industrial sector who are already struggling with higher energy prices and other production costs.

[15] These include banks, most types of financial companies, mining companies, electricity generation and distribution companies, and industrial companies, which are charged specified tax rates.

- The tax rate on main telecommunication companies, electricity generation & distribution companies, mining companies, insurance & re-insurance companies, financial intermediation companies, brokerage companies & financial institutions, and any company carrying out financial leasing activities, has also remained the same at 24% This was lowered from the original suggestion to raise the income tax rate on these companies to 25%.

Individual Income Tax based on new Law:

- *First JD12,000 of individual's income & first JD24,000 of family income→ Exempted*
- *Each dinar on the next JD10,000 → 7% tax*
- *Each dinar on the next JD10,000 → 14%*
- *Each dinar that follows → 20%*

For illustration purposes, the above assumes that the individual will not make use of the additional exemption that is provided under certain conditions.

Individual Income Tax

Three main amendments were introduced to the income tax rates levied on individuals

- The income tax exemption threshold remained the same at JD12,000 for individuals and an additional JD12,000 for dependents (total of JD24,000 for families). However, a family can now benefit from a further exemption of JD4,000 annually, covering medical treatment, education, housing loans interests, technical, engineering and legal services, provided that invoices or supporting documents are presented. This means that the maximum allowable exemption threshold for families is now JD28,000. It should be noted that a certain degree of discretion is factored into this amendment, which means that estimating its effect will not be possible at this stage, as the effects will depend on how strict tax authorities are in terms of accepting supporting documents for the additional exemption, and on what other conditions that may arise in subsequent regulations.

- The income of tax brackets has been lowered from 12,000 to 10,000, which entails a higher income tax burden on individuals earning higher incomes. While the former law progressed through the income tax rates with tax brackets of JD12,000, the new law lowers this to JD10,000.

- The number of tax brackets was increased from two to three, enhancing the progressive nature of the Jordanian income tax. The new tax bracket charges a rate of 20% .

  It is worthwhile here to present an example to investigate the effects on varying individual incomes. The below examples assume an individual with no dependents in order to simplify the investigation. The same logic would apply to an individual with dependents, with the exception of the higher threshold level.

Example 1: An individual with an annual income of 24,000:					
Income Tax Law (34) for 2014			Income Tax Law (28) for 2009		
Tax%	Income	Payable Tax	Tax%	Income	Payable Tax
0%	JD12,000	0	0%	JD12,000	0
7%	JD10,000	JD700	7%	JD12,000	JD840
14%	JD2,000	JD280	14%	-	-
TOTAL	**JD24,000**	**JD980**	**TOTAL**	**JD24,000**	**JD840**
Effective Tax Rate[16]	4.1%		Effective Tax Rate	3.5%	
Under the new law, an individual receiving an annual income of JD24,000 will have to pay JD980 instead of the JD840 income tax that s/he would have paid under the former low. This represents an increase of 16.7% in payable income tax.					

Example 2: An individual with an annual income of 36,000:					
Income Tax Law (34) for 2014			Income Tax Law (28) for 2009		
Tax%	Income	Payable Tax	Tax%	Income	Payable Tax
0%	JD12,000	0	0%	JD12,000	0
7%	JD10,000	JD700	7%	JD12,000	JD840
14%	JD10,000	JD1,400	14%	JD12,000	JD1,680
20%	JD4,000	JD800	-	-	-
TOTAL	**JD36,000**	**JD2,900**	**TOTAL**	**JD36,000**	**JD2,520**
Effective Tax Rate	8.1%		Effective Tax Rate	7%	
Under the new law, an individual receiving an annual income of JD36,000 will have to pay JD2,900 instead of the JD2,520 income tax that s/he would have paid under the former low. This represents an increase of 15.1% in payable income tax.					

Example 3: An individual with an annual income of 48,000:					
Income Tax Law (34) for 2014			Income Tax Law (28) for 2009		
Tax%	Income	Payable Tax	Tax%	Income	Payable Tax
0%	JD12,000	0	0%	JD12,000	0
7%	JD10,000	JD700	7%	JD12,000	JD840
14%	JD10,000	JD1,400	14%	JD24,000	JD3,360
20%	JD16,000	JD3,200	-	-	-
TOTAL	**JD48,000**	**JD5,300**	**TOTAL**	**JD48,000**	**JD4,200**
Effective Tax Rate	11%		Effective Tax Rate	8.75%	
Under the new law, an individual receiving an annual income of JD48,000 will have to pay JD5,300 instead of the JD4,200 income tax that s/he would have paid under the former low. This represents an increase of 26.2% in payable income tax.					

The above examples illustrate how the amendments made on the new Income Tax Law enhance the progressive nature of the income tax system in Jordan. In other words, the higher an individual's income, the higher is the levied effective tax rate, meaning a higher portion of income paid as income

16 The effective tax rate is the portion of income tax paid by an individual over his/her total income.

tax. By introducing a new income tax bracket, and lowering the income of each bracket, the new law can be considered to be more progressive than the former law, which is in line with Jordan's constitution as well as with international tax equity standards in terms of tax equity. Other things equal, a more progressive a tax is, the more effect it will have on the redistribution of wealth which will presumably lower income inequality between citizens.

Fiscal Effect of New Tax Law

According to the Income & Tax Department, the new Income Tax Law is expected to increase public revenues by around JD100 million which is lower than the previous estimate of JD160 million. This is because parliament introduced last-minute amendments to the law to protect vulnerable individuals as well as limit the adverse effect on economic development, which lowered the proposed income tax burden on some sectors and on all individuals. The IMF, which has been the main driver behind the new Law, recently negotiated with the government on the possibility of introducing further measures (tax & fee hikes) in order to compensate for this lost potential revenues, and also to compensate for lower tax revenues accrued from energy products. Some observers have recently suggested that the government will most likely introduce further revenues-boosting measures during this year, the extent of which is not yet known.

Economic Effect of New Tax Law

According to economic theory, higher taxes will inevitably curtail economic growth mainly due to the adverse effect that higher income taxes have on individual disposable incomes and corporate profits. Higher income tax rates on individuals translate into a lower level of disposable income which is usually associated with a lower consumption level. The same rationale applies for companies, where higher corporate income tax rates translate into lower profits, which would limit potential investments that are usually financed with retained profits.

Moreover, it can be safely said that the legislative instability surrounding Jordan's tax regime is by itself the strongest deterrent to investors, more so than the actual tax rates charged. The more discretion left for the government to raise tax rates (without a new law), the more deterred investors will be. And investors will not be interested to invest in a country which does not apply its tax system equally to all its populations and institutions. Furthermore, it is interesting to point out that the new income tax law encourages speculative investments as opposed to investments in the real sector because of the fact that the law does not tax speculative investment gains (e.g. gains from trading in financial derivatives)

However, it will be difficult from now to accurately estimate the effects of the law on economic growth especially that the regulations under the new Investment Law that define sectoral exemption rates are still being prepared and not have not yet been endorsed. Such exemptions can have a profound impact on how the new Income Tax law will effect investments. Therefore, it would be more proper to carry out an ad-hoc investigation of the effect, even after economic data for 2015 are published, so that an accurate analysis can be made.

Nonetheless, at this point of time, a simple estimation of the effect of higher taxes on GDP can be made. It should be noted however, that the below estimation process using the 'tax multiplier' is only indicative, and is not intended to estimate the exact effects of the new income tax law on GDP. According to economic theory, a tax multiplier represents the multiple by which GDP decreases in response to an increase in government taxes. To calculate the effect on GDP, the additional tax

revenues expected to stem from the new law is multiplied by the tax multiplier to get the amount of decrease in GDP. For the purposes of this report and given the scarce available information in this time, the simple tax multiplier is used, which has the following formulae

$$Tax\ Multiplier = \frac{MPC}{1 - MPC}, where\ MPC\ is\ the\ Marginal\ Propensity\ to\ Consume$$

MPC is the portion of an individual's income that is consumed. The rationale behind this equation is as follows: since disposable incomes (or profits) will be lower under the new law, part of the decrease in income translates into a lower consumption level, by a share that is equal to the MPC. Lower consumption will lead to a further reduction in incomes, which will again result to lower level of consumption, and so on. The final effect will be that GDP decreases by a multiple of the initial increase in taxes.

According to calculations made on the national income accounts data (DOS), the MPC in Jordan was around 88% in 2009, the last year for which a breakdown of disposable income exists. This was calculated by dividing consumption (=JD16,388) by disposable income (=JD18,628). According to the formulae above, this leads to a tax multiplier of 7.3. And since the additional tax revenues expected from the new law is estimated at JD100 million, the new income tax law is expected to lower GDP by around JD733 million which amounts to around 2.5% to 3% of estimated nominal GDP for 2015. Luckily, this limitation to GDP will be offset by higher growth resulting from lower oil prices. The IMF recently predicted that the positive effects of lower oil prices on Jordan's economy will amount to around 2% of estimated GDP for 2015, mainly as a result of a lower trade deficit.

Combating Tax Evasion in New Law

Nevertheless, all of the above discussion and analysis does not take into account the dilemma of tax evasion. This means that expected revenues might not be attained, and the actual income tax system may be less progressive, if certain companies or high-income individuals decide to evade paying their due taxes by either not reporting or under-reporting their economic activities. It is well known that tax evasion is more pronounced in situations where there is low level of trust between the government and the citizens and when there is unequal treatment in tax collection. The rate of tax evasion will also increase if citizens do not feel they are getting better and more public services in return for the additional taxes being paid. And given that the majority of extra tax revenues will be used to finance Jordan's debt and maintain the high government wage bill, the rate of tax evasion can be expected to increase, given no efforts are put to combat it.

The new law introduces a number of measures to combat tax evasion, and also to boost public revenues through a more efficient collection process.

- The billing or invoicing system will play a major role in combating evasion, as the new law requires individuals to present invoices and related documents of professional services received, if they want to benefit from additional exemptions. This strong incentive to provide invoices will oblige professionals to more accurately report their income-generating activities, and it will facilitate the tax department in discovering tax evaders.

- More strict punishment and measures on tax evasion activities were introduced to the new law. The minimum penalty for tax evasion, is raised from JD100 in the former law to JD200 in the new law. The ceiling was kept the same. The penalties on serious violations such as the

unlawful possession of tax documents, and violations not mentioned specifically in the law were increased by more than ten times. A subparagraph was added to the activities subject to penalties, which relates to withholding the tax amount and not remitting it to the Department within 30 days from the date of payment. The ceiling of jail time for those accused of large amounts of tax evasion has been removed.

- ❖ Better definitions and more clarifications on the overall law.

Other Measures Introduced to Boost Tax Revenues

- ❖ While the former law excludes rent income and key money from the tax exemptions granted to public institutions and municipalities, the new law excludes any profit of investment activity or annual revenue surpluses. This ensures better tax collection from independent own-budget public institutions and from municipalities, which will owe more taxes under the new law.[17]

- ❖ The new law exempts the first JD3,500 of pensions from income tax while the former law exempts the first JD4,000.

- ❖ Additional items were added to the article pertaining the withholding of tax at source, including the withhold of 10% on incomes paid to non-residents.

- ❖ The new law entails the formation of a tax declaration committee to choose the tax declarations subject to auditing according to annual sample selection standards. This is expected to widen and diversify the sample of tax declarations to be audited, which enhances efforts against tax evasion.

- ❖ The new law specifies that Tax Department employees having a bachelors degree as a minimum are the ones that audit tax declarations and estimate or calculate any tax amount.

- ❖ The new law grants the Tax Department authority to increase or decrease the taxes paid on income accrued in the preceding 4 years, should there be a mistake made or truth hidden in the previous audit. The former law gave the Tax Department authority to only decrease the tax amount paid. In the case of increase the tax amount (under the new law), the Tax Department will carry the load of presenting proof.

Finally, it is worth noting that more than 15 articles were added that further clarified the role of tax courts and provided information regarding the specific operations of these courts. This again will better deal with non-compliant tax payers. Other articles were amended to improve the functioning of the tax department, which will enable it to enhance audit and tax collection activities.

[17] A new draft law that complements this amendment was endorsed by Cabinet in March 2015, and referred to parliament. The draft law governs the transfer of independent public institutions' revenues to the Treasury and obliges each department that receives state revenues, including any funds they generate, to transfer it to the General Budget Department's account at the Central Bank of Jordan

Conclusion & Way Forward

This study has attempted to provide an overview of the tax structure & policy of Jordan, with a focus on the recent amendments introduced in the new Income Tax Law for 2014. Throughout its history, the government of Jordan has relied on indirect taxation as its main source of domestic revenues, while direct taxation has been continuously opposed and influenced by various interest groups, making it a less effective tool for revenue generation.

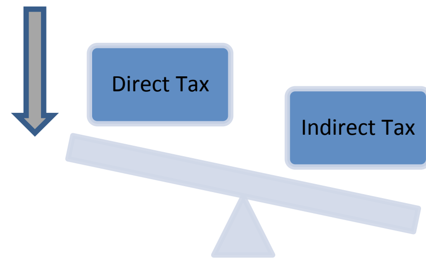
The study shows how the tax burden in Jordan (i.e. main taxes) is not too different from the world average and from similar countries in the region, meaning that it is relatively neither too high nor too low. However, if all other taxes and fines are added to the analysis, it is expected that the total tax burden will rise considerably. A deep analysis of the tax revenue structure in Jordan revealed that the majority of revenues are accrued from sales tax, while only a small portion is obtained from income tax. This trend becomes obvious when comparing Jordan's tax structure with other countries and with the world average. Since indirect taxes are inherently regressive in nature, it is therefore concluded that the Jordanian tax system suffers from a considerable degree of regressivity in comparison to most other countries. Although the country's income tax was designed to be progressive, its contribution to total revenues is too low to constitute a progressive effect.

The numerous amendments introduced to tax legislation over the past decade or so have significantly curtailed the revenues generation potential of taxation. Throughout this period, public revenues as a share of GDP were stagnant, and even falling in some years. The number of active taxpayers and tax registrations fell between 2009 and 2012, due to the amendments introduced to tax legislations in 2009, which provided wide-ranging exemptions and reduced rates.

Nevertheless, the latest amendments introduced to the income tax contained positive features, with the most important outcome being the billing system which the new income tax law aims to introduce in the Jordanian culture. The law provides an incentive for citizens to request receipts when purchasing goods and services, especially from professionals. This, as well as other new measures, is expected to limit the extent of tax evasion in the country. In order to boost tax revenues, new organisational and institutional developments were also introduced to the new income tax law in addition to the increase in some of the taxation rates, expected to bring in an additional JD100 million in revenues. The study concludes that revenues will increase more from improvements in tax administration and management, and less from tax rate hikes. The new law will also posit a recessionary effect due to the multiplier effect, which is expected to lower potential GDP by around JD733 million, but this will be partly offset by the effect of lower oil prices on the Jordanian economy.

A set of main points have been derived from the findings of this study to guide the way forward on tax policy. Providing specific recommendations on income tax amendments requires a review of all relevant economic laws to ensure compatibility, and thus the below points are more generally targeted towards the country's tax policy.

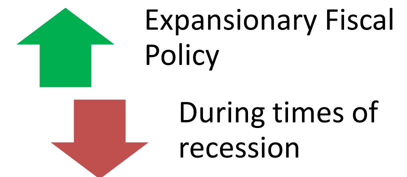
- Amendments to taxation laws should be kept to a minimum, and tax legislations should not be altered every few years so that legislative stability can be maintained. As the report shows, this is the single biggest factor that drives away current investments and discourages new investors from establishing projects in Jordan. The benefit from amending any tax law should be higher than the associated cost of legislative instability.



- Jordan's tax policy should be more balanced between direct and indirect taxation, such that social equity is taken into consideration and that the tax policy is not too narrowly focused on revenues generation. To that extent, any future amendment to the tax policy should be geared towards creating a balance between direct and indirect taxation; a single tax law combining both may be considered. However, systems should be put in place before hand to ensure minimal revenue loss from such a move.

- In accordance with the Kingdom's constitution, no tax or fee should be introduced or changed, unless through a legislation that passes through parliament. Clarity, simplicity, transparency and minimal discretion should be the guiding principle of any tax law, and no room should be left for interpretations or ad-hoc decisions.

- It is recommended for the government to follow an anti-cyclical fiscal policy in order to stabilise the domestic economy and lessen the effects of external shocks. As the study has shown, the government has been largely following a pro-cyclical fiscal policy which has been a major source of macroeconomic instability.



- Authorities should focus their efforts on stimulating and supporting economic growth in the Kingdom, which will in effect bring in more public revenue, given that the tax institution is strengthened. In other words, public revenues can be boosted as a by-product of strong economic growth, without the need to alter tax rates and introduce new fees, but improving tax collections and reducing evasion is a prerequisite for reaping the maximum potential revenues.

- Another important issue is that tax policy should be evolved in a way to expand the currently narrow tax base existing in Jordan. However, this is does not mean that authorities should raise tax rates and lower exemption thresholds, it means that work should be targeted on formalising the very large informal sector in Jordan, in order to include informal business into the tax base.

- A continuous institutional development of the tax administration, collection and management is of paramount importance to ensure the effectiveness of any amendment introduced, and to maximise revenue collections through minimising evasion. This should be implemented in accordance with international standards.

- Most importantly, any changes regarding taxes and subsidies should be part of a broader tax policy which in turn should be part of the country's fiscal policy. The country's fiscal policy would in turn be part of an overarching guiding economic policy that is defined and clear. In other words, without an overall economic policy/vision for the country, changes to the tax policy will be done in isolation and its implications will have unintended or unexpected adverse effects.

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Annex (1): Main amendments on the 2009 income tax law compared with the recently approved income tax for 2014:

Article **Paragraph**	**Income Tax Law** **For the year 2014**	**Income Tax Law** **For the year 2009**
Article 2 Definitions: Due Tax	The amount of tax due after performing clearance.	The definition of Due tax did not include performing clearance.
Tax Deceleration	Statement of income, expenses, exemptions and due tax submitted	Statement of tax submitted.
	The detentions of: Financial company and Mining basic materials are added.	N/A[18]
Added Definition: Mining basic materials: Explore, extract and utilize raw phosphate, potash, cement, uranium and any of its derivatives, and other natural raw materials determined by the Council of Ministers with the exception of the fertilizer industry.		
Main Telecommunication Companies	individual telecommunication licenses in accordance with the provisions of the Telecommunication Law	ADDED: and the provisions issued according to the relevant instructions and regulations.
Article 3	'Illegal sources' was emitted in the new law as follows: Any income incurred inside or from the Kingdom for any person regardless of the place of payment.	Any income incurred even it was from illegal sources.
Paragraph A/ Item 14	Construction contracting was not mentioned.	Income from any contract such as construction contracting.
Paragraph C /Item 2 & 3	The net income referred to in items (1) and (2) from this paragraph is considered a taxable income, and a (10%) tax is imposed on him.	20% of the net incomes after deducting the foreign income tax for the Jordanian companies' branches operating outside the kingdom.
Article 4 Paragraph A/ Item 2	Income of public and official institutions and excluding any profit of investment activity or the annual revenue surpluses.	Income of public and official institutions and municipalities excluding income from rent and key money.
Paragraph A/ Item 4	The profits of foreign companies not working inside the Kingdom like the headquarters office and the representative office that are received for its activities abroad.	Income of unions, professional commissions, cooperation societies and other societies legally registered and licensed from non-profit activities.
	N/A	Item 5: Income of exempted registered companies according to the companies' law, which is incurred from activities undertaken outside the kingdom, except income derived from sources subject to tax.
	Item 5: Profits from stocks and dividends excluding the distribution of profits of mutual	Item 6: Profits from stocks and dividends except profits of mutual investment

[18] N/A: Not available in the mentioned income tax law.

	investments funds that are incurred to banks, telecommunication companies, companies for mining basic materials, insurance and re-insurance companies, financial intermediation companies, financial companies and legal persons who practice financial leasing activities.	funds of banks and financial companies.
Paragraph 12: Change in end of service rewards as follows:	The amounts that are more 5,000 Dinars from the incurred end of service reward to the employee shall be taxed effective as of 1/1/2010.	50% of any amount accrued after the effective date of this law.
Paragraphs 13/15[19]	The first JD 3500 of the total monthly pension salary – shall be exempted.	The first JD 4000 of monthly pension salary paid by a resident person.
	Modified: The income of the following persons and bodies shall be exempted from tax: Parties, unions, professional institutions, religious, charitable, cultural, and educational and sports. Also, the exempted company that is registered under the Law of Companies Plus the company that does not target profit – Paragraph C / Items 1, 2, 3&4.	The provisions and conditions for exempting persons and bodies was not yet determined according to regulations issued for this purpose.
		Article 6: similar to Article 5 in current law except for the ratios of interest and Murabaha (turning to account) along with the tax periods. [20]
Article 5	Article 5: Exemption of income generated by agricultural activity and only defines agricultural activity.	Article 6: Paragraph B is added: The first 75,000 Dinars of income from agricultural activity will not be taxable.
Article 6/ Article 5[21]	Paragraph E Added: Doubtful debt reserves on the taxpayers and the companies other than the ones mentioned in paragraph (C) of this article, and who are obliged to organize the records, documents and financial statements prepared according to international accounting standards and which are audited by a chartered accountant.	N/A
Paragraph H	N/A	Asset costs, which have a value less than 100 Dinars, shall be totally

[19]Paragraph 13 for the law of year 2014 & paragraph 15 for the law of year 2009.
[20]The ratios are mentioned in Article 5 / Paragraph C/ Items 1&2 in the 2009 income tax law.
[21] Article 6 in 2014 and Article 5 in 2009.

		deducted in the tax period in which they were acquired. [22]
	N/A	Paragraph I: It talks about assets in more details. [23]
Article 9	The granted exemption shall not exceed 28,000 Dinarsin all cases for the taxpayer, his spouse and his dependents.	Exemption amount granted to a single family shall not exceed 24,000 Dinars.
	Reasons for granting exemptions are fully explained in Paragraph A/ Item 2	N/A
Paragraph B/ Item 2	Joint declaration cannot be filed except with the approval of the married couples.	N/A
	N/A	The Council of Ministers may modify the exemption amount according to the inflation rate.
Article 11 Paragraph A: The tax shall be imposed on the taxable income of the physical person according to the following percentages:	1- (7%) on each Dinar of the first 10,000 Dinars 2- (14%) on each Dinar of the next 10,000 Dinars. 3- (20%) on each Dinar that follows-ADDED.	1- 7% for each Dinar of the first 10,000 Dinars. 2- 14% on each Dinar over that.
Paragraph B: The tax shall be imposed on the taxable income of the legal person according to the following percentages:	1- 14% - Industrial sector(ADDED) 2- 20% for all legal persons. 3- 24% for each Dinar on main telecommunication companies and other financial companies. 4- 35% for banks.	1- 14% - for all legal persons. 2- 24% - on main telecommunication companies and financial companies. 3- 30% for banks.
	N/A	Paragraph C: The Council of Ministers may reduce the rates by no more than 1% annually – but not less than certain percentages available in items 1&2 in this paragraph.
Article 12 Paragraph A: Incomes that are subject to withholding of tax at source according to:	N/A	Income from investment, royalties and any other non-exempted income at the rate of 7%
	Income from prizes and lottery exceeding 1,000 Dinars at the rate of 15%.	Income from prizes and lottery which its value exceed 1,000 Dinar at the rate of 10%.
	N/A	Rent compensation at the rate of 5% if the lessee is not a physical person.
	Paragraphs B, C & D are added	N/A
Paragraph B Added: Each person who paid an income that is not exempted from tax for a non-resident person directly or through mediation, should withhold from this income a rate of (10%)		

[22]This article talks about The depreciation of capital assets and turning-off intangible asset

[23]Check Article 5 / Paragraph I (Items 1-3) in the income tax law for 2009.

<table>
<tr><td colspan="3">Paragraph C Added: If the withheld amount is a final tax, the income subject to withholding at source will not be included in the taxpayer’s gross income.</td></tr>
<tr><td colspan="3">Paragraph D Added: There will be a clearance on the withheld amounts that were remitted to the department according to the provisions of this Article, and which are considered to be an advance payment to the tax account from the taxpayer’s due tax.</td></tr>
<tr><td>Article 14</td><td>Paragraph C Added: The bank should calculate the tax on outstanding interests, profits and commissions on the year in which it was earned, and that is according to executive instructions issued for this purpose.</td><td>N/A</td></tr>
<tr><td>Article 17
Paragraph A</td><td>A person with a taxable income is required to file a tax declaration.</td><td>The deceleration included details related to the taxpayer's income, expenses, deductions and the due tax.</td></tr>
<tr><td>Paragraph B</td><td>Inheritors shall file a tax deceleration on behalf of the deceased within 90 days of the date of death.</td><td>Within 60 days of the date of death.</td></tr>
<tr><td>Paragraph C</td><td>The guardian, evaluator, liquidator and bankruptcy agent shall file a tax declaration for whomever they represent.</td><td>Custodians of estates or money shall file a tax declaration for whomever they represent.</td></tr>
<tr><td>Article 18
Paragraph B</td><td>To calculate the tax due balance, there will be an offset of 100% of property tax inside the areas of Amman Municipality and the municipalities.</td><td>An offset of 50% of property taxinside municipal zones.</td></tr>
<tr><td></td><td>N/A</td><td>Council of Ministers may change the offset rate.</td></tr>
<tr><td>Article 19
Paragraph B</td><td>A taxpayer who is carrying out business activities with gross income from this activity in the previous tax period exceeded 1,000,000 Dinars is required to remit advance payment</td><td>Exceeded 500,000 Dinarsinstead of 1 million Dinar.</td></tr>
<tr><td>Paragraph C</td><td>The amounts of the advance payments which are equivalent to (40%) from the calculated tax according to the financial statement presented to the department for the concerned period.</td><td>Similar to current law but without the 40%</td></tr>
<tr><td>Paragraph E</td><td>There will be an offset on the paid amounts as long as it does not exceed 4 years after the tax period in which it should be paid.</td><td>N/A</td></tr>
<tr><td></td><td>N/A</td><td>Advance payment will be deducted from a taxpayer's due tax for the same period in which it was paid.</td></tr>
<tr><td>Article 21
Paragraph A / Item 1</td><td>Delegate any of the department employees who have a bachelor’s university degree as a minimum in order to audit the tax decelerations and estimate the tax and calculate any other due amounts on the taxpayer and perform any other duties and responsibilities related to him.</td><td>N/A</td></tr>
</table>

Paragraph B	Performing a committee of three auditors.	Number of auditors was not specified.
Article 28 Paragraph A/ Item 1	The tax declaration committee formed by the Minister andsix employees from the department in addition to the director shall choose the tax declarations subject to auditing according to annual sample selection standards.	N/A
Paragraph A/ Item 2	The taxpayer's annual tax declarations that were not within the chosen samples for auditing will be considered legally acceptable according to the stated standards	N/A
Article 29 Paragraph D	Notwithstanding any other provision, the auditor shall not issue the written notification of the audit decision after 4 years of filing the tax declaration ADDED: provided after the end of the provisions of this law or from the date of its amendment as the case may be, as long as there was no evidence on cases of tax evasion and in this case the period pointed out in this paragraph may be doubled.	Notwithstanding any other provision, the auditor shall not issue the written notification of the audit decision after 4 years of filing the tax declaration.
Article 32 Added:Paragraph A: In cases where the estimated final tax amount does not exceed 1,000 Dinars on any physical person for any year, the director can then consider this tax a main cut tax on each year. Paragraph B: The director can issue a decision obliging a withheld annual income tax on the physical person whose gross income is less than 100,000 Dinars. Paragraph C: To any person whereby the main cut tax decision should be applied on him, he can ask the director to reconsider this decision on the condition of filing an application within 30 days. Paragraph D: The director can cancel any of the issued decisions. Paragraph E: The decision of the director is considered for appeal at the public prosecution court		
Article 33 / 32 Paragraph A	The objection committee shall be comprised of three auditors with expertise and competence and the objection committee can also be formed by one auditor if the amount of the objected tax has a loss of no more than 5,000 Dinars or if the objected net income has a loss of no more than 50,000 Dinars.	Only mentions the objection committee and its expertise in work procedures and decision making skills.
Paragraph C		
Article 34/33 Paragraph A	The amended decision can include an increase or decrease in tax.	Only mentions a decision to increase.
Paragraph B	In the case of increasing the tax the director, auditor and whoever is delegated by the director may carry the load of presenting the poof regardless of what was mentioned in any other provision.	N/A
Article 36/35 Paragraph A	In case of failure to pay or remit the tax on the specified dates according to the provisions of this law, the department shall impose a late payment fine at the rate of 0.004% of the due	The rate was 0.04%.

	tax or any amounts that must be remitted or withheld for each week of delay or any part of it.	
Paragraph B	If the taxpayer filed his tax declaration and paid the tax within the specified date and then had to pay after that any tax differences according to the provisions of this law, then the late payment fine has to be paid on the amount of tax difference from the date of the audit decision notification if the amount of difference shall not exceed 5,000 Dinars.	The late payment fine on this difference shall not exceed 35% of the difference amount.
Paragraph C	The fines are not allowed to be more than the tax amount.	N/A
Article 38/37 Paragraph A	If a taxpayer pays an amount that exceeds the due amountsthen the department shall refund such amounts to the taxpayer within a period not exceeding 30 days from the date of receiving a written request for that.	A period not exceeding 60 days.
Article 43 Added – It talks about:The list of the provided case presented to the Tax Court of First Instance, thetaxpayer shall mention in his case statement the amount he recognizes and the case statement shall be provided within 30 days from the date following the notification of the appealed decision.		
Article 44: Added - The case statement to be filed to the court or through the president of the first instant court that has jurisdiction in the area in which the taxpayer resides, and in such case the fees are the be paid to the court cashier where the case was filed through its president, and this court will send the case file and its proceedings to the Tax Court of First Instance within ten days from the date of filing it.		
Article 45 Added/In Summary: After formally accepting the case, the Tax Court of First Instance can postpone with the approval of both parties and If both parties did not agree on postponing the case for the purposes of reconciliation then the tax attorney general will present the file pertaining to the appealed decision. The prosecutor will submit within thirty days from the date of presenting the tax file a portfolio and after the prosecutor seals his data, the defender can file any required data to answer to the prosecutor's data. Finally, the thirty days period is renewable as the court decides		
Article 47 Added: It talks about the appeal and how it should be filed within 30 days after the verdict. It also includes the data in the appeal statement.		
Article 48 Added Similar to Article 47 above, but instead it talks about the cassation rather than appeal.		
Article 49 Added In summary: The case collects a rate of 3% (difference between the tax or claim amount given to the prosecutor from this tax or claim) as long as the fee is not less than 30 Dinars. Also, the prosecution court will not pay any fee and mentions the fees that the prosecutor should pay if he renewed the case that was dropped the first time.		
Article 50 Added: The director can perform reconciliation based on different things.		
Article 51 Added: It talks about the attorney that is hired and his role. It also mentions what is he is allowed or not allowed to do.		
Article 52: It mentions the attorney's fees.		
Article 53 Added: Notifications related to tax cases and how the department shall notify the taxpayer.		
Article 55/43	Tax Attorney General office members	Tax Attorney General office members shall be

Paragraph B	shall be appointed from the legal employees in the department, who have worked in itfor a minimum of five years including three years as an auditor.	appointed from Employees who have served in the department for not less than 3 years.
Article 57 Added: Any court procedures performed according to the provisions of the court regulations and process system in the legal tax cases number (3) for the year 2010 and the tax court regulations and process system in order to appeal and perform cassation for the income tax cases number (8) for the year 2003, shall be considered true.		
Article 59/ 48	If the department could not notify the taxpayer, then the notification may be done by publishing it at least once in two daily local newspapers.	If the department could not notify the taxpayer, then the notification may be done by publishing it twicein two daily local newspapers.
Article 60/ 50	Paragraph B Added: Every legal person should get a clearance from the department before selling or letting go of his shares or stocks or any part of it inside the Kingdom and the tradable stocks in Amman Stock Exchange Market shall be exempted. (The provisions of the article will also apply to a non-Jordanian person.	N/A
Article 61/ 50	The director, auditor and the department employeesmay hold the records and accounts for a period not exceeding 180 days, and the department shall hand over to the taxpayer, within a maximum limit of 15 days, a duplicate copy of various necessary papers. The official authorities shall provide the necessary help to the department employees so that they can perform their duties.	The department employees who have the legal status may hold the necessary records and accounts for a period not exceeding 60 days.
Paragraph D Added: The department should delegate a defence attorney to any of its employees to implement the provisions of this law in cases filed against them because they are performing their duties, as long as the employee pays the amounts that were incurred by the department if he was found guilty.		
Article 63/ 51 Paragraph A/ Item 3	Required to present to the director once he is hired a statement of his movable and immovable properties, the sources of his incomes and the properties of his spouse and their minor children.	Required to present this data within 2 months from the effective date of this law.
Paragraph C	The punishment for possession of certain documents and tax declarations related to the income of the person is a fine of not less than 1,000 Dinars and not more than 5,000 Dinars or for a period of not less than 4 months imprisonment and not more than 1 year or both punishments.	The punishment is: a fine of 100 Dinars to 500 Dinars or no more than 1 year imprisonment or both punishments.

Article 63/ 52	Any person who delays in filing the tax declaration will be subject to 100 Dinars added tax on the physical person, 200 Dinars on the legal person and 500 Dinars for the public and private shareholding companies.	50 Dinars fine on the physical person, 200 Dinars on the legal person and 500 Dinars on public and private shareholding companies.
Article 64/ 53 Paragraph A	A penalty shall be imposed on the certain cases mentioned in this Article, and the penalty is not less than 200 Dinars and not more than 500 Dinars.	The penalty is not less than 100 Dinars and not more than 500 Dinars.
Paragraph A / Item 7	A penalty is fined when refraining from issuing a bill or document when it is requested by the beneficiary.	N/A: But instead Item 7 talks about the penalties for any violations for the provisions of this law other than what is subject to a special penalty in this law.
Article 66/ 55: It talks about the cases of tax evasion and their fines and penalties.	Item 7 in Paragraph A is added: Withholding the tax amount according to the provisions of this law and not remitting it to the department within 30 days from the date of payment.	N/A
Paragraph B: Different penalties for different reasons.	In addition to the punishment according to paragraph (A) of this article, if the tax difference was more than 50,000 Dinars and until 100,000 Dinars, then the imprisonment will be for a period not less than 4 months and not more than 1 year, and if the tax difference amount exceeded that then the imprisonment period will not be less than 1 year.	In addition to the fine penalty, the imprisonment penalty from 3 months to 2 years shall be imposed in case of repeating the violation for the first time, and for a period not less than 6 months to 2 years for any other repetition.
Article 70/ 59 Paragraph A	The Minister can prevent any physical person from entering the department / ADDED: and if this person is a chartered accountant, the minister has the power to decide that the department shall reject all accounts prepared or audited by that person for a period not exceeding 3 years.	The same but without the addition.
Paragraph C Added: the taxpayer should hire another person as deputy to represent him at the department and the Minister shall issue the executive instructions for that purpose.		
Article 67 Added: Rewards and incentives for employees.		
Article 78/ 67	Paragraph A/ Added Law Item 7: The Jordanian Hashemite Fund for Human Development Law Number (37) for the year 1985.	N/A
Article 79 / 68 Paragraph A	Item 4 Added: Incomes incurred for the years 2010, 2011, 2012, 2013 and 2014 in	N/A

	accordance with the temporary Income Tax Law number (28) for the year 2009.	
Paragraph B	Added: The declarations filed for the years 2010, 2011, 2012, 2013 and 2014 are considered tax declarations as meant in this law, and the procedural provisions mentioned in it are applied.	N/A for those years.
Paragraph E	Added: The law for additional fees for Jordanian universities number (4) for the year 1985 is cancelled and its amendments effective 1/1/2011.	N/A
Article 79/69	N/A	This legislation was cancelled: Amending Law of Temporary Higher Education and Scientific Research Law No. 24 of 2009