Tax Burden in Jordan:

Reality & Prospects

New Income Tax Law

Jordan Independent Economy Watch

www.identity-center.org

Contents

The process of introducing a new income tax law in Jordan began with the arrival of the International Monetary Fund (IMF) and the launch of the stand by arrangement programme in late 2012. The draft law required significant time to be endorsed because of its various economic, social and fiscal implications, but was finally passed at the end of 2014 and came into effect at the beginning of 2015. The Lower House endorsed the draft law a week before the end of 2014 after introducing several amendments directed toward social and economic goals, but which have since resulted in negative fiscal effects. The lateness of the Lower House left insufficient time for the Upper House to properly review the draft law before endorsing it at the very end of 2014. As such, the head of the economic committee at the Upper House recommended examining a proposal to amend the law after the committee properly reviews it and consults with the numerous concerned sectors.

A number of different amendments were made to the Income Tax Law in its latest version. Annex 1 presents a detailed lexical comparison between the new and old laws, presenting an analysis of the main changes as well as 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 subsequently 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
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 effects 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% on all sectors with the exception of sectors that have specific tax rates.1 This means that companies will be paying around 43% more 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. In this example, the company's annual income tax payment would increase by 43% (from JD14,000 to JD20,000), and its profits would 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 will 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 remained at 14% after protracted (and heated) discussions and calls from the industrial sector that are already struggling with high energy prices and other production costs.

1 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 and distribution companies, mining companies, insurance and re-insurance companies, financial intermediation companies, brokerage companies and financial institutions, and any company carrying out financial leasing activities has also remained at 24% This rate 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 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.

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

- 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[2]	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.					

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

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 is paid as 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, a result that reflects Jordan's constitution as well as international tax equity standards in terms of tax equity. Other things equal, the 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 and 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 disparity is a result of parliament's introducing last-minute amendments to the law to protect vulnerable individuals as well as to limit adverse effects 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 regarding the possibility of introducing further measures (tax and fee increased) 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 revenue-boosting measures during this year, but the extent of such measures is hitherto unknown.

Economic Effect of New Tax Law

Theoretically, higher taxes inevitably curtail economic growth mainly due to the adverse effects that higher income taxes have on individual disposable incomes and corporate profits. Higher income tax rates for individuals translate into lower levels of disposable income, which are usually associated with lower consumption levels. The same rationale applies to 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 taxes charged. Moreover, the more discretion left for the government to raise tax rates (without a new law), the more deterred investors will be. Investors will be uninterested to invest in a country that does not apply its tax system equally to all of its populations and institutions.

However, it is currently difficult to accurately estimate the effects of the law on economic growth especially because 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 could have a profound impact on how the new Income Tax law will affect investments. Therefore, it would be more proper to carry out an ad-hoc investigation of effects, even after economic data for 2015 is published, so that an accurate analysis can be made.

Nonetheless, at this point in time, a simple estimation of the effect of higher taxes on the GDP can be made. It should be noted, however, that the below estimation process, which uses the 'tax multiplier,' is only indicative, and is not intended to yield the exact effects of the new income tax law on the 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 the 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. It has the following formula:

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

MPC is the portion of an individual's income that is consumed. The rationale behind this equation is as follows: because 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 the 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 formula 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 the GDP by around JD733 million which amounts to around 2.5% to 3% of the estimated nominal GDP for 2015. Luckily, this limitation to the 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 problem of tax evasion. This oversight 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 superior and greater public services in return for the additional taxes being paid. 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 if no efforts are devoted to combat it.

The new law introduces a number of measures to combat tax evasion and 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 help the tax department in discovering tax evaders.

- More strict punishment and measures on tax evasion activities were introduced in 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.[3]

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

3 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

- Additional items were added to the article pertaining the withholding of tax at source, including the withholding 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 taxpayers. Other articles were amended to improve the functioning of the tax department, which will enable it to enhance audit and tax collection activities.

References

Department of Statistics OS

Income Tax law (28) for 2008

Income Tax Law (34) for 2014

Recent newspaper articles (Al-Rai, Al-Ghad, Addustour, Al Arab Al Yawm)

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[1]
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 investments funds that are incurred to banks, telecommunication companies, companies for mining basic materials, insurance and re-insurance companies, financial intermediation	Item 6: Profits from stocks and dividends except profits of mutual investment funds of banks and financial companies.

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

	companies, financial companies and legal persons who practice financial leasing activities.	
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[2]	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.[3]
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[4]	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 deducted in the tax period in which they were acquired.[5]
	N/A	Paragraph I: It talks about assets in more details.[6]
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.

[2]Paragraph 13 for the law of year 2014 & paragraph 15 for the law of year 2009.
[3]The ratios are mentioned in Article 5 / Paragraph C/ Items 1&2 in the 2009 income tax law.
[4] Article 6 in 2014 and Article 5 in 2009.
[5]This article talks about The depreciation of capital assets and turning-off intangible asset
[6]Check Article 5 / Paragraph I (Items 1-3) in the income tax law for 2009.

	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%)		
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.		
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.		
Article 14	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.	N/A
Article 17 Paragraph A	A person with a taxable income is required to file a tax declaration.	The deceleration included details related to the taxpayer's income, expenses, deductions and the due tax.
Paragraph B	Inheritors shall file a tax deceleration on behalf of the deceased within 90 days of the	Within 60 days of the date of death.

	date of death.	
Paragraph C	The guardian, evaluator, liquidator and bankruptcy agent shall file a tax declaration for whomever they represent.	Custodians of estates or money shall file a tax declaration for whomever they represent.
Article 18 Paragraph B	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.	An offset of 50% of property taxinside municipal zones.
	N/A	Council of Ministers may change the offset rate.
Article 19 Paragraph B	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	Exceeded 500,000 Dinarsinstead of 1 million Dinar.
Paragraph C	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.	Similar to current law but without the 40%
Paragraph E	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.	N/A
	N/A	Advance payment will be deducted from a taxpayer's due tax for the same period in which it was paid.
Article 21 Paragraph A / Item 1	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.	N/A
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 tax or any amounts that must be remitted or withheld for each week of delay or any part of it.	The rate was 0.04%.
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.		

<table>
<tr><td colspan="3">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</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td colspan="3">Article 48 Added
Similar to Article 47 above, but instead it talks about the cassation rather than appeal.</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td colspan="3">Article 50 Added: The director can perform reconciliation based on different things.</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td colspan="3">Article 52: It mentions the attorney's fees.</td></tr>
<tr><td colspan="3">Article 53 Added: Notifications related to tax cases and how the department shall notify the taxpayer.</td></tr>
<tr><td>Article 55/43
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<tr><td>Article 61/ 50</td><td>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</td><td>The department employees who have the legal status may hold the necessary records and accounts for a period not exceeding 60 days.</td></tr>
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	perform their duties.	
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	The same but without the addition.

	person for a period not exceeding 3 years.	
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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 accordance with the temporary Income Tax Law number (28) for the year 2009.	N/A
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
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[7]
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

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

		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 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.	Item 6: Profits from stocks and dividends except profits of mutual investment 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[8]	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

[8] Paragraph 13 for the law of year 2014 & paragraph 15 for the law of year 2009.

		with the tax periods. [9]
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[10]	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 deducted in the tax period in which they were acquired. [11]
	N/A	Paragraph I: It talks about assets in more details. [12]
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	N/A	Income from investment, royalties and

[9] The ratios are mentioned in Article 5 / Paragraph C/ Items 1&2 in the 2009 income tax law.
[10] Article 6 in 2014 and Article 5 in 2009.
[11] This article talks about The depreciation of capital assets and turning-off intangible asset
[12] Check Article 5 / Paragraph I (Items 1-3) in the income tax law for 2009.

Paragraph A: Incomes that are subject to withholding of tax at source according to:		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%)		
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.		
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.		
Article 14	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.	N/A
Article 17 Paragraph A	A person with a taxable income is required to file a tax declaration.	The deceleration included details related to the taxpayer's income, expenses, deductions and the due tax.
Paragraph B	Inheritors shall file a tax deceleration on behalf of the deceased within 90 days of the date of death.	Within 60 days of the date of death.
Paragraph C	The guardian, evaluator, liquidator and bankruptcy agent shall file a tax declaration for whomever they represent.	Custodians of estates or money shall file a tax declaration for whomever they represent.
Article 18 Paragraph B	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.	An offset of 50% of property taxinside municipal zones.
	N/A	Council of Ministers may change the offset rate.
Article 19 Paragraph B	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	Exceeded 500,000 Dinarsinstead of 1 million Dinar.
Paragraph C	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.	Similar to current law but without the 40%
Paragraph E	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.	N/A
	N/A	Advance payment will be deducted from a taxpayer's due tax for the same period in which it was paid.

Article 21 Paragraph A / Item 1	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.	N/A
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	The rate was 0.04%.

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<tr><td></td><td>this law, the department shall impose a late payment fine at the rate of 0.004% of the due tax or any amounts that must be remitted or withheld for each week of delay or any part of it.</td><td></td></tr>
<tr><td>Paragraph B</td><td>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.</td><td>The late payment fine on this difference shall not exceed 35% of the difference amount.</td></tr>
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Paragraph A</td><td>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.</td><td>A period not exceeding 60 days.</td></tr>
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<tr><td colspan="3">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</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td colspan="3">Article 48 Added
Similar to Article 47 above, but instead it talks about the cassation rather than appeal.</td></tr>
<tr><td colspan="3">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.</td></tr>
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Paragraph A	cases mentioned in this Article, and the penalty is not less than 200 Dinars and not more than 500 Dinars.	not more than 500 Dinars.
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