

In Brief: Jordan's IT Sector

A GROWING REGIONAL CENTER FOR THE IT INDUSTRY JORDAN OFFERS

- a developed highly-competitive information technology sector
- a young, well- educated and talented work force
- an exporter of IT services regionally and internationally
- 75% of the internet's Arabic content
- Amman, the countries capital, is ranked as one of the world's best 10 places to open an IT company
- a welcoming and enabling business environment
- special investment incentives and facilitation services
- an option to operate out of a special economic zones

2016 Global Information Technology Report, ranked Jordan 60 out of 139 in the Networked Readiness Index that measures a countries' environment and infrastructure readiness as well as skills availability, internet usage and impact. Regionally, Jordan ranked 6th among 15 Arab countries that included UAE, Bahrain, Qatar, Morocco and Egypt



ESTABLISHMENT:

- No minimum capital requirement from foreign investors.
- Economic Activities in the IT sector can be wholly owned (100%) by a foreign person.

CORPORATE FORMS:

The Companies Law provides for a number of company types. The Most common corporate structure is a Limited Liability Company (LLC) that once incorporated is a legal and financial independent juridical person.



If the services are to be provided outside Jordan, a possible option is to register as Non-Operating Foreign Company. For establishing a regional or representative office, a Company registered outside Jordan may be incorporated in the Kingdom. The "Regional" or "Representative" Office is not distinct from the Foreign Company and is not granted limited liability. In such cases; for the purposes of litigation, the city of Amman shall be considered its domicile. Such office is prohibited from carrying out any business or commercial activity inside the Kingdom, including the operations of commercial agents and middle-men. Due to the nature of such companies, they enjoy certain tax exemptions and privileges.

CORPORATE TAX:

• INCOME TAX

- A 20% income tax is levied from services sector companies.
- Companies are subject to income tax on all its sources of income wherever arising, except from exports. Income generated from export of services (provided they are developed/done in the Kingdom) are exempt from income tax up to the year 2025. (Council of Ministers Decision No. 111/11/1/58030 dated 31/12/2015. The exporting company must maintain regular audited accounting records with a separate cost center for export activities).
- Non-operating Foreign Companies are exempt from income tax, provided the income is incurred from activities undertaken outside the Kingdom.
- The Jordanian Tax year is a calendar year starting on 1 January until the 31 December of each year.

• WITHHOLDING TAX

- A 10% withholding tax is levied on services fees, management fees, royalties, or interest paid directly or indirectly to non-residence. The amount is considered a final tax.
- A 5% withholding tax is levied on services fees paid to a residence, paid to the account of the local provider and subject to offsetting.
- The rates may be reduced under treaty. There is no double taxation treaty between Jordan and the United States.

• SALES TAX

- Sales Tax / Value Add Tax (VAT) is levied at a general rate of 16% on the sale of goods and services. VAT is collected at each stage of the Jordan supply chain and the tax burden falls on the consumer.

Jordan has no exchange control rules. Investors are free to transfer revenues and profits outside of Jordan, in a convertible currency.

YOUR CORPORATE LOCATION & INVESTMENT INCENTIVES

If you set up anywhere in Jordan you can benefit from specific investment incentives for selected activities within the information technology sector. These are:

- ISIC 4 Class 5820 (Software publishing) with exceptions
- ISIC 4 Class 6201 (Computer programming activities) with exceptions
- ISIC 4 Class 6209) Other information technology and computer service activities) with exceptions
- ISIC 4 Class 6312 (Web portals) with exceptions
- ISIC 4 Class 6311 (Data processing, hosting and related activities) with exceptions
- ISIC 4 Class 6202 (Computer consultancy and computer facilities management activities) with exceptions
- ISIC 4 Class 8549 (Other education limited to IT education training) covering IT professional Training only and excluding ISIC 4 Classes 8510, 8521, 8522, 8530, 8542.
- ISIC 4 Class 4651 (Wholesale of computers, computer peripheral equipment and software) with exceptions
- Call Centers.

The investment incentives offered are:

- 5% income tax of income generated from the above listed IT activities.
- 0% sales tax on services sold in the Kingdom.

- Exempt stipulated goods necessary for undertaking the above IT activities from custom duties (such as Servicers, printers and like electronic products).

- 0% sales tax on stipulated goods necessary for undertaking the above IT activities (such as servicers, printers and like electronic products).

- 0% sales tax on stipulated services necessary for undertaking the above IT activities (such as legal, accounting services as well as HR and management consulting services and feasibility studies).

WITHIN DEVELOPMENT and FREE ZONES

Jordan has 3 economic zones schemes. Development Zones & Free Zones as well as the Aqaba Special Economic Zone, that enjoy a special tax regime of:

- 5% income tax generated from all economic activities undertaken in the zones.

- 0% income tax generated from exports.

- 5% income tax for income generated from all manufacturing activities.

- 7% sales tax provided the goods or services are sold within the zones.

- 0% sales tax on goods or services purchased for use by the enterprise for business purposes within the zone with no guarantee required.

- Customs duties exemption except on certain goods.

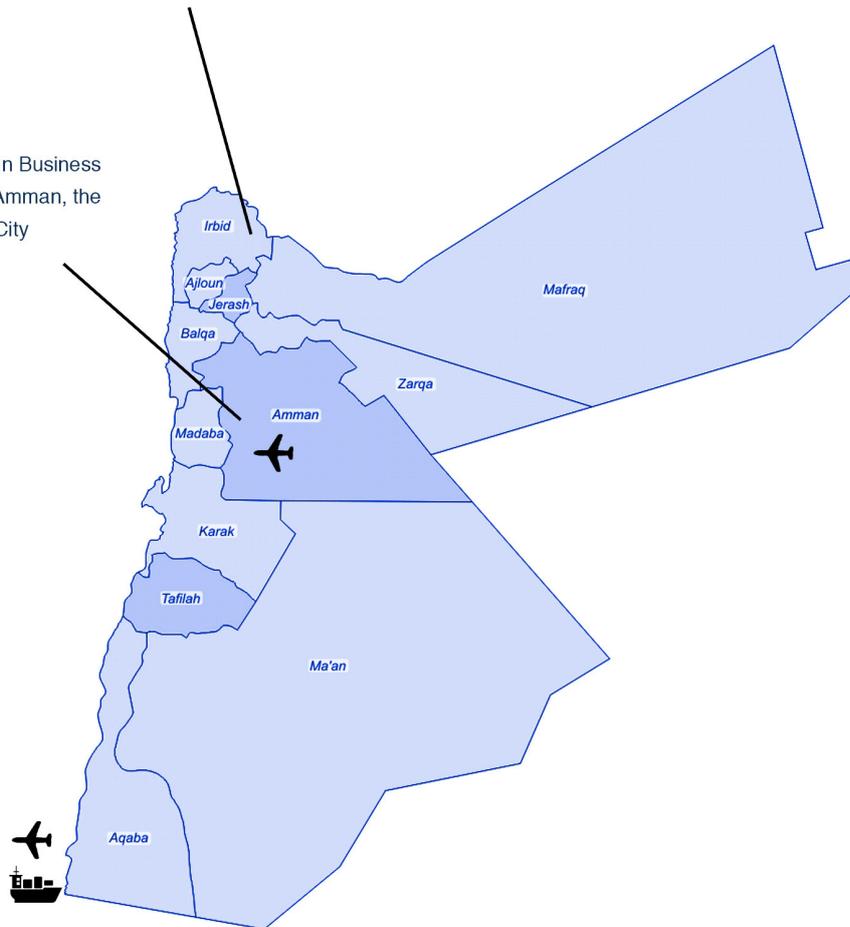


Some areas in the Kingdom categorized as poverty pockets benefit from income tax waivers or reductions for a duration of up to 10 years from the date of establishment



Irbid Development Zones located in Irbid city located to the north of the country, approximately 80 minute drive from Queen Alia Airport

The King Hussein Business Park located in Amman, the Capital City



2 Development Zones specifically target IT services:

- The King Hussein Business Park located in Amman the Capital City.
- Irbid Development Zones located in Irbid a city located to the north of the country approximately 80-minute drive from Queen Alia Airport.



IPR PROTECTION

Jordan is a Member State of the World Intellectual Property Organization (WIPO) and party to international agreements on protection of Intellectual Property Rights (IPR), namely the Paris Convention and the Berne Convention.

Jordan is also a member of the World Trade Organization (WTO) and therefore a contracting party to the TRIPS agreement (Trade-Related Aspects of Intellectual Property Rights).

Accordingly, the scope of IPR protection (e.g. the types of rights, duration of protection, geographical extent of protection, and basic protection requirements) is aligned with international standards.

Industrial Property Rights are territorial in Jordan. Only registered industrial rights (such as trademarks and patents) are protected within the country. Formal protection procedures can be utilized only after the registration is made. However, some exceptions with respect to famous trademarks are found. Registration procedures are fairly simple and low cost.

Copyrights and Related Rights do not need to be registered to obtain protection, provided a record is kept of authorship and the date of establishment of a work of art is maintained in order to enforce such rights. It is recommended to register such rights to prove ownership.

Jordan is a civil law country with a strong judicial system that is effective though not swift. Alternative dispute resolution mechanisms (such as mediation or arbitrations) can be utilized for the enforcement of commercial claims and contracts. Moreover, foreign arbitration awards can be enforced in Jordan.

IP RULES FOR EMPLOYEES:

Article 20 of the Jordanian Labor Law No. 8 of 1996 and its amendments, clearly stipulates that the written labor contract should reflect any specific agreement regarding intellectual property rights.

Otherwise IPRs developed by the employee for and because of the work; utilizing the tools, information, knowledge and recourses of the employer shall be vested in the employer. However, IPRs developed by the employee not due to the work nor utilizing the tools, information, knowledge and recourses of the employer of the employer shall be owned by the employee.



**The American Chamber
of Commerce in Jordan**

AmCham - Jordan AmCham-Jordan is a member of the United States Chamber of Commerce. Established in 1999 as a voluntary not-for-profit member-based organization that contributes to economic development through the promotion of US-Jordan trade and investment development, policy advocacy, human resources development and business community outreach.



**U.S. - Jordan
Free Trade Agreement Unit**

Based at AmCham-Jordan, **the Free Trade Agreement (FTA) Unit** was established in 2017 with support from the United States Agency for International Development's (USAID) Jordan Competitiveness Program (JCP). The FTA Unit services as Secretariat to the National Tijara Coalition serving Jordanian and American businesses to better understand and utilize the trade and investment opportunities made available under the JUSFTA and the BIT.



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