

Draft Jordanian Investment Law

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Introduction

The Draft Jordanian Investment Law (the “Draft Law”) aims to attract and encourage both local and foreign investment in Jordan, as well as, reinforce confidence in the investment environment in Jordan for the organization, revitalization and development of the economic environment. The Draft Law is still under study, having recently undergone its second reading.

The Draft Law tackles the following issues:

- a) Tax exemptions;
- b) Investors’ rights;
- c) A one-stop shop investment window;
- d) Development and Free zones, and the relevant tax and customs exemptions;
- e) Residency in Development and Free Zones; and
- f) The establishment of an Investment Board, as well as, a Higher Investment Committee.

In this article, we will examine the sections regarding tax exemptions, investors’ rights, and the one-stop shop investment window.

Tax exemptions

The Law currently in force is the Investment Promotion Law No. 16 of 1995, (as amended) (the “Investment Law”). Economic projects within the following Sectors or Sub-sectors currently enjoy tax exemptions under the Investment Law:

1. Industry;
2. Agriculture;
3. Hotels;
4. Hospitals;
5. Maritime Transport and Railways;
6. Leisure and Recreational Compounds;
7. Conventions and Exhibition Centers;
8. Pipeline transportation and distribution services for water, Gas and Petroleum derivatives as well as its exploitation.

The Draft Law, on the other hand, seeks to change the emphasis from one that is sector specific, to one that is specific to goods and services that benefit from tax exemptions.

Article 4 of the Draft Law applies tax exemptions to all areas of Jordan, except Free Zones and Development Zones (where specific provisions of the Draft Law apply.)

The Council of Ministers, upon the recommendation of the Minister of Trade and Industry, as well as, the Minister of Finance based on the recommendation of the Technical Committee (created by virtue of the Draft Law), shall issue comprehensive tables of goods and services that shall benefit from tax exemptions, whereby the proposed structure is the following:

1. A table for goods imported into Jordan that shall be exempt from Customs Duties, and subject to General Sales Tax at 0%;

2. A table for services that shall be subject to General Sales Tax at 0%; and
3. A table for goods and services in certain economic sectors that shall be exempt from Customs Duties and subject to General Sales Tax at 0%.

Foreign Investment

Article 10 of the Draft Law adopts a similar definition of 'Invested Foreign Capital' as the Investment Law, whereby Invested Foreign Capital is considered to be any monetary investment in Jordan by a non-Jordanian, whether in cash or in kind, or any rights with a monetary value, which are deemed to include:

1. Amounts transferred by the foreigner into Jordan;
2. Imported assets in-kind;
3. Intangible property rights, such as licenses, patents, trademarks and trade names registered in Jordan;
4. Profits, returns and reserves resulting from Invested Foreign Capital in an economic project in Jordan, which is used for increasing the capital of the economic project or undertaking, or for investment in another economic project; and
5. Shares in an economic project resulting from the capitalizing and swapping of the debts of the investor.

The Non-Jordanian Investor shall be entitled, under the Draft Law, to the following:

1. Remittance abroad of all or part of the Invested Foreign Capital, in a convertible currency, that was brought into Jordan for the purposes of investment, in accordance with the relevant laws and regulations;
2. Repatriation of revenues and profits outside of Jordan, in a convertible currency, earned by virtue of the investment;
3. The liquidation or sale of the whole, or his share of the economic project or undertaking, as well as the ability to act with the proceeds without delay;
4. The management of the economic project or undertaking in any way he sees fit, through personnel chosen by him; and
5. Benefitting from the same treatment as a Jordanian investor.

Further, any non-Jordanian workers in any economic undertaking shall have the right to remit their wages and compensation outside of Jordan.

In this regard, Article 11 of the Draft Law provides that it shall not be possible to claim ownership of any economic project or undertaking, unless this is through appropriation for public benefit, provided that fair compensation is paid in a convertible currency without delay.

One-Stop Shop Investment Window

In an aim to revise and simplify economic projects licensing procedures, the Draft Law aims to create a one-stop shop for the licensing of economic projects and undertakings in Jordan. All directorates, units or departments that carry out licensing activities in any official public entity shall be moved to one licensing department.

Article 17 of the Draft Law provides that decisions regarding licensing must be issued within a maximum of 15 working days, from the date that all of the legal application requirements are met.

In the case that the license application is rejected, then the applicant must be informed in writing within 3 business days, with attached details regarding any shortcomings in the application. There is also a mechanism in place allowing the applicant to challenge this decision with the Minister of Trade and Industry within 10 days of being informed of the rejection. The applicant shall be informed of the result of this challenge within 30 days, in accordance with Article 18 of the Draft Law.

Conclusion

The Draft Law aims to provide further clarity in the area of local and foreign investment in Jordan, in a difficult economic climate. The Draft Law seeks to reorganize the body of law currently in place, specifically in relation to Development and Free Zones in Jordan. However, overall, in the other areas mentioned in this article, the Draft Law has made additions and administrative improvements, rather than fundamentally changed current laws.