

Jordan: A Window into the Last 25 Years of Development

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May 2016

The cornerstone of the Jordanian legal system is, and has been since its introduction in 1976, the Jordanian Civil Code. Civil matters in Jordan are and continue to be ultimately governed by broad guiding principles, as opposed to detailed regulations.

The result is that, notwithstanding the proliferation of specific laws in recent years, reference continues to be made to the Jordanian Civil Code, particularly in areas that are not specifically regulated.

That is not to say that the Jordanian legal system has not undergone significant changes over the past 25 years. In fact, the number of laws and regulations in Jordan that have been amended or introduced in recent years, have made the Jordanian legal system, in many respects, virtually unrecognizable from the previous state of law.

One area in particular requires specific attention. The Jordanian government, in its commitment to enhancing the investment regime in Jordan, has issued a vast array of laws, regulations and instructions, which together are seen to further investment in Jordan. These range from the recognition of intellectual property rights (as early as 1992), to the various changes being made to the Jordanian Investment Laws, the Companies Law, the Labour Laws, Tax Laws, and more recently to the Securities Laws and Banking Laws.

Intellectual Property Laws

Intellectual property rights in Jordan initially focused solely on the recognition and protection of certain trademarks as per the Jordanian Trademark Law of 1952, to meet and protect the economic expectations and rights of established traders.

The earliest recognition of other protectable intellectual rights did not, however, occur until 1992 when the Jordanian government enacted its first Copyright Law to protect works of literature, art and science irrelevant of their classification, importance, or purpose of production, and which include works expressed in writing, by sound, drawing, photography or movement.

Following on from this, the remainder of the 1990s marked the most expansive development in intellectual property protection and enforcement in Jordan, to include not only works of literature, art and science but also other industrial and patentable rights. Most significantly, the years 1999 and 2000 saw Jordan acceding to the World Trade Organization and the Berne Convention, as well as enacting a myriad of laws and regulations covering the protection of patents, industrial designs and models, integrated circuits, and even geographical indications and the protection of new varieties of plants. Jordan has further introduced laws prohibiting unfair competition practices, and providing additional protection to trade secrets.

The Jordanian Government continues to introduce amendments to these laws, regulations and instructions in line with international developments, whilst having regard to the needs of the innovators, authors and other right holders as well as the wider public interest in the availability of material and information. For instance, since its original enactment in 1992, the Jordanian

Copyright Law has been amended eight times to date in line with global standards and changing requirements.

Investment Laws

Jordan is committed to the development of a favourable investment regime to ensure the continued and sustainable development of its economy both locally and on an international scale.

Over the past 25 years, this has been achieved through the introduction of various investment laws, including the Investment Promotion Law in 1995 and again in 2003, the Investment Law of 2003 and the Development and Free Zones Law of 2008. These laws provide various incentives to foreign and local investors investing into Jordan, as well as assisting in the establishment of a comprehensive framework through which investments may be established and conducted efficiently.

More recently, the Jordanian Government introduced the Jordanian Investment Law No. 30 of 2014, which provides for the establishment of the Jordan Investment Commission (JIC). The JIC is a legal successor to each of the Jordan Investment Board, the Development and Free Zones Commission and the Export Promotion Directorate of the Jordan Enterprise Development Corporation.

The unification of the abovementioned roles under one authority is regarded as a welcome initiative, contributing to the simplification and efficiency of the investment process. Importantly, the JIC is tasked with the management of an Investment Window, which acts as a “one-stop shop” for the registration and licensing of investment projects, thereby simplifying and facilitating the establishment of investment projects and the process for obtaining the necessary permits and licenses.

The JIC further aims to improve the legislative framework and regulations related to investments, and enhance the incentives granted to investors.

The new investment regime provides for equal treatment to be granted to foreign and local investors alike, unless otherwise provided for under applicable laws. In effect, this means that no foreign ownership restrictions apply unless otherwise provided under the related regulations. Currently, Regulation No.5 of 2000 provides a limited list of activities which may only be undertaken by Jordanians, including passenger and freight road transportation services, quarries for certain stones, and certain security and clearance services. The said Regulation also stipulates that certain activities and services require a local partner (50-51%), including most retail activities, engineering and construction services, certain maritime and transport activities, certain brokerage and money exchange services, among others.

The above notwithstanding, the related laws expressly contemplate the possibility of applying to the Council of Ministers for an exemption from the foreign ownership restrictions detailed above. Further, the said foreign ownership restrictions do not apply to investments in companies duly incorporated in the Free Zones or Development Zones of Jordan.

A further change to be noted is that unlike previous Investment Laws, the Investment Law of 2014 grants tax exemptions to projects undertaken in any sector in Jordan, not only those relating to industry, agriculture, maritime, transport, gas and petroleum operations and the like. In granting the said exemptions, the focus of the new Investment Law is on the benefit to be derived from the goods and/or services being offered as well as the geographical area where the project is to be established, rather than one that is sector specific. For said purpose, the Council of Ministers is granted the authority to issue schedules detailing the goods/services to be exempted.

Free Zones and Development Zones

The Jordanian Government has delineated numerous free zones and development zones in Jordan, previously governed under a myriad of differing laws and regulations.

Most recently, the aforesaid newly issued Investment Law of 2014 provides for a uniform investment regime applicable to all development zones and free zones in Jordan, with the exception of the Aqaba Special Economic Zone, for which separate laws continue to apply.

The Investment Law accords companies setting up in the development zones and the free zones in Jordan special treatment. For instance, it decreases the income tax applicable to certain commercial activities in the development zones to 5%, whilst exempting certain companies operating in the free zone from taxes altogether. A further incentive worthy of note under the new Investment Law is the exemption from custom fees for any material imported for the purposes of maintaining or repairing any machinery or equipment used for a project in the development zone

Said incentives taken together, are in line with the Jordanian Government's commitment to supporting investment.

Companies Law

In connection with changes made to the Companies Law in recent years, the Jordanian Companies Law No. 12 of 1964 has been superseded by the Jordanian Companies Law No. 22 of 1997.

The Companies Law of 1997 further streamlined the process for incorporating and running a company in Jordan, allowing for the establishment of non-profit companies as well as of civil companies by specialised and professional persons (e.g. lawyers), and providing for the introduction of other corporate forms in establishing a company or other body.

In addition to the Limited Liability Company already provided for, corporate forms introduced by the Companies Law include a Private Shareholding Company, an Operating Foreign Company (branch), and a Non-Operating Foreign Company (representation office) and an Exempt Company as follows:

- **Private Shareholding Company (PSC):** a PSC is a company comprised of two or more shareholders (unless the Companies Controller consents to the incorporation of a PSC comprised of one shareholder), with a minimum share capital of JOD 50,000 and which is managed by a Board of Directors. The main advantage of a PSC is that it offers flexibility to shareholders to set different types and categories of shares under its Memorandum and Articles of Association, and which may differ in terms of their nominal value, voting force, method of profit and loss distribution among shareholders, as well as their rights, priorities, restrictions, and advantages.
- **Operating (branch) and Non-Operating (representation office) Foreign Companies:** these companies are legal extensions of their foreign, parent company. A Jordanian representative must be appointed to manage the branch or representation office and to act as a liaison officer to the relevant governmental and regulatory authorities. An Operating Foreign Company may be incorporated for the execution of certain works (e.g. construction) in Jordan under a contract with a Jordanian employer, and is limited to the purpose and period of the said contract. Whereas, a Non-Operating Foreign Company may be incorporated to act as a regional or representation office in Jordan for operations it concludes outside of Jordan. The Non-Operating Foreign Company is prohibited from carrying out any business or commercial activities in Jordan, including operations of commercial agencies and intermediaries, and for this reason is granted various tax exemptions and privileges under the Jordanian Companies Law.
- **Exempt Company:** an Exempt Company is a company registered as a Jordanian (local) company that is prohibited from carrying out any operations in Jordan. Because of this, an Exempt Company is similarly granted various tax exemptions and privileges under the Jordanian Companies Law. It should be noted that differing corporate forms are available for the

incorporation of an Exempt Company.

Labour Law

The Jordanian Labour Law has undergone various amendments in recent years, all aimed towards enhancing the protection afforded to employees in Jordan. Some of the more recent changes to the Jordanian Labour Law and related regulations include increases to the minimum wage of employees, entitling all employees (not covered by Social Security) to end-of-service remuneration irrespective of the reason for terminating their employment contracts, and introducing changes in connection with Collective Labour Contracts and the formation and operation of Trade Unions.

Further, under the amended Labour Law, public holidays, religious holidays and weekends are not to be calculated as part of the employee's annual leave, even in situations where they fall within the leave period. Also, in connection with sick leave entitlements, an employee is entitled to an additional 14 days full-pay leave (previously, 14 days half-pay leave) on the basis of a report from an accredited medical commission, even if the employee is not hospitalized.

Other changes to the employment environment have also been advocated by the Jordanian Court of Cassation. These include a recent judgment by the Court annulling the inclusion of an arbitration clause under an employment contract on the basis that such matters fall within the jurisdiction of Jordanian courts, and with regard to the fact that arbitral proceedings are generally considered more burdensome and costly for employees.

Looking Ahead: Other Developments

The changes introduced in connection with each of the above sectors should not be viewed as comprehensive, but rather as a brief snapshot of the vast changes that have taken place over the past 25 years. Significant developments have also been made to the Jordanian Banking & Finance Sectors, the Securities Market, the Jordanian Tax Regime, and the Jordanian Property Market to name but a few. These changes have, in conjunction, had a significant impact in shaping and enhancing Jordan's legal framework in line with investor expectations, technological developments, and global trends.

Future changes have also come in the form of a greater appreciation of corporate governance initiatives, particularly amongst banks and listed companies. The Jordanian Central Bank has issued the Corporate Governance Instructions for Banks No. 58 of 2014 and the Corporate Governance for Islamic Banks Instructions No. 61 of 2015 which oblige conventional and Islamic banks respectively to comply with the corporate governance controls provided therein. Similarly, the Jordanian Securities Commission has introduced a non-binding Jordanian Corporate Governance Code for (a) listed Public Shareholding Companies, (b) Private Shareholding Companies, Limited Liability Companies, and Non Listed Public Shareholding Companies, and (c) Insurance Companies respectively.

Moving forward, these changes and improvements will continue to mold and shape Jordan's future, paving the way for continued advancement and development.