

Recent updates on Jordan's Foreign Investment Regulation

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In a recent attempt to rejuvenate the declining economic environment, a new regulation concerned with regulating foreign investments has been passed. The Regulation for Organising Non-Jordanian Investments No.77 of 2016 (the “New Regulation”) replaces the previous regulation No.47 of 2000 (the “Old Regulation”).

The purpose of the New Regulation is to specifically layout the framework governing economic activities that non-Jordanians are allowed to undertake, whether independently or in partnership with Jordanians. It also identifies the activities that the non-Jordanian investor is not allowed to participate in.

This article provides an outline of the key changes that have been made to the Old Regulation in the New Regulation.

Activities that Require 50% Local Ownership

Article 4 of the New Regulation which lists the activities that non-Jordanian investors are permitted to participate in with a shareholding of no more than 50%. The New Regulation also adds new activities to the previous list, including Maritime Maintenance and Maritime Health Services. Such additions broaden the scope of activities foreign investors can participate in creating a more engaging investment climate.

Activities that Require 51% Local Ownership

Another amendment found in the New Regulation is in Article 5, under which the percentage of foreign ownership of companies engaged in certain economic activities has been lowered to 49%, in contrast to 50% under the Old Regulation. Such activities include maintenance of transmitters, television broadcasting and the purchase of land for the purpose of building residential apartments and selling and leasing such apartments.

Restricted Activities

Article 6 on the other hand, sets out the activities that non-Jordanians are prohibited from participating in, such as the selling, importing and maintenance of weapons, and the trading and importing of fireworks. Furthermore, in sub-clause 6 (B), it is stated that the Investment Commission is to release regulations that govern the crafting and handcrafting professions, which are exclusive to Jordanians.

Proof of Indirect Jordanian Ownership Allowed

New amendments in Article 7 allow foreign private companies that are owned by Jordanian individuals by no less than 50% to participate in any economic activity, provided the companies do not engage in activities restricted to Jordanians and there are no restrictions set out in any other legislation.

Deviations from the Maximum Percentage of Ownership in Special Circumstances

Article 9 of the New Regulation entitles the Council of Ministers to increase the permitted percentage of foreign ownership of companies so long as these companies engage in activities that relate to large economic development projects, subject to special conditions and procedures, that have been recommended by the Head of the Investment Commission.

Minimum Capital Required No Longer Required

A major change in the New Regulation is the removal of the minimum capital requirement for non-Jordanian investors. The previous article required non-Jordanian investors to have a minimum capital of JOD 50,000 in order to be able to participate in any economic activity which was available to foreign investors. The New Regulation abolishes this minimum capital requirement and thereby paves the way for foreign investors to invest any amount they see fit.

Endorsement of International Treaties

Finally, Article 11 of the New Regulation emphasises the importance to adhere to international treaties and investment promotion and protection agreements that Jordan is a party to in the implementation of the provisions of the New Regulation.

Conclusion

A number of noteworthy amendments have been implemented as a result of the New Regulation, including the removal of JOD 50,000 minimum capital requirement for foreign investment and the expansion of the activities that foreign investors may participate in. These changes have been introduced in an attempt to encourage investment and it is hoped that they will achieve this objective.