General guidelines for filling out an income tax return

--(for the Period of year 2015-2018)--

Dear Citizen,

Reading these instructions and following them adequately enables you to fill out the return correctly and accurately. The Income and Sales Tax Department welcomes any inquiry and is ready to provide any possible assistance in this field. Kindly know that any information you include in the return will be treated with the utmost confidentiality. The Temporary Income Tax Law No. (34) for the year of 2014 article (62) prohibits the Income and Sales Tax Department employees from disclosing any of this information under jail or fine penalty.

- **What is a tax return?**

It is a disclosure of the income, expenses, exemptions and due tax submitted by the person according to the form approved by the department.

- **What are the categories obligated to submit an income tax return?**

The taxpayer is obligated to submit the tax return according to the form approved by the department for this purpose, unless the taxpayer is from the categories stipulated by Regulation No. (59) of 2015 AD to exempt them from submitting tax returns issued on the basis of the provisions of Paragraph (a) of Article (6) of the Tax Returns Regulation issued under Paragraph (a) of Article (77) of the Income Tax Law No. (34) of 2014 AD.

- **When should the return be submitted?**

The return shall be submitted no later than the end of the last day of the fourth month following the end of the tax period for the taxpayer. Example: The return for the period 2015 AD shall be submitted between 1/1/2015 AD until 4/30/2015 AD.

- **<u>What are the means for submitting the return?</u>**

The tax return shall be submitted to the Department by the taxpayer In person, person he delegates, or by any of the means approved by the department in accordance with the conditions and procedures specified by the regulation; any tax return submitted otherwise is not considered. It should be submitted as follows: -

1. In person or by a person he delegates.
2. By registered mail.
3. At banks approved by the department.
4. Any company licensed to carry out the functions of a public postal operator or a private postal operator approved by the Council of Ministers based on the Minister's recommendation.
5. Electronically through the department's official website.

- **<u>What is the date of filing the tax return approved by the department?</u>**

It is the date of reception by the Department, date of post stamp, or date of the deposit receipt issued by the bank or the licensed company whichever is earlier.

- **<u>What is the penalty for failure to keep original books and documents (accounts) within the provisions of the law?</u>**

The law obligated the taxpayer for organizing the records and documents needed for determining the amount of tax due on it, provided that it should be organized in accordance with the international accounting standards and certified by a licensed legal accountant who practiced auditing. Categories specified in regulation No. 59 for the year of 2015 AD are excluded from this obligation.

Additional tax not less than 200 JD and not more than 500 JD will be imposed on the taxpayer who is not committed to keeping books and documents (accounts) in accordance with the provisions of this law, and will be duplicated in the event of recurrence.

- **<u>Who is the resident person?</u>**

Resident natural person: The natural person who has effectively resided for a period not less than 183 days during the tax period whether consecutively or sporadically, or the Jordanian employee who works effectively for any given period during the tax period for the government or any public corporation in or outside the Kingdom.

Resident legal person:

1. Established or registered in accordance with the provisions of the effective Jordanian legislation and has in the Kingdom a center or branch carrying on administration and control of its activities therein; or
2. His place of main or effective management is located in the Kingdom; or
3. If the equity of the government or any of the public corporations therein is over 50 percent of his capital.

- **What are the taxable income sources?**

1. Any income generated in or from the Kingdom for any person regardless of the place of fulfillment.
2. Net income generated by a resident person from any source outside the Kingdom, if it is generated from money or deposits from the Kingdom.
3. Total net incomes generated by a branch of a Jordanian company operating outside the Kingdom and declared in its final financial statements that are certified by an external certified public accountant.

- **What are the exempted amounts from the employment income?**

1. Additional allocations and bonuses paid for the abroad employment for members of Jordanian diplomatic and consular corps in accordance with the provisions of diplomatic corps, as well as the government employees, official public institutions, public institutions and the employees of each.
2. Income of the blind or any person completely incapacitated at the workplace
3. Meals provided to the employees at workplace.
4. Accommodation services provided to the employees at workplace.
5. Equipment and uniforms needed to conduct the work, which are provided by the employer to the employees.

6. First three thousand and five hundred JOD (3500) JOD of the gross monthly pension inclusive Disability pension.
7. The end of service benefit due to the employee in accordance with the legislation in force or any collective arrangements put in place based on the approval of the Minister of finance, as follows:
   a. (100%) of the part related to the previous period prior to 1/1/2010 AD.
   b. Amounts exceeding (5000) JOD of the part related to the period following to 1/1/2010 AD.

- **<u>If the wife has a taxable income, what are the provisions applied herein?</u>**

If the spouses were taxable, they can submit a joint tax return upon their consent, and in case of submitting joint or separate returns upon the taxpayer and spouse choice, the amount of the exemption granted shall not exceed 28 thousand dinars (12000 dinar personal + 12000 dinar for the dependents + 4000 dinars medical expenses, educational expenses, rent, home loan interest, and murabaha , technical, engineering and legal services) for the one family.
In case of separate returns, they may benefit from the exemptions difference granted above

- **<u>How The Goodwill amounts are treated?</u>**

For the beneficial: The entire amount of goodwill is accounted for at once as due revenue.
For the payer: It is depreciated according to the percentages specified in the regulation of expenses, allocations, depreciation and exemptions.

- **<u>How the vacating money and key money are treated?</u>**

For the beneficial: The entire amount of vacating money and key money is accounted for at once as due revenue.
For the payer: It is depreciated according to the percentages specified in the regulation of expenses, allocations, depreciation and exemptions.

- **<u>What are the export incentives?</u>**
  1. Based on the provisions of article (e) article (4) of the income tax law No. (34) for the year of 2014 AD, and based on the provisions of exempting profits of the goods and services exports regulation, net income is calculated from the exempted export of the income tax as follows:

     Gross income from export (net export sales – export sales cost) and it represents the income of the export sales subtracts from it : export sales share of the allowable expenses , as follows:

     (<u>Net export sales (exempted)</u> / total net sales) * Allowable expenses

  2. The above equation applies to the exported goods and services covered by the exemption.
  3. The following goods are excluded from the export exemption:
     - Exporting phosphates, potash, cement, fertilizers, and any components or derivatives of any of them.
     - Exporting goods and services covered by trade protocols, bilateral payment and reimbursement agreements, and any agreements concluded by the government.
  4. Services covered by the export exemption:
     - Computer services.
     - Economic feasibility study services.
     - Legal, engineering, accounting and auditing consulting services.
     - General management consulting services.
     - Financial management consulting services.
     - Human resources management consulting services.
     - Production management consulting services.
     - Pharmaceutical studies services.
     - Information technology services.
     - Services provided on the Internet to customers outside the Kingdom.
     - Outsourcing services.

In order to exempt the profits from the above services, those services must be prepared in the Kingdom and exported abroad.

5. The net income from exports is 100% exempted.
6. In order to benefit from the exemption for exporting goods and services, the taxpayer must keep financial statements showing the total income generated from that export, submit a certificate of origin, an invoice or a sales contract, customs declarations, and proof that the place of benefiting from the exported service is outside the Kingdom.

- **How the re-export profits are treated?**

  Income from re-export is taxable.

- **How do the incorporation and pre-operational expenses are treated?**

  The law allows these expenses to be deducted in the year in which they are generated.

- **How the marketing, scientific research, development and training expenses are treated?**

  It is allowed to deduct total expenses of marketing, scientific research; development and training that were spent or accrued in order to generate the total income in the specific year if their disbursement is exclusively the responsibility of the taxpayer. As for training expenses (training courses incurred by the taxpayer for his training or the training of his employees for work purposes), the duration of the training course must not exceed six months and it must also not include missions whose aim is to obtain an academic degree, and it is not allowed to deduct any of these expenses if that responsibility is the head quarter responsibility if the taxpayer has a branch in the Kingdom or the responsibility of the manufacturing company, and it is also allowed to deduct the actual expenses for travel of employees for the sake of work, as well as their meals at the work site.

What are the legal restrictions on granting the dependency exemption?

1. The law stipulates that the dependency exemption from the dependent person shall not be granted for more than one taxpayer.

2. In order to grant dependency exemption to a non-resident Jordanian person and a non-Jordanian resident person, the dependent must be a resident of the Kingdom.
3. The joint tax return shall not be submitted except with the consent of the spouses.
4. The taxpayer or the wife may benefit from the exemption difference that has not been benefited from.

- **<u>Shall we deduct life insurance installments?</u>**
  Life insurance expenses shall not be deducted, as they are part of the personal exemptions.

- **<u>Shall we deduct health insurance installments?</u>**
  Health insurance installments paid by the taxpayer, his wife or family members are not deducted as they are considered a part of the personal exemptions.

- **<u>Is it allowed to deduct the expenses of the employees treatment and life or work injuries?</u>**
  It is allowed to deduct the expenses of treating employees, their meals at the work site, their travel and transportation, life insurance against work injuries or death, and health insurance paid by the employer for employees and their dependents.

- **<u>How do you treat depreciation and amortization expenses?</u>**
  1. The value of the land and any other assets that do not lose their value with time are not depreciated.
  2. Depreciation or amortization is determined by the straight-line method according to the percentages specified in the depreciation and amortization of assets regulation. Accelerated depreciation may be used by increasing the percentages indicated in the regulation, not exceeding 3 times those percentages, provided that this is continued until the value of the asset is fully depreciated (not applicable on assets entered as a temporary entry).

3. The accumulated depreciation (the sum of what has been deducted for depreciation and amortization) may not exceed the value of the asset.
4. The value of the asset represents the original (historical) cost, in addition to the expenses incurred for the purposes of development or increasing the useful life of the asset, and any expenses that must be capitalized on the value of the asset.
5. The expense of depreciating capital assets, amortizing intangible assets, and the expenses for natural resources prospecting used for the purposes of producing taxable income during the tax period shall be deducted for the taxpayer, provided that he shall submit to the Department details of depreciation in accordance with the form issued by the Department for this purpose, under the penalty of not accepting deduction of this expense in the event of not submitting this form.
6. The claim for deduction of depreciation and amortization expenses and prospection expenses shall be in accordance with the form approved by the department for this purpose.

- **What are the amounts that are deducted from the gross income to result the net income?**
  The law permits the deduction of expenses that were spent or accrued during the tax period in order to generate taxable income, such as, but not limited to: - interest debited, salaries and wages paid to employees, taxes and fees (except for income tax) contribution to social security, retirement or savings fund, bad debts (According to the provisions of the law), maintenance expenses, depreciation, and advertising expenses, including the expenses of previous years that were not specified and final.

- **How do you treat loss?**
  For purposes of deducting loss or carrying it forward; It is required that they are resulted from a taxable activity, and original and correct accounts, books, and records are kept. In this case, the confirmed loss may be deducted or carried forward to the next tax period that directly follows it and so on after

the tax period it resulted in; the amount of the losses carried forward shall not include any amounts related to donations or personal exemptions.

- **What will happen if the employer does not comply to deducting the tax from the salaries and wages and supplying it?**
  The tax and withholdings are collected as if they were due to him, in addition to the fines.

- **What is the penalty for failure or delay in submitting the return within the period specified in the law?**
  A taxpayer who is late in submitting the tax return within the dates specified in this law shall be charged an additional tax of one hundred dinars for a natural person who is required to submit a tax return, two hundred dinars for a legal person other than public and private shareholding companies, and five hundred dinars for public and private shareholding companies. .

- **Is there a penalty for submitting an incorrect tax return?**
  The law provided that the punishment of those who commit this crime, after being proven by a court decision, is jail for a period of no less than one year and a compensatory fine equivalent to the tax difference.

- **What is your income generated outside the Kingdom and subject to tax there?**
  1. Any income generated by a resident person from sources outside the Kingdom, after deducting the foreign income tax, is subject to tax, provided that it is generated from funds or deposits from the Kingdom, in proportion to those sources attached to these funds or deposits, and the tax is imposed at the rate of (10%).
  2. The total net income after deducting the foreign income tax that is generated by the branches of Jordanian companies operating outside the Kingdom and declared in their final accounts certified by the

external auditor shall be subject to tax. The tax shall be imposed at the rate of (10%).

3. As for the foreign income tax mentioned in Items 1 and 2 above, it will be deducted in the absence of an international double taxation avoidance agreement. In the event that there is a double taxation avoidance agreement, the provisions of this agreement will apply.

- **How tax is calculated on the taxable income?**

1. Tax is collected on the taxable income of a natural person according to the following percentages:-
   a) (7%) Seven percent for each dinar of the first ten thousand dinars.
   b) (14%) Fourteen percent for each dinar out of the next ten thousand dinars.
   c) (20%) Twenty percent for each following dinar.

2. The tax is collected on the taxable income of the legal person according to the following rates:-
   a) (14%) Fourteen percent for the industrial sector.
   b) (20%) Twenty percent for all legal persons, except for what is mentioned in clauses (1, 3, 4) of this paragraph.
   c) (24%) Twenty-four percent for every dinar for basic telecommunications companies, electricity generation and distribution companies, basic material mining companies, insurance companies, reinsurance companies, financial intermediation companies, financial companies, and legal persons who engage in financial leasing activities.
   d) (35%) Thirty-five percent for banks.

Note: - If you face any difficulty in calculating the amount of tax due, kindly contact the Income and Sales Tax Department phone number +9624624577, via the concerned directorate phone number, or via the department's website www.Istd.gov.jo, and you will be supported immediately.

- **<u>How the tax on buildings and land (mosakafat) paid for the leased properties are treated?</u>**
  It is permitted to deduct (100%) of the buildings and lands tax within the areas of the Greater Amman Municipality and the municipalities that the taxpayer pays in any year for the rented real estate from which his income is generated of the income tax due on him in accordance with the provisions of this law, provided that the permissible deduction does not exceed the amount of the tax due on this income for that year and taking into account the ratio of this income to the taxpayer's gross income.

- **<u>Withholdings of amounts paid to a non-resident person:</u>**
  10% shall be withheld from any non-exempt income paid by a resident directly or through an intermediary to a non-resident, and the withheld amount in this manner shall be considered a final tax.

- **<u>Withholdings of amounts paid to any person by banks and financial companies in the Kingdom:</u>**
  Income generated from interest on deposits, commissions, and profits from deposits participating in the investment of banks and financial companies that do not deal with interest and paid to any person by banks and financial companies in the Kingdom are subject to tax at the rate of (5%), provided that these withheld amounts are considered a final tax for the natural person and the non-resident legal person, as for the resident legal person, is considered as a payment on the account. Interest and profits of deposits and commissions accrued to banks with other banks are excluded from the provisions of this item, as well as interest and profits due to any other parties.