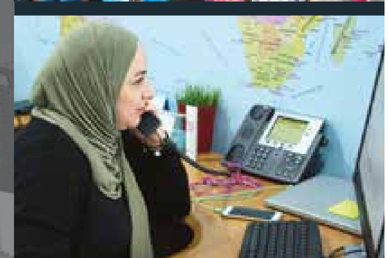
Legal Framework

Outline of workers' rights and employer regulations
New consumer protection law put in place
Summary of types of companies for investment
Revised environment protection law for businesses



Jordanian real estate laws vary for Arab and non-Arab nationals

Fostering best practice

Reforms enacted to boost consumer and environmental protection

TYPES OF COMPANIES: The Companies Law No. 22 of 1997 (Companies Law) offers investors several types of companies for incorporation and investment in Jordan, the most common of which are the Limited Liability Companies (LLC), Private Shareholding Companies (PSC) and Public Shareholding Companies (PLC). Each of these companies are managed and represented by a board of directors consisting of a chairman, a vice-chairman and members of the board of directors. An LLC may choose to have a general manager as opposed to a board of directors.

LLCS: All LLC owners enjoy limited liability. LLCs are unsophisticated entities that are governed by a fixed set of standard rules set out under the Companies Law. Due to these fixed LLC rules, the investor does not have much leeway in inserting special provisions into the Articles of Association and Memorandum of Association. The LLC's minimum share capital is JD1 ($1.41). An LLC cannot list or trade its shares publicly.

An LLC must be composed of at least two shareholders (approval from the Companies Controller can be sought for a sole shareholder). The nominal value of each share is JD1 ($1.41) and only one class of shares is issuable. The paid-up capital of an LLC upon registration must be at least 50% of its total share capital, and the remaining 50% must be paid within two years of registration. The process of registering an LLC can be effected in two days. The registration fee is 0.2% of the registered share capital, subject to a minimum of JD250 ($353). Additionally, stamp duty is payable at the rate of 0.3% of the registered share capital as well. Given the "standard form" LLC structure, LLC's are commonly incorporated by local rather than foreign investors.

PSCS: A PSC is a more flexible type of company. A PSC may issue various types and classes of shares that differ in their nominal value, voting rights, and profit and loss distribution. The articles and memorandum of association can be amended to reflect specific investor requirements for management and shareholder affairs.

A PSC can list or trade its shares publicly; however, there is no mechanism set in place currently. The minimum prescribed share capital of a PSC shall not be less than JD50,000 ($70,500), which must be fully paid upon registration. The process for registering a PSC can be done within one to two weeks. The registration fee is 0.2% of the registered capital subject to a minimum of JD1000 ($1410). Additionally, stamp duty is payable at the rate of 0.3% of the registered share capital.

PLCS: A PLC must be composed of a minimum of two founders who subscribe to shares that can be listed on a stock exchange (approval can be sought for establishing a PLC by one founder). The founders cannot dispose of their shares until the lapse of two years following the registration of the PLC. Shareholders' liabilities are limited to their shareholding in the PLC.

The authorised share capital of the PLC shall not be less than JD500,000 ($705,000), with a nominal value of JD1 ($1.41) per share. The prescribed share capital of a PLC shall not be less than JD100,000 ($141,000) or 20% of the authorised capital – whichever is greater – and must be fully paid upon registration. The remaining authorised capital must be fully subscribed within three years of registration. A PLC may issue the unsubscribed shares at prices above or below the nominal value. Members of the board of directors of a PLC must be shareholders in the PLC.

The registration process of a PLC is relatively complicated and requires the assistance of a lawyer and a licensed financial intermediary. The requirements under the Jordanian Securities Law No. 76 of 2002 in relation to the issuance and registration of securities must be observed. The registration fee is 0.2% of the registered share capital, with a minimum of JD5000 ($7050). Additionally, the stamp duties are payable at the rate of 0.3% of the registered share capital.

OPERATING FOREIGN COMPANY (BRANCH OFFICE): A foreign entity can register a branch office and operate in Jordan without having to incorporate a Jordanian company if it has been awarded a formal contract for work from a Jordanian entity.

Its registration will be (i) for the duration of the contract(s) that the company was awarded (the registration may be extended if other contracts are later awarded), or (ii) permanent pursuant to a licence from the competent official authorities. The company registering a branch office must appoint a person resident in Jordan as a representative to carry out its business and accept service on its behalf. The representative need not be a Jordanian. The cost of registering a foreign company amounts to JD5000 ($7050).

NON-OPERATING FOREIGN COMPANY (REGIONAL OFFICE): A regional office is not permitted to carry out its businesses inside Jordan, i.e. cannot enter into commercial contracts in Jordan or deal with Jordanian customers. It is typically used as a base for a foreign entity's businesses in the region. The regional office enjoys several exemptions and advantages including an exemption from local taxes, except sales tax. Its non-Jordanian employees are exempted from income and social services taxes, and it can import its office furniture free from Customs duties.

The regional office must appoint a resident representative. At least half of its employees must be Jordanian citizens. There are no set fees to register a regional office.

RESTRICTIONS ON FOREIGN OWNERSHIPS: Subject to any higher restrictions imposed on investors pursuant to specific laws and regulations with respect to certain sectors, the Regulation for Regulating Non-Jordanian Investments No. 77 of 2016 (Foreign Investment Regulation) limits specific investments as follows:

- **No foreign ownership:** There are economic sectors in which foreign ownership is completely prohibited, such as personal protection and security guard services, investigation and security services, Customs clearance services, trading in firearms and ammunition, all types of bakeries, and trading, importing and using fireworks.
- **50% foreign ownership:** Certain economic sectors cannot be owned more than 50% by non-Jordanians. These include, inter alia, wholesale trade and retailing, distribution of goods and services, engineering services, construction contracting, advertising services, commercial agencies, restaurants and certain road, rail and air transport support services. The Foreign Investment Regulation allows foreign private companies that are at least 50% owned by Jordanians to participate in any economic activity.
- **49% foreign ownership:** These are activities in which foreign ownership is limited to a maximum of 49%. It includes passenger and freight road transportation, air transportation of passengers, cargo and mail, maintenance of land transport vehicles, maintenance of television broadcasting equipment, land purchases for the purposes of erecting residential apartments and sale or leasing thereof, and sports clubs.
- **Exemptions:** The Council of Ministers, based on the recommendation of the Chief of the Investment Commission, may permit higher foreign ownership percentages in projects deemed of special importance.

There are economic sectors in which foreign ownership is completely prohibited, such as security services

INVESTMENT LAW: The Investment Law No. 30 of 2014 (the Investment Law) sets out the legal framework to enhance, support and incentivise investments in Jordan. It also aims to unify legislation pertaining to investments in general, including investments in development zones, free zones and other jurisdictions in Jordan.

INVESTMENT COMMISSION: The Investment Law established the Investment Commission, which has full authority to exclusively regulate investments in Jordan and facilitate licensing procedures. The establishment of the Investment Commission as an all-encompassing entity eliminates some of the bureaucratic hurdles investors have encountered in the past.

INCENTIVES: The Investment Law introduces new concepts and grants incentives to investments that employ Jordanians and use domestically produced raw materials. Additionally, it grants specific projects certain automatic incentives, irrespective of size or location, in order to ensure equality for all similar projects in Jordan. The Investment Law also provides incentives for investments in small and medium-sized enterprises.

Goods required for the performance of the following economic activities will be exempt from Customs duties and will benefit from sales tax at the rate of zero, in the event such goods are imported or locally purchased:

- Agriculture and livestock;
- Hospitals and specialised medical centres;
- Hotels and tourist facilities;
- Entertainment and tourist recreation cities;
- Communication centres;
- Scientific research centres and laboratories;
- Artistic and media production;
- Conference and exhibition centres;
- Transport, distribution and/or extraction of water, gas, oil derivatives using pipelines; and
- Air transport, sea transport and railways.

The Investment Law reflects the Jordanian Government's vision to encourage investments in certain geographical areas, rather than just in specific sectors.

The Investment Law grants, inter alia, the following incentives:

a. Entities registered in free zones:

- Exemption from income tax on income derived from the following: the export of goods or services outside Jordan; the selling or disposing of goods within the free zones; and providing or importing services to and within the free zones.
- Sales tax at the rate of zero for goods and services sold to entities registered in the free zones.
- Exemption from sales tax on goods and services sold to entities outside of Jordan.
- Exemption from income tax on the salaries of non-Jordanian employees.
- Exemption from Customs duties on equipment, machinery, furniture and building materials including any spare parts needed for maintenance.
- Exemption of buildings and structures from property tax and licensing fees.
- No requirement to obtain a vocational licence; and
- No foreign investment restrictions.

b. Entities registered in development zones:

- Income tax at the rate of 5% on income derived from the entity's economic activity in the development zone.
- Sales tax at the rate of zero on goods and services purchased/imported by the entity registered in the development zone for the purpose of exercising its economic activity therein.
- Exemption from sales tax on cars sold to the entity registered in the development zone for the purposes of transporting the employees to and from the said entity's premises.
- Exemption from Custom duties on materials, equipment, machinery and construction supplies, including any spare parts needed for maintenance.
- No requirement to obtain a vocational licence; and
- No foreign investment restrictions.

ASEZ: As an exception, the Aqaba Special Economic Zone (ASEZ) is governed by an independent authority, the Aqaba Special Economic Zone Authority (ASEZA), under a separate law. The Aqaba Special Economic Zone Law No. 29 of 2008 is still valid and applicable, and it affords businesses registered within ASEZ various exemptions and benefits exclusive to ASEZ, including:

- A reduced income tax rate of 5%;
- No import duties into ASEZ; and
- The following sources of income shall be exempt from income tax: profits generated from capital; profits generated from the sale and purchase of land, real estate, shares and bonds; income from agricultural, gardening and afforestation investment in land; income generated from investments in poultry, cattle, fish or the breeding of bees; income generated from products manufactured by manual labour; and income generated from a concession or agreement granted by the government, which has been exempted under the terms of the concession or agreement.

REAL ESTATE INVESTMENT: Generally, free ownership of land is permitted in Jordan. Legal requirements and restrictions on owning land vary depending on whether the land is located within or outside regulated boundaries.

Foreign individuals are permitted to own land in Jordan, provided the required consents are obtained from the relevant authorities and that the foreign individual's country of residence maintains a reciprocal relationship.

FOREIGN NATURAL PERSONS: Jordanian real estate laws differentiate between Arab nationals, non-Arab nationals and individuals holding travel documents or temporary passports.

a. Non-Jordanians (Arab or otherwise) may acquire property within regulated boundaries subject to procuring the approval of the:

- General Manager of the Department of Land and Survey for property consisting of not more than two residential houses and one office space for private use;
- Minister of Finance for property consisting of more than two residential houses and an office space for private use, provided that the area of the plot of land on which the property is constructed does not exceed 10,000 sq metres;
- Minister of Finance for the purposes of conducting business or to establish industrial projects on plots with an area that does not exceed 10,000 sq metres; and
- Council of Ministers for property purchased for reasons not mentioned above.

These requirements do not apply to foreigners who inherit the ownership of immovable assets. Non-Arab nationals will only be permitted to acquire property in Jordan if the acquirer's country maintains a reciprocal relationship. If a non-Jordanian holds more than one nationality, the laws of all the countries of which the buyer is a national will be considered.

b. Arab nationals may acquire property outside regulated boundaries for investing in agricultural land, rehabilitation of land or to establish an industrial or residential project on such land subject to the approval of the:

- Minister of Finance for land with an area that does not exceed 50,000 sq metres; and
- Council of Ministers for land with an area that exceeds 50,000 sq metres.

c. Individuals holding travel documents or temporary passports may acquire property subject to the approval of the Council of Ministers.

CORPORATE ENTITIES: Jordanian law does not differentiate between Jordanian and foreign corporations. A company cannot purchase land as an investment or solely for trading purposes. Approvals are issued if the relevant authority is convinced that the company is purchasing the property for the purposes of implementing its registered business objectives. Corporate entities require the following approvals to acquire land within regulated boundaries:

- The Minister of Finance, for plots with an area not exceeding 30,000 sq metres; or
- The Council of Ministers, for plots with an area exceeding 30,000 sq metres.

- Corporate entities require the following approvals to acquire land outside regulated boundaries:
- The Minister of Finance, for plots with an area not exceeding 50,000 sq metres; or
- The Council of Ministers, for plots with an area exceeding 50,000 sq metres.

IMPLEMENTATION PERIOD: Any corporate entity or foreign individual that purchases property in Jordan must implement the project for which the land was purchased within:

- Three years from the date of purchase for land purchased for residential purposes or to undertake registered business activities; or
- Five years from the date of purchase for land purchased for other purposes.

HOLDING PERIOD: Corporate entities and foreign individuals must hold the acquired property for a minimum of three years for land acquired for residential purposes, and five years for land acquired for other purposes. This applies from the ownership registration date. Land purchased for investment in housing or commercial projects is exempt from this requirement, provided that the housing/commercial project is completed.

RENTING LAND: Subject to obtaining the consent of the Ministry of Interior, foreign nationals may rent immovable property for business or accommodation purposes, provided that the plot of land does not exceed 10,000 sq meters and the lease is for no more than three years.

THE CONSUMER PROTECTION LAW: As part of its continuous efforts to maintain balance and reasonableness in all types of commercial transactions, Jordan has recently enacted a consumer protection law which takes due regard to and aims to protect the rights of end-consumers.

The Consumer Protection Law No. 7 of 2017 (the CP Law) was published in the Official Gazette in April 2017 and came into effect in June 2017. The CP Law aims to ensure the protection of consumers' rights by way of enhancing fair trade and compelling suppliers to provide accurate information to their consumers. The rights provided under the CP Law are available to all consumers (individuals or corporate entities) receiving goods and services from suppliers, excluding consumers purchasing goods/services for resale and/or leasing purposes. Furthermore, the rights available to consumers under the CP Law are enforceable against all suppliers in both the private and public sectors, including electricity distribution companies in Jordan.

CONSUMERS' RIGHTS: A consumer has the right to:

- Receive goods/services that are fit for their purpose(s), without suffering any damage when using such goods/services in their expected/normal use;
- Obtain clear information on the goods/services purchased, including applicable conditions of sale;
- Obtain complete information on the supplier (including its address), along with obligations owed to the consumer and rights available to the supplier against the consumer, prior to the sale of a good/service;
- Purchase the good/service without duress or unnecessary restrictions;

The Consumer Protection Law aims to enhance fair trade and compel suppliers to provide accurate information

- Receive evidence of the purchase of a good/service, along with all essential details relating to the purchase; and
- Initiate claims against persons seeking to violate, damage or restrict any of the aforementioned rights, including the right to fair compensation for damages suffered thereby.

SUPPLIERS' OBLIGATIONS: suppliers of goods/services are obliged to:

- Verify the advertised quality of the goods/services being dealt with and their fitness for purpose;
- Verify the correspondence of the goods/services to their advertised specifications;
- Deliver the goods/services to consumers within the agreed upon period, or within the usual period of delivery, without delay;
- Deliver products that do not violate intellectual property rights;
- Respect the consumers' religious values, customs, traditions and integrity;
- Refrain from misleading consumers in advertisements published for their goods/services in relation to its obligations and consumers' rights;
- Provide after-sales services, such as maintenance and spare parts, for goods/services requiring them; and
- Return defective goods and compensate consumers for such goods, including refunding the purchase price or, in the event the defect arose after use, compensate the consumer with the actual value of damages suffered.

A supplier will generally be liable for any damage incurred by a consumer as a result of using the supplied good/service, unless (i) the good/service was not offered for trade by the supplier, (ii) such damage was inflicted by the consumer's actions, or (iii) for any other reason not relating to the supplier.

REGULATION OF CONSUMERS' RIGHTS: The CP Law lays down the foundation for the incorporation


Employees working overtime are entitled to overtime payment at the rate of 125% of his/her usual wage

of several consumer protection units in Jordan, particularly:

a. The Directorate: This unit is to be set up in the Ministry of Industry and Trade, and takes on a supervisory role in monitoring suppliers' adherence to the CP Law, receiving consumer complaints and notifying the relevant authorities of suppliers' violations.

b. The CP Council: Made up of several representatives of official government bodies, the CP Council aims to, inter alia, enhance the effectiveness of general policies for consumer protection by raising awareness on the subject, suggesting coordination methods with all concerned official entities, and submit recommendations for the betterment of consumer protection policies.

c. Consumer Protection Societies: While these societies were incorporated in Jordan long before the enactment of the CP Law, they are now subject to the supervision of the Ministry of Industry and Trade. The CP Law provides that Consumer Protection Societies are to ensure the best interests of consumers in Jordan, guide the consumers and spread awareness as to their rights, represent the consumers before official entities, handle and investigate consumer complaints, and mediate in disputes between consumers and suppliers.

SANCTIONS: The Directorate's employees as authorised by the Minister of Industry and Trade are permitted to enter and inspect the suppliers' work areas, including suppliers' records, for the purpose of investigating violations of the CP Law. In the event a violation is found, and the presiding court rules against the supplier(s), a fine ranging between JD250 ($353) and JD10,000 ($14,100) may be applicable. In addition to the penalty, violator(s) may also be imprisoned for a period up to six months. In the event the violation is repeated, the presiding court may prevent the supplier from conducting business permanently or temporarily.

LABOUR LAW: The provisions of the Jordanian Labour Law No. 8 of 1996 (the Labour Law) apply to any person who performs work in return for a wage, including non-Jordanians, juveniles above the age of 16 and persons under apprenticeships or training. Separate regulations govern the employment of domestic and agricultural workers. Civil servants and municipal employees are excluded and their employment does not fall within the ambit of the Labour Law.

EMPLOYMENT CONTRACTS: The term "employment contract" shall include any contract, whether written or oral, express or implied, for a fixed or unlimited term pursuant to which an individual will work in return for remuneration and where there will be subordination and supervision between the employee and his/her employer. All employment contracts and relationships are subject to the provisions of the Labour Law. Any provision in the employment contract where the employee waives any of the entitlements he/she is awarded by virtue of the Labour Law will be null and void.

WORKING HOURS & OVERTIME PAYMENT: Employees can work a maximum of eight hours per day or 48 hours per week, which, when distributed, should not exceed 11 hours per day. Such limits do not apply to employees working in managerial or supervisory positions. Furthermore, the Regulation for Flexible Employment No. 22 of 2017 (the Flexible Employment Regulation) was recently enacted in Jordan. The Flexible Employment Regulation provides disabled employees, employees with family responsibilities, university students and employees who have been employed with their employer for three consecutive years the opportunity to work flexible hours, subject to the consent of their employer. Existing employees who fall under the scope of the Flexible Employment Regulation may request the change of their employment contracts to flexible contracts, whilst retaining all of the entitlements awarded to them by virtue of the Labour Law.

Employees can only be obliged to work overtime in certain circumstances specified under the Labour Law. Should an employee agree to work over the maximum daily/weekly working hours, he/she will be entitled to overtime payment at the rate of 125% of his/her usual wage. If the employee works during his/her weekly holiday or any official holiday, overtime payment will be calculated at the rate of 150% of his/her usual wage. Parties may agree to higher overtime payment rates.

ANNUAL LEAVE: Employees are entitled to the following leave: (i) 14 days paid annual leave for the first five years and 21 days thereafter, (ii) 14 days paid sick leave and an additional 14 days if hospitalised (accredited doctor/medical committee reports maybe required), (iii) 10-week maternity leave, and (iv) other paid and unpaid leave as provided under the Labour Law. The parties may agree to longer leave.

TERMINATION OF EMPLOYMENT: The Labour Law sets the general principles for the termination of employment contracts. It contains an exhaustive list of the grounds upon which an employer may terminate the employment relationship and dismiss the employee without notice. Dismissal for reasons outside those provided under the Labour Law will be deemed unfair and, accordingly, the employee shall be entitled to unfair dismissal compensation.

The Labour Law also sets out the circumstances under which an employee may terminate the employment and resign without notice. In each case, the terminating party is entitled to the relevant compensation stipulated under the Labour Law.

COMPETITION: The Competition Law No. 33 of 2004 (the Competition Law) aims to establish legislative bases for economic competition in Jordan. The Competition Law applies to all production, commerce and services inside Jordan, as well as all economic activities occurring outside of Jordan but which have a direct effect within Jordan. The Competition Directorate at the Ministry of Industry and Trade was established pursuant to the Competition Law, and it aims to assist in the general regulation of economic competition in Jordan.

ANTI-COMPETITIVE PRACTICES: Any practices, alliances or agreements, whether express or implied, which distort, limit or prevent competition in Jordan shall be deemed breaches of the Competition Law, especially those practices, alliances or agreements that seek to:

- Share the market on the basis of geographical regions;
- Set market barriers to the entry of new enterprises or carrying out procedures to eliminate such enterprises; and
- Collusion in tenders or bids with the intention of distorting, limiting or preventing competition in any way.

An enterprise may be exempt from the above-mentioned provisions (subject to the approval of the Minister of Industry and Trade) if it is thought that the concerned practice may ultimately lead to positive economic results and a common benefit that may not be achieved without the exemption.

ECONOMIC CONCENTRATION: Any activity resulting in the full or partial transfer of ownership or beneficial interest in properties, rights, shares, stocks or the obligations of one enterprise to another in a way that enables such enterprise to control, whether directly or indirectly, another enterprise, shall be considered an "economic concentration" operation. Thus, joint ventures, minority interests, and foreign transactions fall with the ambit of the Competition Law.

If the economic concentration results in the enterprise holding a dominant position – defined as a 40% market share or more of the total relevant market – then the enterprise must first receive the written approval of the Minister of Industry and Trade. This may be accomplished by submitting a petition to the Competition Directorate, which will then be published in two daily newspapers.

JURISDICTIONAL MATTERS: Jordanian courts shall have jurisdiction to hear any cases relating to violations of the Competition Law. Cases and claims under the Competition Law are initiated pursuant to a complaint submitted to the Public Prosecutor by any of the following parties:

- The Minister of Industry and Trade, upon the recommendation of the Competition Directorate or any other official party;
- Private sector enterprises;
- Licensed consumer protection associations;
- At least five consumers who have suffered harm from an anti-competitive practice;
- Chambers of Commerce and Industry;
- Professional and syndicate organisations; and
- Sectorial regulatory entities.

The Ministry of Industry and Trade shall be deemed a party to any and all competition claims, and it may present studies and opinions to the presiding court. The Ministry of Industry and Trade may also request that a case or claim be pursued, even if its claimant drops the claim. Pursuant to the trial initiated under the Competition Law, the presiding court may order the removal of a violation (within a specified period) or issue special conditions applicable to the violator in the conduct of activities, as may be necessary. The presiding court may even penalise the violators.

ENVIRONMENT PROTECTION LAW: A new law has been enacted which repeals and replaces the Environment Protection Law No. 2 of 2006 and sets out a stricter regulatory framework in hopes of improving environment protection standards in Jordan.

The Environment Protection Law No. 6 of 2017 (the EP Law) aims to regulate the construction, operation and maintenance of any establishment in Jordan that may have an impact on the environment.

An "establishment" for the purposes of the EP Law is widely defined and includes any location in which an activity that affects the environment is being undertaken. The EP Law refers to the industrial, commercial, agricultural and services sectors as falling within the scope of the activities that may affect the environment.

The EP Law requires that any person wishing to set up an establishment seeks the approval of the Ministry of Environment and/or carry out an environmental impact assessment (EIA) in order to apply for an environmental licence. For the purposes of licensing, certain regulations are to be issued in order to categorise establishments based on the level of severity of their effects on the environment. Based on such categorisations, and on the EIA of the relevant establishment, the environmental licences will contain certain conditions in relation to the erection and operation of the establishment (or any part thereof).

In addition to the environmental licence, an establishment must also procure an environmental permit prior to commencement of its operations. The reason behind the permit is to ensure that the relevant establishment has met the conditions set out in its licence during the construction phase of its project.

The Ministry of Environment must also play an active role in carrying out inspections to determine whether any establishment is complying with the EP Law. Certain establishments may be required to conduct environmental audits in order to verify the degree of impact their activities are having on the environment. Environmental audits should also comprise an environmental remediation plan.

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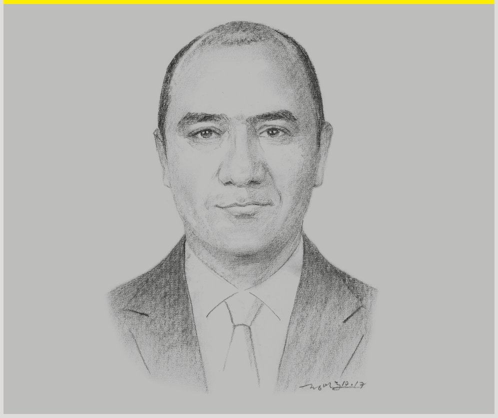

Khaled Asfour, Managing Partner, Zu'bi Advocates & Legal Consultants

Navigating regulations

Khaled Asfour, Managing Partner, Zu'bi Advocates & Legal Consultants, on how the Stamp Duty Law affects investors

Jordan is becoming a major investment destination in the region, and the government has strived to promote and encourage investments by granting investors an array of incentives for doing business within Jordanian territories. Investors focus largely on the costs associated with carrying out their commercial activities in Jordan. A major cost that often seems to emerge as an obstacle when assessing the feasibility of investing in Jordan is stamp duty.

The Stamp Duty Law No. 20 of 2001 imposes a documentary tax on any document pursuant to which transaction is or will be effected and which relates to Jordan generally. This includes documents executed or issued in connection with an asset located in Jordan, a Jordanian party or where the transaction is to be implemented or performed in Jordan.

The main problem with the Stamp Duty Law is the ambiguity in its application. The law contains generic language as to the application of stamp duty on the value of the documents, but provides no guidance or mechanism for valuating complex transactional documents. As a result of this ambiguity, we advise our clients to take the conservative approach to ensure compliance with the law. This usually leads to prohibitive amounts of stamp duty, which can seem unreasonable in light of the structure of the relevant transaction. Generally, stamp duty is applicable at the rate of 0.3% or 0.6% of the value of the document, depending on the nature of the party and the nature of the document. In the event that stamp duty is not paid when due, penalties will start to accrue and can reach up to 200% of the stamp duty amount. Failure to pay stamp duty will not render the agreement void, but it will be inadmissible as evidence before Jordanian courts until payment of the full amount of the stamp duty and any penalties there may be.

Stamp duties are payable (i) at signing if the document is signed in Jordan, or (ii) if the document is signed outside Jordan, at the time the document is used in Jordan. The Stamp Duty Law does not clarify what "used in Jordan" exactly means. It can be argued that this includes enforcement before Jordanian courts, filing of the document with a local authority or even performance of the document.

An example of a transaction where stamp duty becomes prohibitive is the transfer of a business as a going concern. An omnibus transfer document may contemplate the transfer of several assets in return for an aggregate consideration that can be broken down into several valuations of the assets subject of the transfer. Stamp duty is payable on the omnibus agreement based on the aggregate consideration. Upon actual transfer of title to certain assets, there are perfection requirements for registrable assets. This type of asset, which includes vehicles and shares, must be filed with the relevant registry. Upon filing the transfer deeds, stamp duty is payable to the relevant authority based on the value of the assets being transferred. This means that stamp duty may be paid twice for the same transaction.

Additionally, there are certain cases where the omnibus transfer document constitutes a cross-border transaction which involves assets also located in other jurisdictions. In such an event, stamp duty is payable on the whole consideration under the document, even though certain assets are not, and will not be, located in Jordan.

There are no court precedents to sufficiently help in clarifying these gaps in the law. A mechanism for valuating larger, more complex documents should be set out in a separate regulation or in an amendment to the Stamp Duty Law as a whole, so as to provide better guidance in this respect. Furthermore, and in a continued effort to encourage investors to invest in Jordan, a cap on stamp duty fees may be introduced. This will promote investment in Jordan, and also increase the chances of payment of stamp duty to the Treasury and, therefore, benefit Jordan as well.