

Jordan announces economic measures to reduce the impact of COVID-19

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Executive summary

On 18 March 2020, the Jordanian Government announced economic measures in response to the effects of the coronavirus pandemic (COVID-19). The measures are aimed at improving the liquidity of individuals and businesses. These include deferrals in the sales tax, social security, customs duty payments, extension of the trade licenses' validity dates, and implementation of a mechanism to conclude on open tax appeals. The most notable measures are highlighted below.

Detailed discussion

Deferral of the general and special sales tax payments' due date

The payment of the general and special sales tax applicable to the sale of goods and/or services generally becomes due at different periods depending on the type of the sale. For the sale of services, the payment of the general and/or special sales tax is due at the earlier of the invoice date or payment date. For the sale of goods, the general and/or special sales tax is due at the earlier of the invoice date, payment date, or date of receipt of the goods.

Effective 1 March 2020 and until further notice, the general and special sales tax payment deadline has been changed to become due when the payment for the good or service is actually made. The adjustment in the due date is applicable to all local sectors and foreign health, pharmaceutical, and food supply sectors.

No changes were announced with respect to the general and special sales tax return filing due date. Therefore, businesses are still required to electronically submit their sales tax returns through the Jordanian Income and Sales Tax Department's online portal within 30 days following the end of every two-month period.

Voluntary deferral of certain components of the social security contribution

Private-sector entities have been given the option to temporarily defer the payment of the old age component of all or some of their employees' social security contributions starting from 1 March 2020 for up to three months.

Such entities would still be required to normally pay the remaining components of their employees' social security contributions (disability and death, work injuries, maternity, and unemployment). This effectively decreases the total social security contribution rate from 21.75% to 5.25%. The suspended contributions would have to be remitted by the private-sector entities before the end of 2023, which may occur in installments and without the application of late payment interest.

Employees whose employers have elected to defer the payment of their old age contributions have the option to subscribe to the social security voluntary scheme and pay a percentage of 16.5% to maintain their coverage rights.

Changes to customs and import procedures

Companies listed on the *Golden and Silver Importers List* of the Jordanian Customs' Department and that have not previously committed any customs violations will be allowed to pay their customs duties in installments, whereby 30% of

the amount due may be paid upfront and the remaining 70% may be paid at a later date. Importers looking to apply this mechanism will not be required to submit a bank guarantee to assure that the money will be paid.

Additional measures related to imports and customs include:

- ▶ Easing the regulatory procedures related to the importation of goods, such as those conducted by the Food and Drug Administration and the Standards and Metrology Organization
- ▶ Decreasing the inspection percentage of goods imported for local use
- ▶ Limiting the controls related to transit goods
- ▶ Adjusting the grace period fees and cooling charges due at the Aqaba Port

Open tax appeal cases will be expedited and settled, and social security court cases will be suspended

To ease cash flow constraints, a mechanism has been put in place by the Jordanian Council of Ministers to help with expediting the settlement of companies' open appeals with respect to disputed income tax, sales tax, and customs duty assessments.

In addition, all court proceedings against social security defaulters have been suspended.

Extension of the expiry date of all trading licenses

The validity of trade licenses of all businesses in Jordan has been extended to 1 June 2020.

Implications

Businesses should review the measures introduced by the Government and assess their cash flow implications.

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EYG no. 001353-20Gbl

1508-1600216 NY
ED None

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