



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

Who Pays Taxes in Jordan?

August 2021



#Knowledge_is_Power

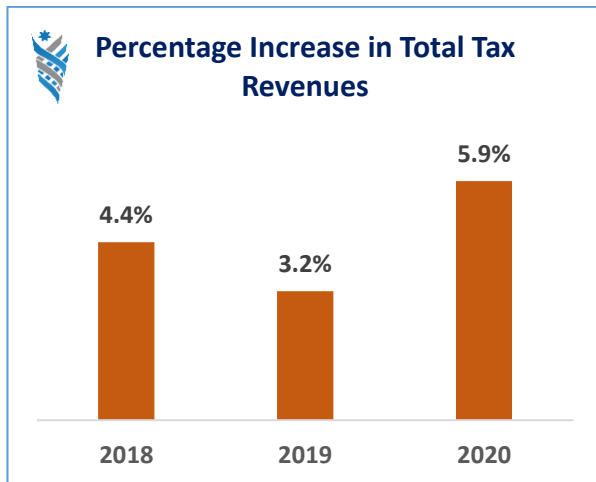
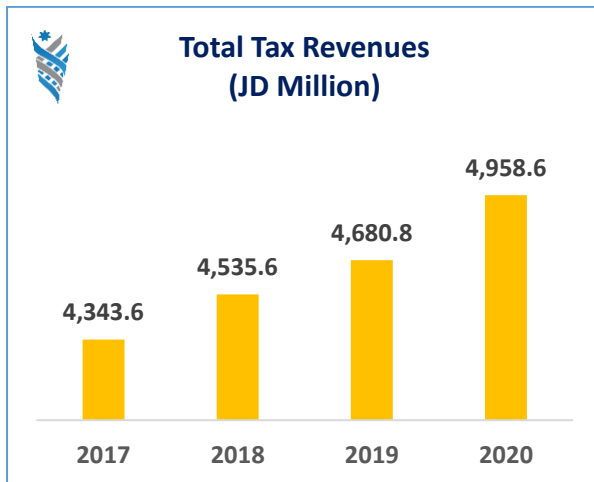


يقوم منتدى الاستراتيجيات الأردني بمشاركة المعلومات الاقتصادية المهمة التي يتم تجميعها من مصادر محلية وعالمية مختلفة؛ وذلك بهدف نشر الوعي حول الأمور الاقتصادية والاجتماعية والتوعية في ظل التغيرات التي يشهدها العالم وذلك لمواكبة آخر التطورات وطرح مجال للتفكير في حلول تعمل على تنمية وتعزيز الاقتصاد الوطني.

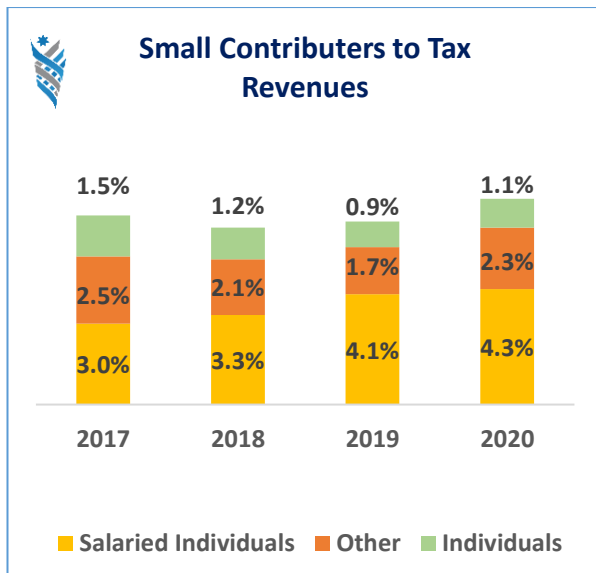
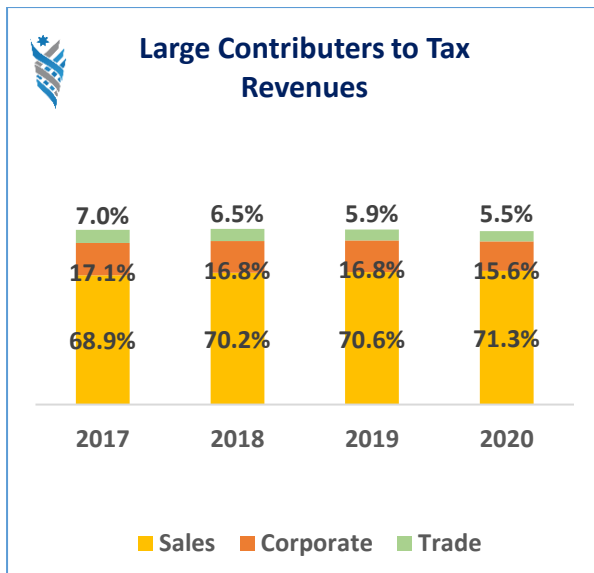
Jordan Strategy Forum shares important economic information that is collected from various local & international sources; with the aim of raising economic and social awareness. This is done in order to track the latest developments and suggest solutions that would develop and strengthen the national economy.

Basic economic sense asserts that the role of fiscal policy (government spending and taxation) should be the promotion of economic growth, equity, and social inclusion, reduction in poverty, and the protection of societies against risk and vulnerability, such as the human and economic experience of COVID-19. Within this context, this Knowledge is Power, issued by the Jordan Strategy Forum (JDF) sheds some light on who pays taxes to the government

- A. Total tax revenues have increased from JD 4.34 billion in 2017 to JD 4.96 billion in 2020. The 5.9% increase in tax revenues, witnessed in 2020, was largely due to the increase in sales tax revenues from domestic goods.



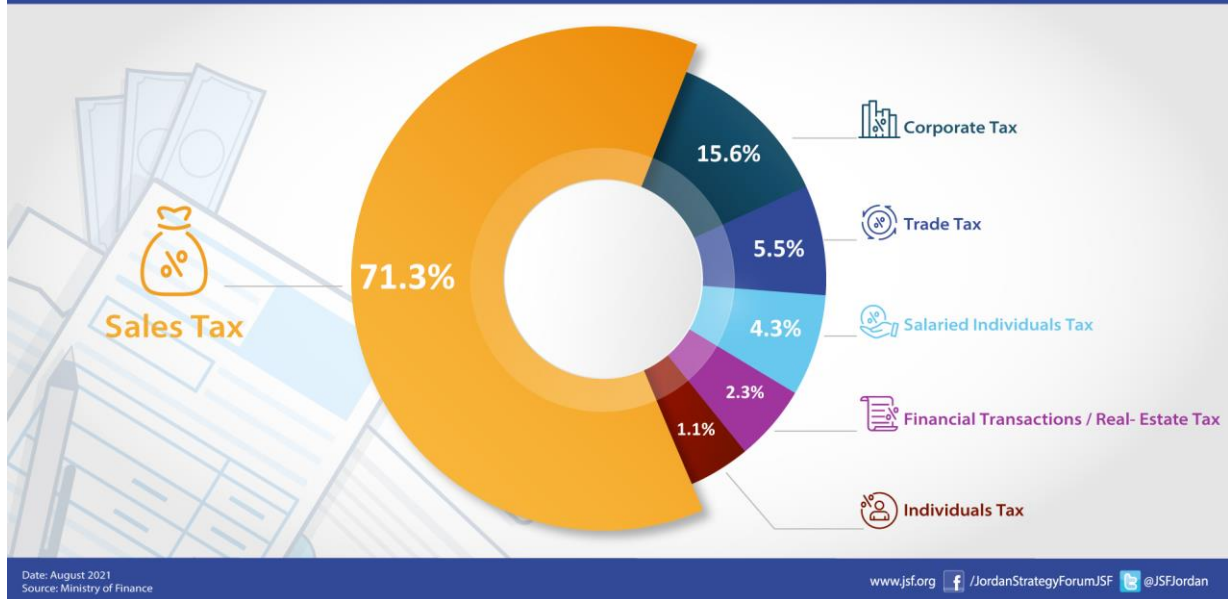
- B. The three main sources of tax revenue are sales tax, corporate income tax, and tax on international trade. Other sources of tax revenue are salaried individuals, other tax (financial transactions / real-estate tax), and individuals.



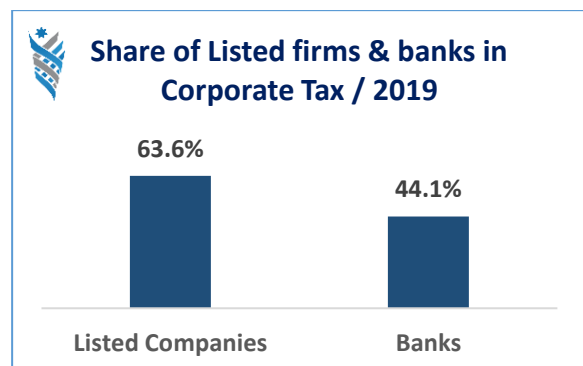
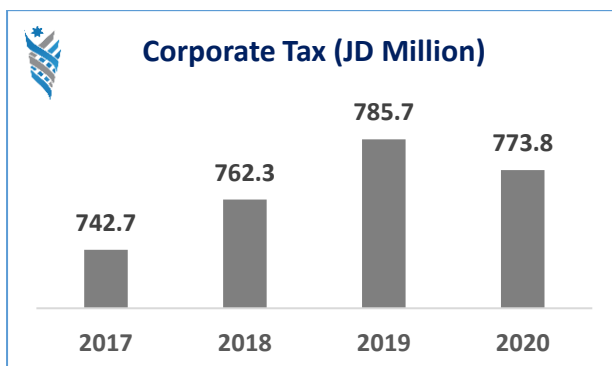
Contributors to Tax Revenues



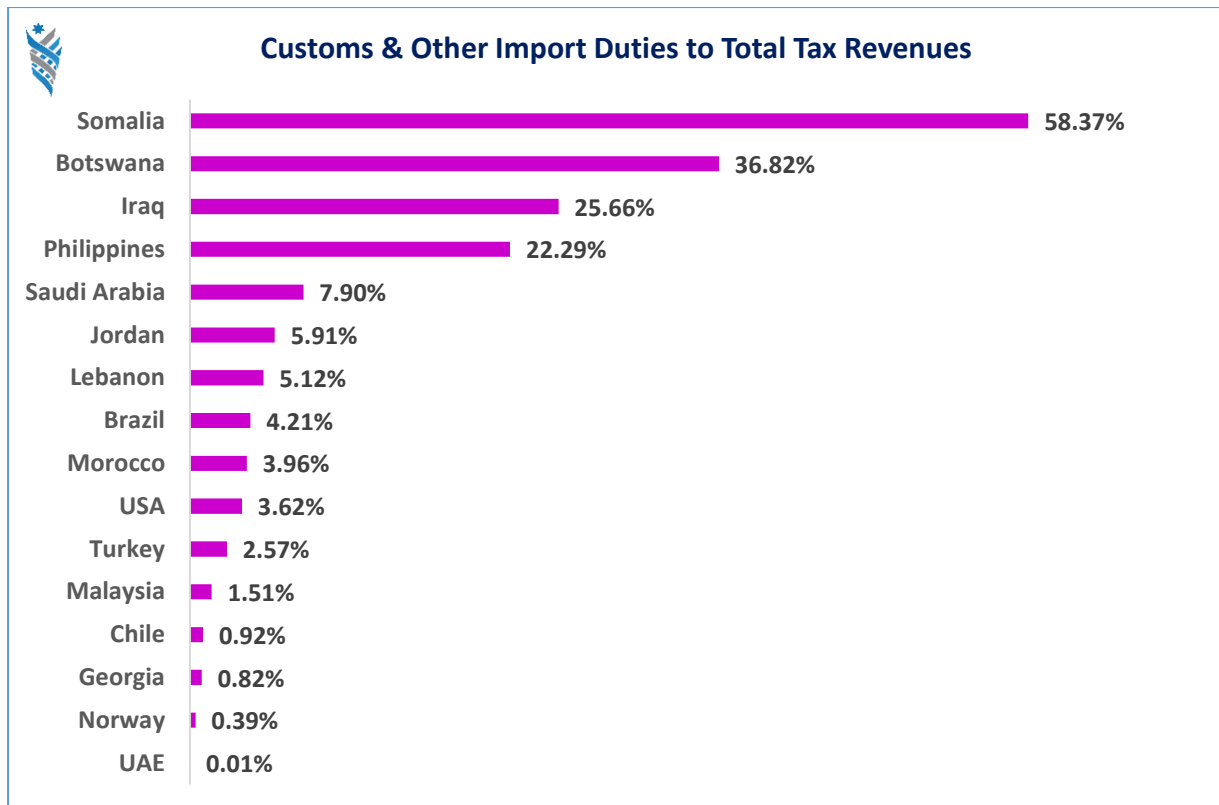
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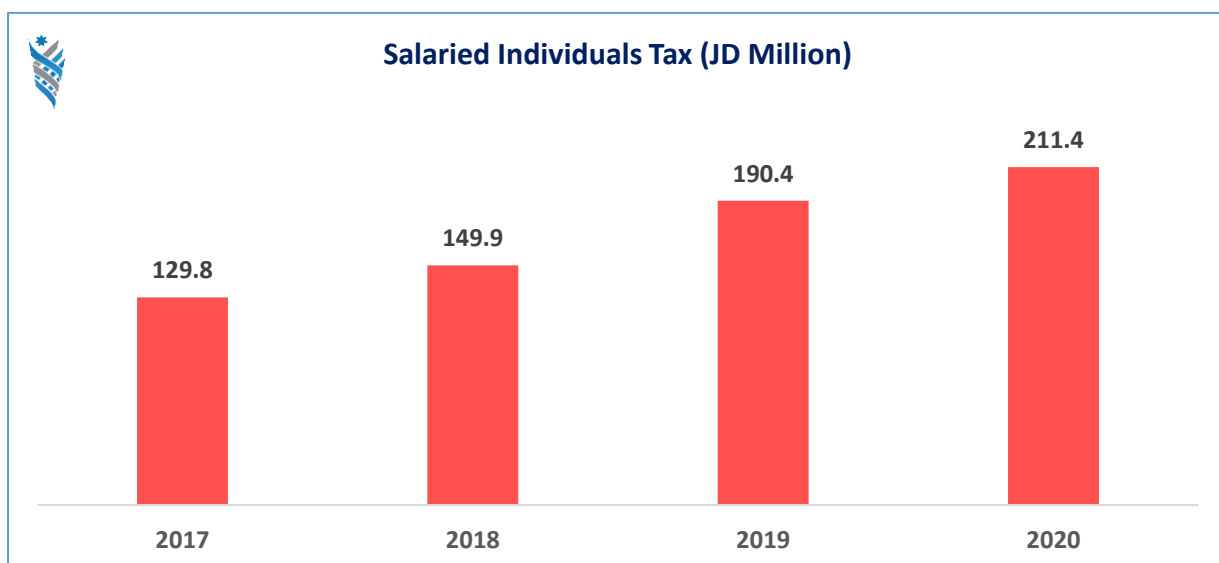
- C. As far as sales taxes are concerned, the standard rate is 16% applies to products, merchandise and transactions that are not subject to reduced rates. Within this context, it is useful to note that a zero rate applies to certain basic foodstuffs, certain goods are exempted from sales tax, and many other goods are liable to reduced rates.
- D. As far as taxes from companies and projects are concerned, they have increased from JD 742.7 million in 2017 to JD 785.7 million in 2019. Due to the COVID-19 economic fallout, this amount decreased to JD 773.8 million in 2020. Within this context, it is useful to note that in 2019, listed companies accounted for about 64% of JD 785.7 million paid by this sector. Licensed banks in Jordan paid 44% of this total. The fact that the total number of socially insured entities is equal to 54,806, this observation implies that the rest of this sector does not really contribute much towards tax revenues. In addition, we can conclude that the number of companies that keeps a tax file is around 55,000 establishments.



- E. As far as customs and other import duties are concerned, Jordan's government from this source is not particular high if compared with other countries (World Bank Database).



- F. As far as the salaried individuals are concerned, their paid taxes have increased from JD 129.8 million in 2017 to JD 211.4 million in 2020. Based on the 2019 Social Security Corporation's report, it is interesting to note that the total number of socially insured (compulsory) Jordanians was equal to 1,110,852 individuals. The fact that 937,613 individuals (about 85%) earn less than JD 700 a month, we can conclude that this group has no tax files in the first place. One can state that a limited number of salaried individuals pay the lion's share of this tax. Indeed, if we assume that those whose income is equal to JD 2500 and above are the major taxpayers, it can be stated that a total of only 12,569 individuals account for most of the paid tax.





Number of Compulsory Insured Jordanians According to Monthly Income (JD) / 2019

More Than 5000	215
4500 - 5000	2,809
4000 - 4500	918
3500 - 4000	1,416
3000 - 3500	2,843
2500 - 3000	4,368
2000 - 2500	8,495
1500 - 2000	18,668
1000 - 1500	47,919
700 - 1000	85,588
700 or Less	937,613



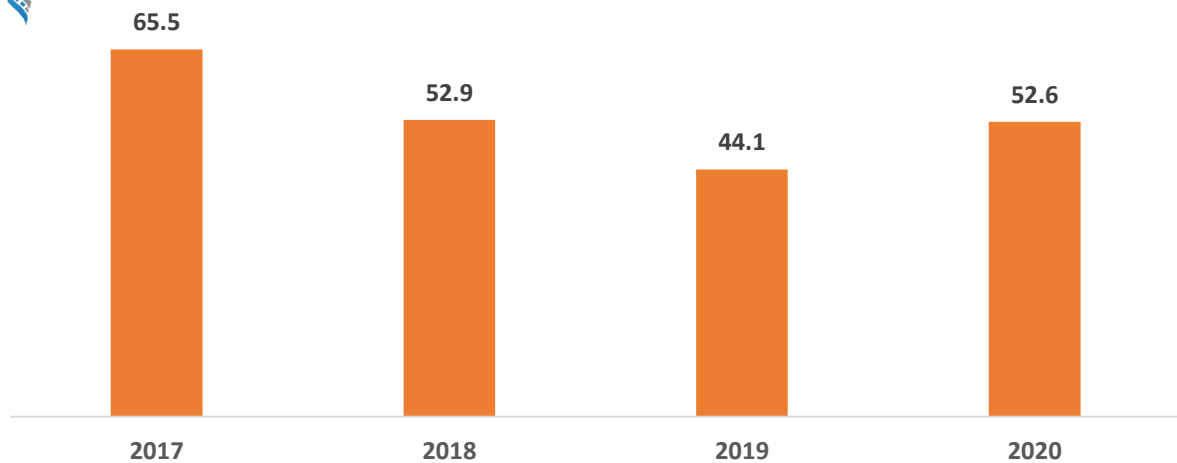
Distribution of Compulsory Insured Jordanians According to Monthly Income (JD) / 2019

More Than 5000	0.02%
4500 - 5000	0.25%
4000 - 4500	0.08%
3500 - 4000	0.13%
3000 - 3500	0.26%
2500 - 3000	0.39%
2000 - 2500	0.76%
1500 - 2000	1.68%
1000 - 1500	4.31%
700 - 1000	7.70%
700 or Less	84.40%

- G. On average, the taxes paid by “individuals” have been decreasing since the fiscal year 2017. Within this context, it is useful to note that these individuals are private sector entities outside the “corporate and large projects” sector. Individuals refer to activities like medical doctors, nurseries and many schools, lawyers, dentists, contractors, shop keepers, restaurants, and many others. Based on the Department of Statistics official figures, the total number of self-employed individuals (with and without employees) is equal to 166,495 individuals. In 2020, this implies that on average, each of these individuals paid JD 316 in tax.



Individuals Tax (JD Million)



Based on the above-mentioned observations, clearly the tax base is narrow, a limited number of private sector establishments and individuals contribute the lion’s share of total taxes paid to the government.



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