

Income Tax Regulation for the Aqaba Special Economic Zone, as amended

No. (53) for the Year 2005

Published on Page 3339 of the Official Gazette No. 4715 on 1/8/2005

Issued in accordance with Articles (32) and (56) of the Aqaba Special Economic Zone Law, as amended No. (32) for the Year 2000

Article (1):

This Regulation shall be known as the (Income Tax Regulation for the Aqaba Special Economic Zone for the Year 2005) and shall come into effect as of the date of its publication in the Official Gazette.

Article (2):

The following words and phrases wherever used in this Regulation shall have the meanings ascribed thereto unless the context indicates otherwise:

- Law** : The Aqaba Special Economic Zone Law.
Zone : The Aqaba Special Economic Zone.
Customs Area : The lands and territorial waters of the Hashemite Kingdom of Jordan with the exception of the Zone.
Authority : The Authority of the Zone
Board : The Board of Commissioners.
Chief Commissioner : The Chairman of the Board.
Registered Enterprise : Person registered within the Authority (ASEZA) according to the provisions of the Law.
Tax : The income tax of the Registered Enterprise and the income tax of the non-Registered Enterprise according to the provisions of the Law and this Regulation.
Income of registered enterprise : What remains of the total income from any taxable income source after deducting the work expenses and expenditures related to the income and the losses carried forward from the previous year or years and the donation respectively in accordance with the provisions of the Income Tax Law in force and this Regulation.
Income tax of the registered enterprise : The income tax provided for in Article (32) of the Law which is calculated on the income of the registered enterprise in accordance with the rules and conditions stipulated in this Regulation.

Article 3:

In implementation the provisions of Paragraphs (A) and (D) of Article (32) of the Law, the bases for calculating the income tax of the Registered Enterprise and all matters related thereto shall be determined according to the provisions of the Law, this Regulation, and the Income Tax Law in force.

Article 4:

Any income of the Registered Enterprise shall be deemed as income accrued from the Zone:

- A. Income accrued from its activities in the Zone and indicated as follows:
1. Income accrued from the sales of its goods that are delivered in the Zone.
 2. Subject to clause (3) of this Paragraph, the income accrued from providing its services by effecting the following:
 - If the beneficiary from the service resides in the Customs Area.
 - f If the service itself is provided in the Customs Area.
 - If the service provider and the means of providing such is moved to the Customs Area.
 3. Income accrued from providing the services in both the Zone and Customs Area by the registered enterprise if the annual operational expenses and expenditures of the origin of the Zone that are tax-deductible are not less than (60%) of the total operational expenses and expenditures that are tax-deductible in the Kingdom for the services provided by the registered enterprise.
 4. Income accrued from exploiting intellectual property rights of the registered enterprise if such exploitation takes place in the Zone.
 5. Any other income the Board considers income accrued in the Zone in accordance with a resolution issued for this purpose.
- B. Income accrued from its activities outside the Kingdom and indicated as follows:
1. Income accrued from the sale of its goods that are exported outside the Kingdom, including the re-export profits except the goods taken outside the Kingdom under transit data (TR8) of the goods entered under entering data (AT9) at the general and private storage sites and the logistic centers approved and supervised by the Authority.
 2. Income accrued from providing its services by effecting the following:
 - If the beneficiary from the services resides outside the Kingdom.

- If the service provider, the service or the means of providing such is moved outside the Kingdom.
3. Income accrued from exploiting intellectual property rights of the registered enterprise if such exploitation takes place outside the Kingdom.

Article 5:

The provisions of this Article shall apply to the following matters for the purposes of calculating the income of the registered enterprise:

- A. The joint administrative and general expenses and the expenditures of the registered enterprise in the cases where the administrative and general expenses and joint for the registered and unregistered enterprise whether in the Zone or in the Customs Area. Such expenses shall be deducted in accordance with the quotation below provided to apply the recognized international accounting principles and standards as regards what is considered administrative and general expenses:

The total revenues or sales of the registered enterprise to the total revenues or sales of the enterprises in all branches of the registered and unregistered enterprise in addition to the total expenses and expenditures of the registered enterprise to the total expenses and expenditures of the enterprise in all its registered and unregistered branches divided by two. The quotient is multiplied by the total tax-deductible joint expenses and expenditures provided not to exceed (25%) of the income of the registered enterprise before deducting the expenses.

For the purposes of calculating these revenues, the balance sheet stated in the final accounts certified by a public auditor shall be adopted.

- B. Donations of the registered enterprise: They shall be calculated in accordance with the provisions of the Income Tax Law in force.
- C. The carried over losses of the registered enterprise: They will be deducted from the income of the registered enterprise if they accrue inside the Zone from the same purposes registered in the registry of the registered enterprise provided that the registered enterprise keeps proper and correct accounts.

Article 6: Subject to Article (4) of this Regulation, the income of the registered enterprise accrued from its activities in the Customs Area and indicated as follows shall be subject to the income tax in accordance with the provisions of the Income Tax Law in force :

- A. Income accrued from the sales of its goods that are delivered in the Customs Area.
- B. The income accrued from providing its services by effecting the following:
 - 1. If the beneficiary from the service resides in the Customs Area.
 - 2. If the service provider, the service itself, or the means of providing such is moved to the Customs Area.
- C. Income accrued from exploiting intellectual property rights of the registered enterprise if such exploitation takes place in the Customs Area.

Article 7: Subject to Article (4) of this Regulation, if the service is provided in both the Zone and the Customs Area, the registered enterprise must show its income accrued in the Zone and outside the Kingdom in accordance with the provisions of Paragraph (A), Article (32) of the Law in its financial statements separately from the income accrued from its work inside the Kingdom. Otherwise, it will be assessed in coordination with the Income and Sales Tax Department to ensure the share of the Authority of the tax on its activity outside the Zone and outside the Kingdom.

Article 8: Self-assessment returns of each registered and unregistered enterprise whose main activity is in the Zone and the natural persons who practice their main activity in the Zone shall be presented to the Authority for the purposes of calculating the tax in accordance with the provisions of the Law, this Regulation, and the Income Tax Law in force. A separate self-assessment return for the income of the registered enterprise accrued from other income sources shall be presented by using the forms prepared by the Authority for this purpose.

Article 9: If the goods are transferred from enterprise registered in the Zone to its headquarter in the Customs Area, or vice-versa, such transfer must be made at the actual cost of the goods.

Article 10: Tax accrued in accordance with the provisions of the Law, this Regulation, and the Income Tax Law shall be considered as public property and shall be collected according to the Collection of Domanial Property Law in force. The Chief Commissioner or whom he authorizes for this purpose shall assume all powers of the Administrative Governor and the Committee for Collection of Domanial Property accorded thereof.

Article 11: In cases other than those stipulated in this Regulation and the instructions issued pursuant to the Law and this Regulation, the provisions of the regulations and instruction issued pursuant to the Income Tax Law in force shall apply in the Zone.

Article 12: Tax related matters, including the following, shall be regulated in accordance with a memorandum of understanding to be concluded between the Authority and the Income Tax Department:

- A. Procedures relating to implementing the provision of Articles (35) and (36) of the Law, and Article (7) of this Regulation.
- B. Procedures for emitting the Tax from the Authority to the Income Tax Department and vice versa.
- C. Unifying the instructions applicable in the Zone and Customs Area and streamlining the procedures of implementing such.
- D. Joint review of any amendment on the legislation related to the Tax.

Article 13:

- A. The Board shall issue instruction upon the recommendations of the Chief Commissioner necessary for implementing the provisions of this Regulation, including all matters related to the minimum limit of the investment, financial adequacy, numbr of workers of the registered enterprise providing its services in eh Zone and the Customs Area.
- B. The instructions issued in accordance with this Regulation shall be published in the Official Gazette.

Article 14:

The Regulation (Income Tax Regulation for the Aqaba Special Economic Zone No. (8) for the Year 2001) shall be repealed, provided that the Instructions issued pursuant htereto shall remain in force until repealed or replaced in accordance with the provisions of this Regulation.

31/5/2005