



IBN INFORMS

Regional Offices of foreign companies in Jordan

by

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- **Definition**

A foreign company may establish a Regional Office in Jordan pursuant to the Companies Law No. 22 of 1997 and the amendments thereto (the "Law"). The intention behind the enactment of this Law (originally in 1975) was to encourage foreign companies to set up Regional Offices in Jordan and to make such offices the center of their activity in the area. The Law does not elaborate on the size or type of the foreign company which may register a Regional Office in conformity therewith. The result was that a large number of foreign companies, of all sizes, registered Regional Offices. It is now the policy of the Ministry of Industry & Trade, which is in charge of the administration of this Law, to restrict this facility only to substantial and large companies of international standing in their respective fields. A Regional Office can operate from Jordan anywhere in the world. But it cannot operate in Jordan.

As far as operation in Jordan is concerned, a Regional Office can collect information generally concerning business possibilities in Jordan or in respect of a particular project but cannot sign an offer or a contract in respect of such a project. The Regional Office can deliver an offer and pursue same in Jordan on behalf of its Head Office. The offer and all other documentation, however, should be signed by the Head Office and not by the Regional Office.

Any violation of this restriction may lead to the cancellation of the registration of the Regional Office. The duration of the Regional Office is not limited to any period or project. It will continue to exist and operate as long as the above named 1997 Law remains in force. We see no possibility or reason for repealing this Law.

- **Exemptions and Facilities:**

(a) Neither the foreign company nor the Regional Office will pay any local taxes, including Income Tax and Social Services Tax.

(b) The non-Jordanian employees of the Regional Office are exempted from payment of Income Tax and Social Services Tax on their salaries.

(c) The Regional Office may import its office equipment and furniture free of custom duties, import fees and all other related charges. The Regional Office may import

its business samples free of custom duties, import fees and all other related charges.

- (d) The Regional Office may import one car under a temporary entry status free of custom duties for the use of its non-Jordanian employees upon depositing a Bank Guarantee for the amount of the duty with the Ministry of Finance/Customs. This Guarantee will be discharged upon taking the car out of the country or selling the car locally after paying the duty thereon. The Minister of Industry and Trade, upon the recommendation of the Controller of Companies, may allow the regional Office to import another car free of custom duties under a temporary entry status in justifiable circumstances.*
- (e) The Regional Office can have an account in Jordan in foreign currency or in Jordan Dinars provided that same are fed with monies from foreign sources. It can pay into the account and take monies out of it without Exchange Control restrictions. The Regional Office should, however, submit to the Governor of the Central Bank every year a short summary of the movements of its foreign currency accounts.
- (f) No Government fees are payable upon registration of or in connection with the operation of the Regional Office.
- (g) The Regional Office will be exempted from the necessity of registering with the Chamber of Commerce and all other professional associations and from the payment of any fees in this regard.

- **Nationality Matters**

The foreign company should appoint a representative who shall manage the Regional Office. Such a representative can be of any nationality. If he is a Jordanian national, then he will not enjoy the aforesaid exemptions provided in the Law for non-Jordanian employees of the Regional Office.

* Pursuant to Regulation No. (60) of 1998, cars imported by a Regional Office are required to pay annual license fees for such cars based on the capacity of the engine of the car as follows:

Cars with an engine capacity of not more than 2 liters = JD 1000.

Cars with an engine capacity of 2 - 2.5 liters = JD 2000.

Cars with an engine capacity of over 2.5 liters = JD 3000.

The non-Jordanian employees of the Regional Office will be given residence and work permits.

The number of non-Jordanian employees of the Regional Office may not exceed that of its Jordanian employees.

All Jordanian employees of the Regional Office are subject to payment of Income Tax and Social Services Tax.

- **Registration**

Although any foreign company may, under the above named Law, register a Regional Office in Jordan, the tendency of the Ministry of Industry & Trade has lately been, however, to register Regional Offices only for substantial and internationally known foreign companies that have been in existence and duly registered for a minimum period of 2 years. Hence, the Controller of Companies will ask for reasonably full information on:-

(a) The share capital of the company.

(b) Its balance sheet or annual report for the last two years which must be duly certified by a licensed auditor.

(c) If it is a subsidiary of another company, then the same information on the latter.

The Regional Office will be registered for the foreign company as an extension thereof and not as an independent entity. Hence, the Regional Office will be registered in the name of the foreign company as it is registered in its place of registration. It will not assume any new name and certainly will not make (Jordan) any part of its name.

The following particulars will have to be supplied, namely:-

(a) Name of company.

(b) Its nationality.

(c) Its objects at home.

- (d) Address of its head-office.
- (e) Place, number and date of its registration at its place of incorporation.
- (f) The name of the representative in Jordan.
- (g) Period for which company was incorporated - whether for a fixed period or not.
- (h) Objects of Regional Office in Jordan.
- (i) Category of company - whether a limited liability company or otherwise.

The following documents should be attached to the application for registration of a Regional Office namely:-

- (a) Certificate of registration or incorporation of the company in its head office.
- (b) The company's Articles and Memorandum of Association showing its objects, share capital and category.
- (c) Its balance sheet or annual report for the last two years which must be duly certified by a licensed auditor.
- (d) Power of Attorney in favor of the Representative (as per attached form).
- (e) Power of Attorney in favor of local counsel (as per attached form).
- (f) Any recent brochures or literature setting forth the activities, size and other particulars concerning the company.

Documents referred to under (a) to (e) inclusive above shall be notarized and legalized by all judicial and diplomatic authorities at the country of the company's Head Office including the Jordanian Consulate, then translated to Arabic. The translation shall be notarized by the Notary Public in Jordan.

- **General Remarks**

If it is the intention of the foreign company to establish a Branch Office and a Regional Office at the same time, then:-

(a) Both offices should be accommodated totally separately and independently so that the staff of the Branch Office should not enjoy the privileges of the Regional Office.

(b) Each office should have its own separate representative.

For all further questions, the set-up of a regional office in Jordan and the costs involved, please contact IBN Consulting in South Africa.

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If you have any questions, please do not hesitate to contact the author under:

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