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**Committee on Subsidies and Countervailing Measures**

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**SUBSIDIES****FINAL TRANSPARENCY NOTIFICATION (FOR 2015) PURSUANT TO THE PROCEDURES  
IN THE GENERAL COUNCIL DECISION IN DOCUMENT WT/L/691 ON THE  
EXTENSIONS UNDER SCM ARTICLE 27.4 OF THE TRANSITION PERIOD  
FOR THE ELIMINATION OF EXPORT SUBSIDIES**

JORDAN

*Revision*

The following communication, dated 13 January 2020, is being circulated at the request of the delegation of Jordan.<sup>1</sup>

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The Government of Jordan, pursuant to Article XVI:1 of GATT and Article 25 of the Agreement on Subsidies and Countervailing Measures, submits its "New and Full Notification" for the year 2018.

This notification is also being submitted for the purposes of final transparency in the context of the extensions granted to Jordan under Article 27.4 of the Agreement on Subsidies and Countervailing Measures, pursuant to WT/L/691 and G/C/W/705/Rev.2. It also serves to provide an update on the progress made towards compliance with the same obligation.

1. Title of the subsidy programme

Partial or Total Exemption from Income Tax for Profits on Certain Export.

2. Period covered by the notification

The period covered is the year 2018.

3. Policy objective and/or purpose of the subsidy

The main rationale for introducing this export subsidy programme was to offset the negative effects of the 1991 Gulf War and the loss of Jordan's main trading partner, Iraq. The programme was introduced then to stimulate export performance. The remarkable increase in oil prices in the year 2008 and its persistent fluctuations afterward has affected depressingly Jordan's exports, together with the negative consequences of the global financial crisis.

The nonstop regional and international proceedings taking place almost in every neighboring Arab state has imposed instability in those countries in terms of political, economic and social transformations. The Jordanian economy, more than other economies in the region, was greatly influenced by those regional circumstances, together with the displacement of many residents of those neighboring in the Kingdom since the year 2010 up to now. Jordan hosted several influxes of refugees from neighboring countries, mainly from Iraq and Syria, which had a negative impact on

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<sup>1</sup> This notification was also circulated in document G/SCM/N/343/JOR dated 20 January 2020.

the national budget and infrastructure. With Syrian citizens residing in the country exceeding 1.4 million, including refugees, this burden strained the infrastructure, education, health, water, food and other sectors. Syrian labor force is also pushing into the job market traditionally reserved to Jordanians and this reduces job opportunities for locals.

The disruption of the Egyptian gas supplies that has been used by industries and energy generation has very negative impacts on Jordan economy as a whole. Jordan's trade deficit rose unprecedentedly due to the rise in the bill of energy imported from global markets. To this effect, the instability in the region because of the political situation in many Arab countries had severe impacts on the trade performance of Jordan and a decrease in Jordan exports, along with the closure and loss of traditional markets for Jordanian exports, mainly Syria and Iraq, as well as losing other significant markets.

#### 4. Background and authority for the subsidy

##### a. Background

The programme was established in 1995, exempting profits gained from exporting activities in a trial to remedy the harmful effects of the economic and social factors that affected Jordan by opening up the economy in light of the mentioned political circumstances. 98% of the domestic exporting industrial companies which were of small sized nature, suffered from the lack of market accessibility, obstructing them from reaching economies of scale, which led to higher costs of production and hence limiting their competition capabilities in global markets.

##### b. The Authority Responsible

The Income Tax Department/ Ministry of Finance.

##### c. Legislation

The implemented legislation is the Income Tax Law No. 34 for the year 2014, amending Income Tax Law No. 28 for the year 2009, which included the following article relating to the subsidy programme.

Article 4(e) of the law, which deals with the exemption from income tax and states the following:

"Certain types of local origin goods and services' exports outside the Kingdom may be totally or partially exempted from tax, provided that the basis of the exemption and the types of goods and services included in this exemption and the rate and period of the exemption shall be determined according to a regulation issued for this purpose."

#### 5. Form of the subsidy (i.e. grant, loan, tax concession, etc.)

Tax concession.

#### 6. To whom and how the subsidy is provided (whether to producers, to exporters, or others, through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined)

##### a. To whom and how the subsidy is provided

Domestic industrial companies are entitled to benefit from this programme in addition to domestic exporting companies specialized in exporting local goods and products. Exemptions are granted through submitting official documents to the income tax department verifying export activities.

##### b. Amount

The amount of exemption is determined according to the imputed percentage of net profits resulting from export activities. The normal income tax to be paid in absence of the programme is an average of 15% or less on the profits generated from all operations irrespective of the nature of sales.

7. Subsidy per unit or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit for the preceding year). Where provision of per unit subsidy information (for the year covered by the notification, the previous year, or both) is not possible, a full explanation

The normal income tax to be paid in absence of the programme, is an average of 15% or less on the profits generated from all operations irrespective of the nature of sales and hence subsidy per unit amounts to 1.5% or less for each Jordanian Dinar.

8. Duration of the subsidy and/or any other time limits attached to it, including date of Inception/commencement

This programme has been in effect since the year 1995.

9. Statistical data permitting an assessment of the trade effects of the subsidy. The specific Nature and scope of such data is left to the judgment of the notifying Member. To the extent Possible, relevant and/or determinable, however, it is desirable that such information include Statistics of production, consumption, imports and exports of the subsidized product(s) or Sector

#### Trade effects

In the year 2018, the value of exports entitled for exemption was US\$ 6,167,162,041 while the approximate calculated value of exemption amounted to US\$ 92,507,431. The total amount of exemption implies that the income tax relief still has a very slight effect on Jordan's international trade, realizing that Jordan is a developing country with a share not greater than 0.10% of world's export trade, it is clear that no harmful effects have been introduced on the international trade as a result of the subsidy programme.

- For the three most recent years for which statistics are available;
- For a previous representative year, which, where possible and meaningful, should be the latest year preceding the introduction of the subsidy or preceding the last major change in the subsidy.

**Table 1 Income Tax Relief Classified by HS Chapters in US\$ for the year 2018**

Income Tax Relief in US\$	Total Exports Value in US\$	Total Exports Value benefiting from this programme in US\$	Income Tax Relief in US\$
2017	6.3b	3,765,378,043	67,776,805
2016	6.2b	4,737,484,249	71,062,264
2015	7 b	6,316,243,360	93,409,232

Total exports value: 6.6 b.

Total exports value benefiting from this programme: 6,167,162,041.

Income tax relief: 92,507,431.

Chapters	EXPORT VALUE \$	Income tax relief
<b>17-19</b>	93,532,775	1,402,992
<b>21-24</b>	1,006,594,238	15,098,914
<b>26-30</b>	1,190,374,662	17,855,620
<b>32-38</b>	324,894,577	4,873,419
<b>39-40</b>	261,385,301	3,920,780
<b>41-43</b>	5,357,428	80,361
<b>44-46</b>	9,407,190	141,108
<b>47-49</b>	161,993,224	2,429,898
<b>50-52</b>	968,377	14,526
<b>54-63</b>	1,795,877,610	26,938,164
<b>64-67</b>	2,980,968	44,715
<b>68-70</b>	172,408,189	2,586,123
<b>71</b>	134,263,856	2,013,958
<b>72-83</b>	533,725,496	8,005,882

<b>Chapters</b>	<b>EXPORT VALUE \$</b>	<b>Income tax relief</b>
<b>84-85</b>	348,741,920	5,231,129
<b>86-89</b>	11,361,558	170,423
<b>90-91</b>	52,319,024	784,785
<b>94-96</b>	60,975,648	914,635
<b>Total</b>	6,167,162,041	92,507,431

Actions that have been taken or in the process of being undertaken:

With reference to the draft decision on waiver concerning the extensions provided for in Article 27.4 and Article 27.2(b) of the Agreement of Subsidies and Countervailing Measures of the transition period for the elimination of export subsidies of Jordan, document G/C/W/705/Rev.2, and in light of Jordan's commitments to provide full transparency to the Council, the Government of Jordan wishes to notify the Council with the activities and progress in developing the WTO-consistent replacement program:

1. A national committee was established, chaired by the Secretary General of Ministry of Industry, Trade and Supply, and includes senior officials from relative entities from both public and private sectors. The role of the committee is to monitor the implementation of the action plan within the estimated time frame and to develop necessary technical and legal frameworks for the alternative subsidy program in cooperation with a broad group of stakeholders.
2. A number of alternative subsidy programs were provided with the technical assistance of the USAID's and were carefully considered to choose the best alternative one.
3. A legal and economic expert has been assigned to support the implementation of the Project. The first visit for the expert was during the week 18-23 December 2015, representing the start of the USAID/JCP WTO Subsidies Project. The second visit was on 23-27 April 2016 and the third was on 5-6 April 2017.
4. As for the legislative stage, a new income tax law was issued, Income Tax Law No(38) for the year 2018, in a view to attain compatibility with elements of the SCM Agreement. The new law had stated explicitly in Article (3) (a) (4) that:

Any income incurred in or from the Kingdom for any person regardless of the place of fulfilment shall be subject to tax including the following income: Income from selling goods.

1. The new subsidy program introduced in the Income Tax Law No(38) for the year 2018 doesn't have any linkage to export activity and to be implemented starting from 1 January 2019 as soon as the regulation governing it be issued, and will be notified on an annual basis pursuant to Article 25 of the SCM Agreement as soon as being implemented.
2. Jordan's current export subsidy program has been terminated at 31 December 2018, pursuant to the transition period for the elimination of export subsidies of Jordan in document G/C/W/705/Rev.2 and pursuant to Article (3) of Income Tax Regulation No (106) for the year 2016 dealing with the "Exemption of Profits of Goods and Services' Exports from Income Tax" which had stated that income resulting from exporting goods of local origin outside the Kingdom is totally exempted from income tax until only 31 December 2018.