

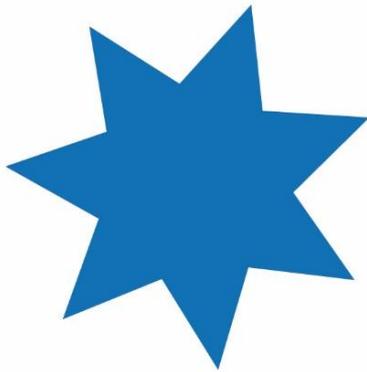


منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

Tax Revenues In Jordan

Who Pays Taxes?

September 2019



#Policy_Brief

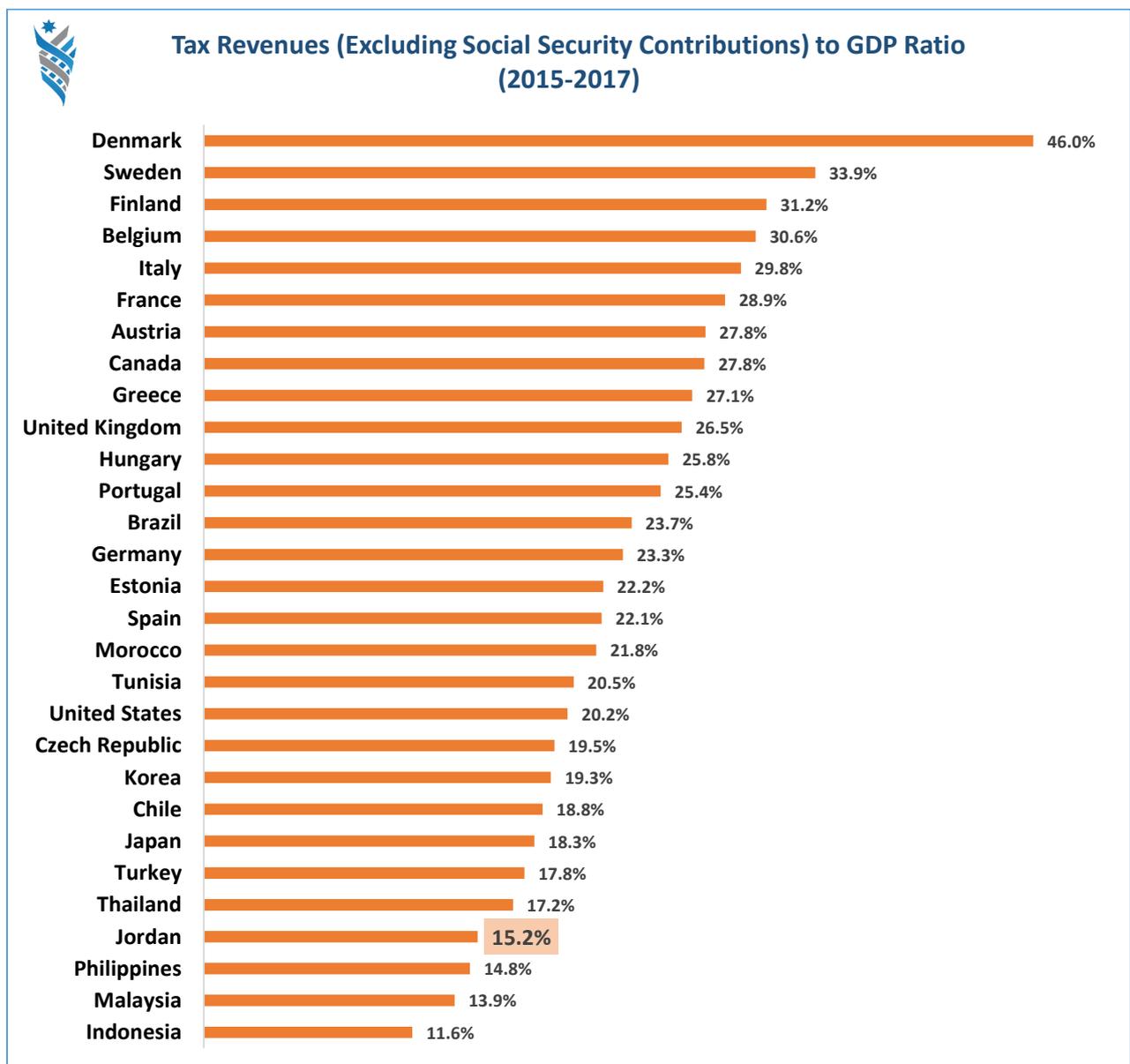
1.Introduction

Fiscal discipline and the mobilization of tax revenue are considered to be the main economic and fiscal challenges facing policy-makers in Jordan. Indeed, higher government revenues in general, and higher tax revenues in particular, enable governments to spend more on things like infrastructure, education, healthcare, and many others.

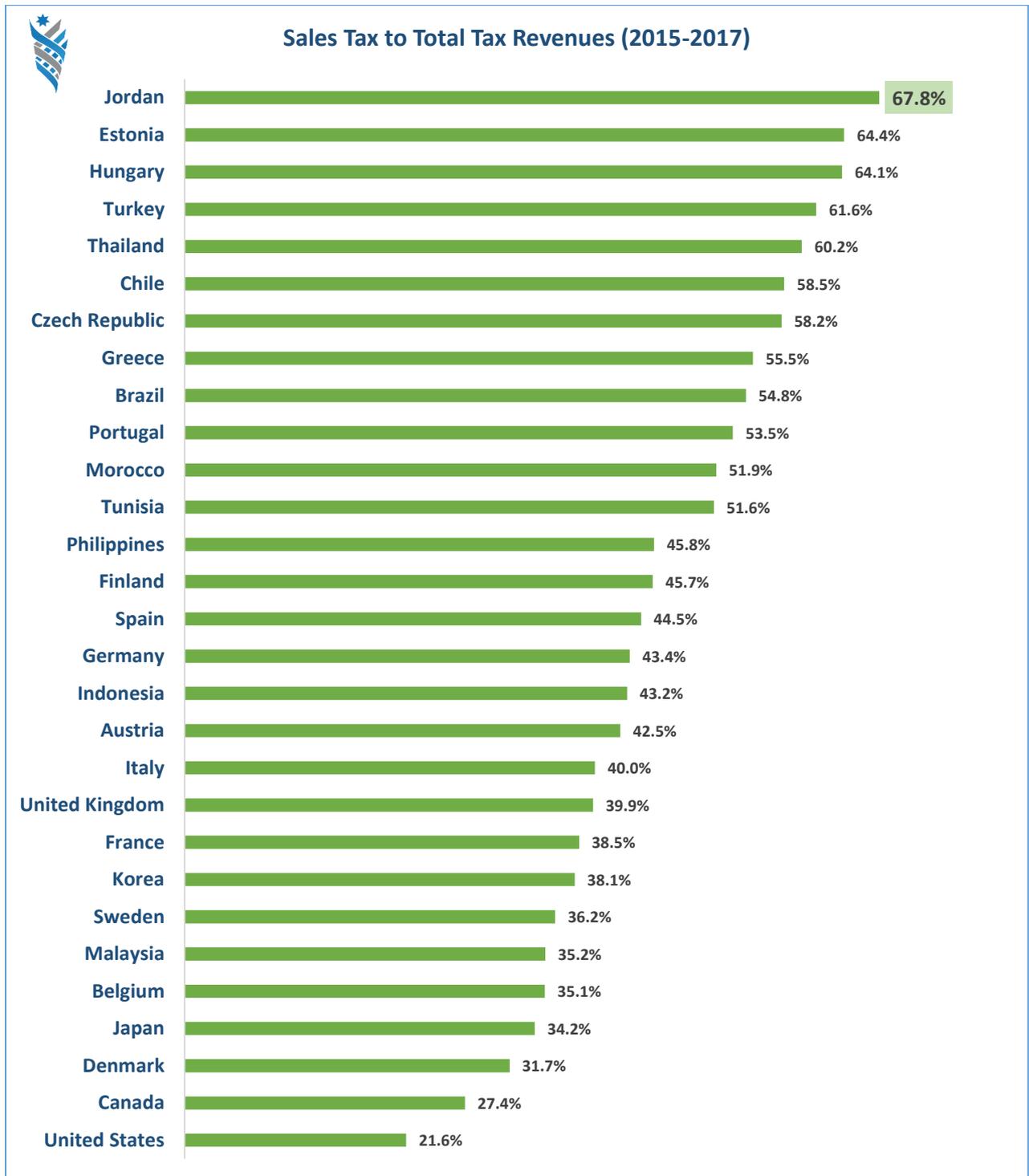
2.Some Observations

The international evidence shows that countries differ in terms of their tax to Gross Domestic Product (GDP) ratios. This is why it is interesting to compare Jordan with other countries in its fiscal mobilization process.

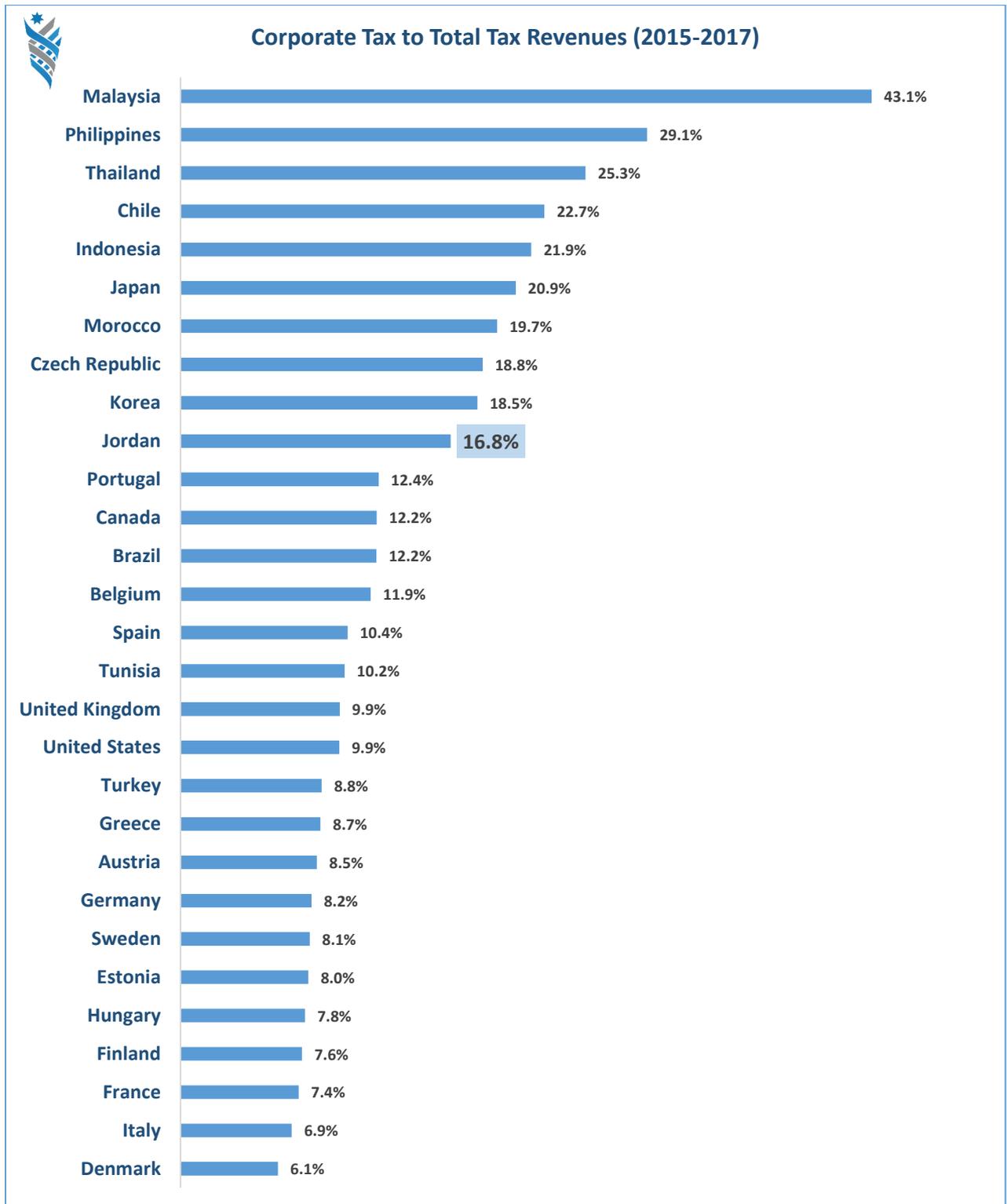
1) Total tax revenue to GDP ratio in Jordan is relatively low (Ministry of Finance / Jordan and OECD Database).



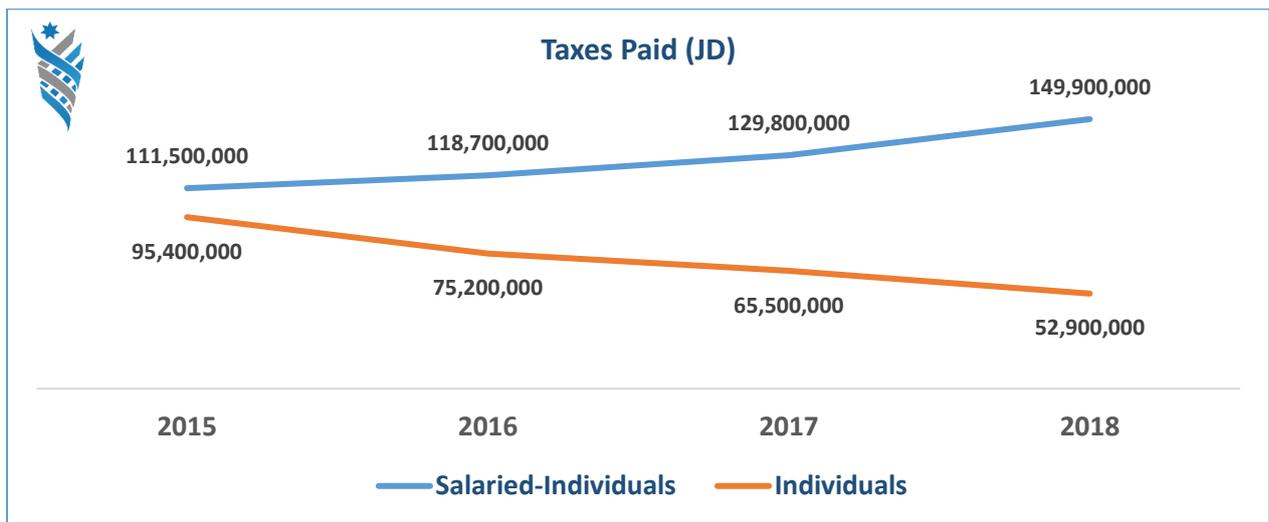
2) Tax revenues in Jordan rely heavily on sales tax. This source (sales tax) contributes about 68% towards total tax revenues (Ministry of Finance / Jordan and OECD Database).



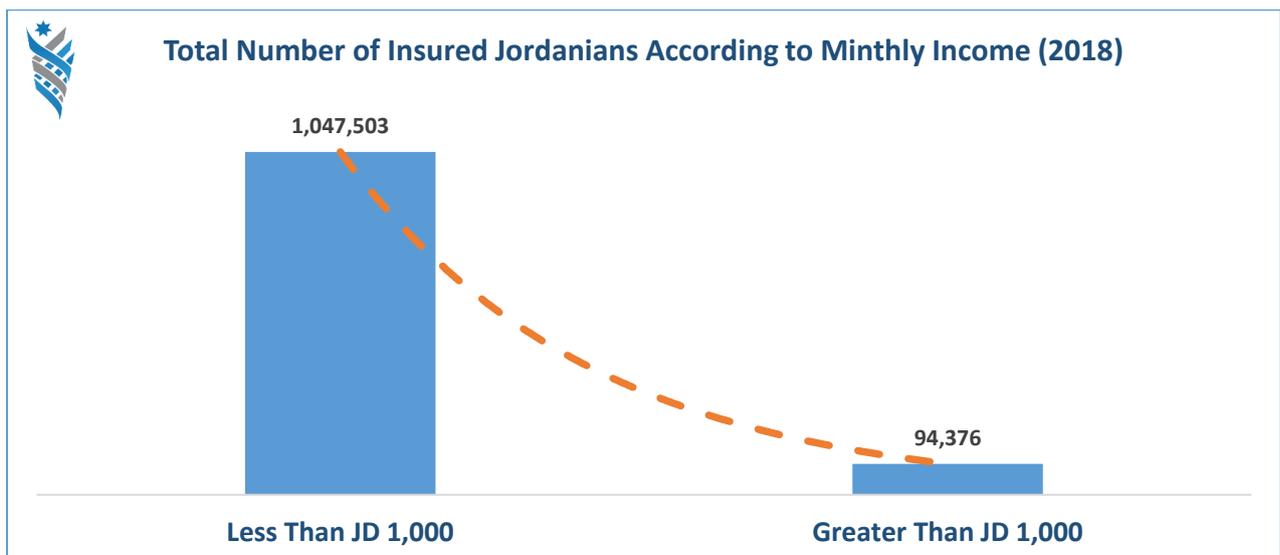
3) In Jordan, about 17% of total tax revenues are paid by the corporate sector (Ministry of Finance / Jordan and OECD Database).



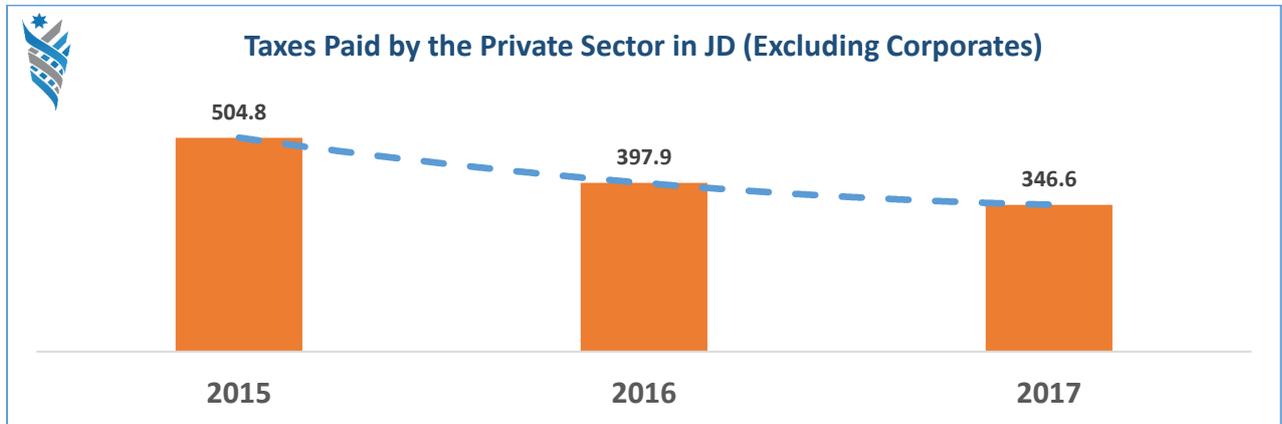
4) Taxes on the income and profits of “salaried-individuals” and “individuals” contributes little towards total tax revenues. By individuals, it is meant all private sector enterprises excluding public listed companies and large projects. Individuals include contractors, lawyers, medical doctors, schools, retailers, super-markets, and others. In 2015, 2016, 2017, and 2018, salaried-individuals paid JD 111.5 Million, JD 118.7 Million, JD 129.8 Million, and JD 149.9 million in income tax. Individuals, on the other hand, paid much less (Ministry of Finance). Indeed, employees who earn salaries pay more taxes than this sector (Ministry of Finance / Jordan).



5) Based on the 2018 Annual Report, published by the Jordan Social Security Corporation, 1,141,879 Jordanians are socially insured. It is interesting to note that a total of 94,376 individuals (8.3% of the total) earn more than JD 1,000 per month. This observation indicates that “few” Jordanian employees (salaried individuals) pay direct income tax.



6) Based on the Department of Statistics published figures, in 2015-2017 the total number of private sector establishment was equal to 189,725, 189,772, and 189,875 respectively. Excluding the corporate sector, if we assume that this number is equal to 189,000 establishments, we can state that the mean tax amount paid by each of these enterprises are equal to JD 346.6 in 2017.



3. In a Nutshell

To mobilize fiscal revenues, the government must examine its tax collection policy and efficiency from the private sector, especially from the “individual sector” (all private sector enterprises excluding public listed companies and large projects. Individuals include contractors, lawyers, medical doctors, schools, retailers, super-markets, and others). It does not make sense that these private sector enterprises contribute towards total tax revenues less than salaried individuals.



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