

Executive Instructions No. (2) of 2019
Income Tax Deduction Instructions and Amendments
Issued in the provisions of Paragraph (w) of Article (12) of
Income Tax Law No. (34) of 2014 and its amendments

Article (1)

These instructions shall be called (Income Tax Deduction Instructions for the year 2019) and shall be effective as of 1/1/2019.

Article (2)

The following words and phrases, wherever they appear in these instructions, shall have the meanings assigned to them below unless the context indicates otherwise:

Law: The applicable Income Tax Law.

Department: The Income and Sales Tax Department.

Minister: The Minister of Finance.

Director: The Director General of the Department.

Tax: The income tax imposed by law.

Salary or wage: Any salary, wage, bonus, reward, allowance or any taxable cash or in-kind benefits that an employee receives from his job.

Employer: Any person legally responsible for paying any salary or wage on his own behalf or on behalf of another person, including ministries, government departments, official public institutions, public institutions and municipalities.

Employee: The natural person who receives a salary or wage from a job in the public or private sector.

Person: The natural or legal person.

Income from job

Article (3)

A.

1. When an employer pays a monthly salary or wage subject to tax to an employee, in addition to any non-monthly amount as an annual bonus, housing allowance, or similar job benefits, that exceeds 1/12 of

the total exemptions due to him in accordance with Clauses (1) and (2) of Paragraph (A) of Article (9) of the Law, and in light of the information proven in the certificate stipulated in Article (3) of these instructions, Employer shall deduct the tax from that increase as follows:

- **(5%) for each dinar of the first (416) dinars.**
- **(10%) for each dinar of the next (416) dinars.**
- **(15%) for each dinar of the next (416) dinars.**
- **(20%) for each dinar of the next (416) dinars.**
- **(25%) for each dinar of the following amounts up to (83333) dinars.**
- **(30%) for each dinar of the amount exceeding (83333) dinars.**

2. Taking into account what is stated in Clause (1) of this paragraph, the employer must deduct for the national contribution account a percentage of (1%) for every dinar exceeding (16,666) dinars per month.

B. When the employer pays any taxable amount to a resident person other than his employees, including transportation allowances and bonuses for members of the Board of Directors, employer must deduct (5%) of the amount paid.

C. The deducted amounts shall be remitted to the Department according to the approved form within thirty days from the date of payment of the amounts specified in this article, as a payment on account of the tax due from the employee.

Article (4)

When paying an end-of-service gratuity due to an employee pursuant to applicable legislation or any collective arrangements made with the approval of the Minister, the employer must adhere to the following:

A. The following shall be deducted from the employee's end-of-service gratuity:

1. The full end-of-service gratuity due for the employee's services prior to 1/1/2010.

2. (50%) of the end-of-service gratuity due to the employee for his services from 1/1/2010 until 12/31/2014.

- 3. (15,000) dinars from the end-of-service gratuity due to the employee for his services from 1/1/2015 and thereafter.**
- B. To deduct (9%) of the remaining amount of the end-of-service gratuity due to the employee after making the deduction mentioned in paragraph (A) of this article.**
- C. Taking into account what is stated in paragraph (B) of this article, the employer shall deduct for the account of the national contribution (1%) for every dinar exceeding 200,000 dinars from the end-of-service gratuity due after making the deduction mentioned in paragraph (A) of this article.**
- D. The deducted amounts shall be deposited to the department according to the approved form within thirty days from the date of payment of the amounts specified in this article as a payment on account of the tax due from the employee.**

Article (5)

- A. When an employee is employed for the first time, he must submit to the employer a certificate prepared in two copies according to the form approved by the department, which includes a statement of his family status. He must inform the employer of this in the event of any change or amendment to the data contained in the aforementioned certificate.**
- B. The employer must provide the department with a copy of the certificate within thirty days from the date of receipt, and whenever the auditor requests it.**

Article (6)

The employer, whether from the private or public sector or from any other entity, shall:

- A. Maintain a special register in which the names of all persons employed by him, their salaries, wages, family status, exemptions due to them, their tax deductions, and any amendments to such data are recorded, and shall include the necessary notes that facilitate the auditor's task, including the reasons for stopping the deduction of tax from any employee of his.**
- B.**

- 1. To provide the Department within the month following the end of each month with a statement including the names of his employees, their salaries, wages, and the tax deducted from them during the month that has ended.**
- 2. To provide the Department within the first three months following the end of each year with a statement including the names of his employees, their salaries, wages, and the tax deducted from them during the year that has ended.**
- C. To provide the employee with a salary or wage not less than (9000) dinars per year, or if the employee requests him to do so at the end of each year or upon the end of his service, with a certificate according to the approved form indicating the total salaries and wages and the amount of tax deducted therefrom during the year or years in which he worked as an employee, provided that the deducted tax is transferred to the department by the employer.**
- D. To verify, upon the end of the service of any employee with him, that the tax due on salaries and wages paid to him during the period of his employment has been deducted and paid to the department in accordance with the provisions and procedures stipulated in the law and these instructions, and he must provide the department with a certificate containing this data according to the form approved by it for this purpose.**

Article (7)

The auditor shall take the following measures:

- A. Review the register stipulated in paragraph (a) of Article (5) of these instructions and any other register related to employees in order to ensure that the employer complies with the legal provisions and procedures related to tax deduction and payment. The employer shall facilitate the auditor's task and enable him to review the required records and papers, and the auditor has the right to seize and retain them in accordance with the provisions of paragraph (b) of Article (61) of the Law.**
- B. Requesting the employer to adjust the amount of tax deducted from the salaries and wages of any employee in order to correct any deduction that was made incorrectly.**

C.

1. Accepting exemptions for medical expenses, education, rent, Murabaha, or housing loan interest for a natural person and dependents, provided that invoices and documents are submitted to support this, as follows:

- A. A maximum of 1,000 dinars for the taxpayer for the tax period 2020 and thereafter.**
- B. A maximum of 1,000 dinars for his spouse for the tax period 2020 and thereafter.**
- C. A maximum of 1,000 dinars for each of his dependent children for the tax period 2019 and thereafter, with a maximum of 3 children.**

2. To accept exemptions for the expenses referred to in Clause (1) of this paragraph, the expenses must be related to the following:

- A. Expenses of treatment or surgical operations at hospitals or doctors, as well as expenses of staying in a hospital, whether inside or outside the Kingdom for him, his wife or dependents.**
- B. Murabaha or interest on a housing loan paid by him, his wife or dependents to any bank or company in the Kingdom or abroad in exchange for establishing or purchasing a residence in the Kingdom.**
- C. Educational expenses for himself, his wife or dependents starting from kindergarten and beyond, paid by him or his dependents inside or outside the Kingdom.**
- D. Rental expenses for a residential home inside the Kingdom, paid by him, his wife or dependents.**

3. To accept exemptions for the expenses referred to in Clause (2) of this paragraph, invoices and documents must include the following:

- A. The serial number of the invoice or document and its date.**
- B. The name, address, stamp and tax number of the service provider, if any.**
- C. The name of the service beneficiary.**
- D. The rental contract for housing within the Kingdom, certified by the Greater Amman Municipality or the municipality in whose area the rented property is located.**
- E. Certification by official authorities if the service is provided outside the Kingdom.**

4. In all cases, the exemption for the expenses mentioned in this paragraph may not exceed the amounts specified in Clause (1) of this paragraph.

Pensions

Article (8)

Every legal person, when paying any retirement salary, must deduct income tax on amounts exceeding (2500) dinars from the total monthly retirement salary, including disability, in accordance with the provisions of Paragraph (A) of Article (3) of these instructions, and must submit it to the Department within 30 days from the date of payment of this salary.

Income of a taxpayer who has persons with permanent and continuing disabilities

Article (9)

The amount of (2000) dinars shall be exempted from the taxpayer's income for each person with a permanent and continuous disability, for himself, his spouse, or his dependent children who hold an identification card issued pursuant to the Law on the Rights of Persons with Disabilities in force, provided that a written letter issued by the Higher Council for the Rights of Persons with Disabilities is presented proving that he is a person with a permanent and continuous disability during the relevant tax period.

Prizes and Lottery Profits

Article (10)

- A. Every person who pays cash or in-kind prizes or lotteries profits, the amount or value of which exceeds one thousand dinars, must deduct (15%) thereof according to the form approved by the Department.**
- B. For the purpose of calculating the value of the lottery or in-kind prize, the value of the income therefrom shall be calculated according to the market price on the date of payment.**
- C. The deducted amounts must be remitted to the Department within thirty days from the date of payment of the amounts specified in this Article, as a fixed tax.**

Service allowance

Article (11)

- A. Every resident legal person, when paying any amount in exchange for a service to any resident person, including doctors, lawyers, engineers, auditors, experts, consultants, authorized representatives of taxpayers, insurance and reinsurance agents and brokers, arbitrators, brokers, agents, commission brokers, financial brokers, and freight brokers, shall deduct from it an amount of (5%) in accordance with the form approved by the Department.**
- B. The Minister, upon the recommendation of the Director, may add any other service to the services mentioned in Paragraph (A) of this Article.**
- C. In all cases, the paying person shall provide the Department every three months with a statement including the name of the person performing the service, address, the amount paid to, tax number, and the tax period during which the service was performed.**
- D. The deducted amounts shall be paid to the Department within thirty days from the date of payment of the amounts specified in this Article as a payment on the tax account of the person performing the service.**

Interest and Murabaha on deposits due with banks and financial companies

Article (12)

- A. Banks and financial companies in the Kingdom shall deduct (5%) for a natural person and (7%) for a legal person from the amount of deposit interest, commissions and profits of deposits participating in the investment of banks and financial companies that do not deal with interest paid to any person and remit the deducted amounts to the Department according to the approved form within thirty days from the date of payment of the amounts specified in this paragraph.**
- B. The following are exempted from the provisions of deduction mentioned in paragraph (A) of this article:**
 - 1. Interest and profits on deposits and commissions earned by banks with other banks.**

- 2. Entities whose income is exempt from tax under the provisions of the law with respect to exempt income only.**
 - 3. Any other entity approved by the Minister upon the recommendation of the Director.**
- C. The amounts deducted as stated in this Article shall be considered:**
 - 1. A fixed tax for a non-resident legal person and a natural person, whether resident or non-resident.**
 - 2. A payment on account of the tax for a resident legal person.**

Non-resident income

Article (13)

- A. Subject to the provisions of Article (12) of these instructions, every person, when paying non-tax-exempt income to a non-resident person directly or indirectly, must deduct (10%) of its amount and remit the deducted amounts to the Department in accordance with the approved form within thirty days from the date of payment or due date, whichever is earlier.**
- B. The amounts deducted as stated in this article shall be considered a fixed tax, except for what relates to income derived from any of the following:**
 - 1. Leasing or selling immovable property located in the Kingdom.**
 - 2. Business activity registered and licensed in the Kingdom.**
 - 3. Sale of shares, stocks or an establishment registered in the Kingdom, including goodwill.**

Common provisions and penalties

Article (14)

- A. Taking into account the provisions of Paragraph (A) of Article (36) of the Law, every person obligated to deduct in accordance with the provisions of the Law and these instructions must remit the withheld tax to the Department within thirty days from the date of payment or due date, as the case may be. In the event of failure to deduct, the tax shall be collected from him as if it were a tax due from him as of the date specified for its remittance.**
- B. Every person who has deducted the tax in accordance with the provisions of the Law and these instructions must remit it**

to the Department within thirty days from the date of payment of the amounts specified in these instructions or due date, as the case may be. In the event of failure to remit it within the specified period, he shall be deemed to have committed the crime of tax evasion in accordance with the provisions of Article (66) of the Law.

C.

- 1. In the event that the person who deducted the tax and remitted it to the Department in accordance with the provisions of the law and these instructions provided the person who benefited from the income related to the deduction and remittance with a certificate showing the amount of this income and the tax that he remitted to the Department, he must sign this certificate and his full name must appear next to his signature, so that his full name is in the event that he is a natural person, but if he is a legal person, his name must be recorded according to his registration certificate with the full name of the natural person who signed this certificate, provided that the natural person is the taxpayer himself or an authorized representative of the legal person pursuant to his registration certificate.**
- 2. No person shall include a tax amount not remitted to the Department in the certificate provided to the person who benefits from the income related to the deduction, under penalty of legal accountability.**

Article (15)

These instructions shall apply to the year 2019 and thereafter.