

# Tax Alert: Jordan issues Transfer Pricing Implementation Instructions

September 2021

## 1. What is the update in relation to Transfer Pricing Regulations?

On 7 June 2021 the Jordan Ministry of Finance published the Transfer Pricing regulations (“TP Regulations”). The TP Regulations described in general terms the Transfer Pricing obligations for companies operating in Jordan. Last week, the more detailed Implementation Instruction were published.

## 2. What are the key themes in Transfer Pricing Implementing Instructions?

The Implementation Instruction specify that the TP Regulations apply to any taxpayer in Jordan with related party transactions exceeding JOD500k (eq. USD705k) in a 12-month period. Such taxpayers have to comply with the following obligations:

1. Disclosure Form (as part of their annual tax return, additionally a confirmation from a chartered accountant confirming the TP policy is needed)
2. Local File (to be submitted to the tax authorities within 12 month after FYE)
3. Master File (to be submitted to the tax authorities within 12 month after FYE)
4. Country-by-Country report, if applicable (to be submitted to the tax authorities within 12 month after FYE)

It should be noted that these requirements are largely consistent with OECD principles and prevailing practices in Middle East region mainly Kingdom of Saudi Arabia.

## 3. What is the first year of implementation of Transfer Pricing Regulations and Transfer Pricing Implementing Instructions?

The TP Regulations come into effect with its publication in the official gazette, i.e. June 2021. However, no (visible) measures have been undertaken by the Jordan tax authorities in this regards.

## 4. What is next?

As the TP regulations have an immediate effect, taxpayers should analyse and assess their current TP set-up. This analysis should ensure that all related party transactions are properly documented (i.e. inter-company agreements are in place) and can be justified from a business perspective.

# Get in touch

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