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Jordan – Reform of Social Security Rates, Thresholds for 2014 and Beyond

by Hassan Attiyat, KPMG
Kawasmy & Partners Co.,
Jordan (a KPMG International
member firm)

Jordan revised its social security rates upwards effective January 1, 2014, with the increases phased in gradually. In addition, the income base upon which the rates are applied has been modified.

Why This Matters

In light of the developments discussed in this newsletter, some employees and their employers subject to Jordanian social security tax rules may experience a noticeable impact on their social security tax liabilities.

The increase in rates could mean higher costs related to international assignees for those assignees working in Jordan and Jordanian assignees working outside of Jordan who remain subject to Jordanian social security.

Under the new Law¹, the social security contributions rates are increased as follows:

Employers: The overall employer social security contribution rate is increased from 12.25 percent to 14.25 percent, to be phased in. The increase is to be introduced in four stages at the rate of 0.5 percent on January 1 of each year for this year and the next three years. The applicable rate as of January 1, 2014, is 12.75 percent.

Employees: The overall employee social security contribution rate is increased from 6.5 percent to 7.5 percent, also to be phased in. The increase is to be introduced in four stages at the rate of 0.25 percent on January 1 of each year for this year and the next three years. The applicable rate as of January 1, 2014 is 6.75 percent.

Voluntary Rate: The voluntary contribution rate is increased from 14.5 percent to 17.5 percent, to be phased in. The increase is to be introduced in four stages at the rate of 0.75 percent on January 1 of each year for this year and the next three years. The applicable rate as of January 1, 2014 is 15.25 percent.

Below we show the rates for the various social security regimes effective for 2014.

2014			
Type of Insurance	Employee Contribution Share	Employer Contribution Share	Total Contribution Share
Insurance against old age	5.75%	9.5%	15.25%
Insurance against work injuries	-	2.00%	2.00%
Maternity Insurance	-	0.75%	0.75%
Insurance against unemployment	1.00%	0.50%	1.50%
Total	6.75%	12.75%	19.50%

Income Base for Calculating Social Security

Prior legislation (Temporary Social Security Law No. (7) for the year 2010) governed the wage thresholds upon which the social security contribution rates applied. The Temporary Law, which was effective until the end of February 2014, set the applicable wage base for employees at five times the average wages as defined in article (90) paragraph (A) section (8) and stipulated that the maximum wages should not exceed JOD 5,000 per month (annually, JOD 60,000).

New participants in the Jordanian social security scheme who joined after October 2009 had been subject to social security to the extent that their annual compensation did not exceed JOD 25,260 (JOD 2,105 monthly) with effect from January 1, 2012. The Social Security Corporation reconsiders the upper ceiling of annual compensation by the end of every year. In 2013, the ceiling for participants was JOD 2,145 per month and adjusted for the first two months of 2013 – as per the movement in the inflation rate – to JOD 2,264 per month (again, the basis for such figure is the amount that is five times the average wages as per social security internal data).

Income Base under New Social Security Law

In the New Social Security Law No. (1) for the year 2014, which came into force on March 1, 2014, the maximum (upper limit) wage ceiling upon which social security contributions are calculated became JOD 3,000 (this is subject to change based on the inflation rate as determined by the Social Security Corporation).

As per the above, for new employees who became participants in Jordan's social security system in the years 2010, 2011, 2012, and 2013, they are subject to social security contributions on their wages up to JOD 2,264 per month for the months of January and February of 2014. However after March 1, 2014, said participants (including those who begin participating in the system in 2014) are subject to social security on wages up to a maximum (upper limit) of JOD 3,000, per month, according to the New Social Security Law.

Footnote:

1 New Social Security Law (Law 1 for 2014), published in the Official Gazette (*Al-Jarida Al-Rasmiya*), No. 5267 for 2014 of 29 January 2014.

* * * *

JOD 1 = EUR 1.022

JOD 1 = USD 1.41

JOD 1 = GBP 0.84

The information contained in this newsletter was submitted by the KPMG International member firm in Jordan. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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