

# Legal Framework

Typing up loose end

Details, details, details

DATE التاريخ 25 6

TIME 13

وحلول الكترونية متكاملة

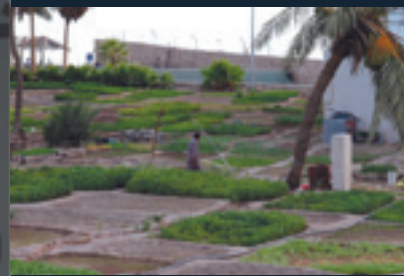
أداء الودائع

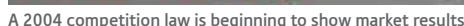
	شهر ١٢	شهر ٦	شهر ٣	شهر ١
اعلى	3500	3125	3000	2750
ادنى	3250	3000	2750	2500
اعلى	3250	2750	2500	2250
ادنى	3250	2750	2500	2250
اعلى	1900	1800	1750	1750
ادنى	1900	1800	1750	1750

دينار اردني

دولار امريكي

يورو





Oxford Business Group



Industry and amusement parks are exempt from export fees

# Details, details, details

## Legal statutes serve as solid foundation for economy

**INVESTMENT IN JORDAN:** The Investment Law No. 68 of 2003 (the "Investment Law") replaced the previous Encouragement of Investment Law No. 16 of 1995 (the "1995 law"). However, all the provisions stated in the 1995 law concerning the exempt sectors, privileges and exemptions will continue to apply until new regulations are issued pursuant to the Investment Law. As for the regulations issued by virtue of the 1995 law, these will also continue to apply until new regulations are enacted.

The Investment Law grants projects established in Jordan in certain sectors (industry, agriculture, hotels, hospitals, sea and rail transport, amusement parks, tourist entertainment, and conference and exhibition centres) exemptions from import fees, Customs duties, sales tax and all other fees and taxes on the initial capital assets, as well as on spare parts for up to 15% of the total value of the assets. Expansions of already exempt projects are also granted certain exemptions under particular conditions. Furthermore, eligible projects are entitled to reductions (from 25-75% depending on the location of the project) in their income tax and social services tax liabilities for a period of 10 years from the date of actual production or commencement of operations.

According to the Law Regulating the Investments of Non-Jordanians No. 54 of 2000 (issued pursuant to article 24 of the 1995 law) (the "regulation") which continues to be in effect, non-Jordanian investors can own any project, in full or in part, in most sectors of the economy, except in specified restricted sectors where foreign ownership is prohibited or, as the case may be, limited to 49-50%. The restricted sectors mainly include, but are not limited to, general trade and construction, engineering, transportation, advertising, security and club services.

With the exception of the ownership limitations in the restricted sectors, the Investment Law provides for equal treatment for non-Jordanian investors. The Investment Law entitles foreign investors to

repatriate funds outside the kingdom in any convertible foreign currency.

Moreover, it is important to note that Jordan has entered into various bilateral investment treaties with a large number of countries. Areas covered by these treaties, which should be of particular interest to investors in all fields of economic activity, are (i) treatment and protection of investment; (ii) expropriation and compensation; (iii) currency transfers; and (iv) dispute settlement.

The Jordan Investment Board (JIB) was established pursuant to the Investment Promotion Law No. 67 of 2003 (the "Investment Promotion Law"). JIB was established as a governmental body enjoying both financial and administrative independence for the purpose of promoting Jordan's investment regime. JIB's responsibilities include identifying and promoting investment opportunities in Jordan, simplifying registration and licensing procedures and following up on existing projects, in addition to establishing an investment window to undertake licensing projects and obtaining approvals on such projects from other authorities pursuant to the legislation in place.

**TYPES OF COMPANIES:** The Companies Law No. 22 of 1997 and its amendments (the Law) allow for the registration of various types of companies. The following is a short summary of the most common ones:

**Limited liability company (LLC):** An LLC must be composed of at least two shareholders (approval can be sought for a sole shareholder LLC) whose liabilities are limited to their holdings in the LLC. The share capital of an LLC must be at least JD30,000 (\$42,350), comprised of 30,000 shares of JD1 (\$1.42) each. However, the Investment Law requires a minimum amount of JD50,000 (\$70,570) for any foreign investment in Jordan, except for investments in public shareholding companies. Although an LLC cannot list or trade its shares publicly, it can issue bonds. The paid-up capital of an LLC upon registration must be at least 50% of its total share capital, and the remaining 50%

must be paid within two years of registration. However, it must be noted that the foreign investor must pay at least JD50,000 (\$70,570) upon the registration of the LLC. The LLC may be managed either by a single managing director or by a board of directors consisting of two to seven members.

**Private shareholding company ("PrSC"):** The share capital of a PrSC equals the total nominal value of all of its shares and shall be stated in JD. The prescribed share capital of a PrSC shall not be less than JD50,000 (\$70,570), which must be fully paid upon registration. A PrSC, pursuant to its memorandum of association, may issue various types and classes of shares that differ in their nominal value, voting rights, profit and loss distribution among shareholders. The PrSC must be managed by a board of directors and the number of the members of the board should be specified in the articles and memorandum of association. 75% shareholder approval is needed for decisions to, among other things, merge, dissolve, sell all the assets or increase or decrease the share capital.

**Public shareholding company ("PSC"):** A PSC must be composed of at least two founders who subscribe to shares that can be listed on a stock exchange (approval can be sought for establishing a PSC by one founder). The founders cannot dispose of their shares until two years have passed following the registration of the PSC. Shareholders' liabilities are limited to their shareholding in the PSC. The authorised share capital of the PSC must not be less than 500,000 shares with JD1 (\$1.42) nominal value and must be stated in JD. The prescribed share capital of a PSC shall not be less than JD100,000 (\$141,160) or 20% of the authorised capital, whichever is greater, and must be fully paid upon registration. The remaining authorised capital must be fully subscribed within three years of registration. A PSC may issue the unsubscribed capital for shares at prices above or below the nominal value. Members of the board of directors for a PSC must be shareholders therein.

**Operating foreign company ("branch office"):** A foreign company that is incorporated and has its headquarters outside Jordan can operate in Jordan only after registering a branch office and such registration will be either temporary, for the duration of a contract that the company was awarded (the registration may be extended if other contracts are later awarded), or permanent, pursuant to a license from the official authorities. The company registering a branch office must appoint someone resident in Jordan, who need not be a Jordanian national, as a representative to carry out its business and accept service on its behalf.

**Non-operating foreign company ("regional office"):** A foreign company that registers a regional office cannot operate (conduct business) in Jordan. For example, the regional office can collect information generally concerning business possibilities in Jordan or for a particular project but cannot sign any contract or offer regarding such a project or opportunity. The regional office enjoys several exemptions and advantages such as the exemption from any local taxes

except sales tax, its non-Jordanian employees are exempted from income and social services taxes, and it can import its office furniture free from Customs duties. The regional office must also appoint a resident representative. At least half the employees in the regional office must be Jordanian citizens.

**THE SECURITIES LAW:** The Securities Temporary Law No. 76 of 2002 (the "Securities Law"), originally enacted in 1997, provides for the establishment of an independent regulatory agency called the Securities Commission. It also provides for the establishment of an independent and private sector-run stock exchange called the Amman Exchange and a depository centre called the Securities Depository Centre.

The Securities Law also provides for, among other things, international-standard regulation of the securities market including substantial disclosure requirements, both for initial public offerings and continuous disclosure, prohibitions on insider trading and regulation of tender offers. The Securities Commission has the authority and power to regulate the Amman Exchange, the Securities Depository Centre, brokers and other market participants.

The Securities Law also provides for the regulation of mutual funds and sets down the basic legal structure for their establishment. Recently, the Securities Commission issued instructions regulating margin trading, among other things. The provisions of the Securities Law are all aimed at ensuring transparency and availability of information in the securities market. It lays down serious civil and criminal penalties for the violation of its provisions.

Pursuant to instructions issued by the Securities Commission, companies and individuals cannot provide financial services in Jordan without being licensed by the commission. Licensing requirements for companies wishing to provide investment management, brokerage, financial consulting and underwriting services include, among other things, minimum capital and bank guarantee requirements.

Regulations issued to date by the commission include governing tender offers, subscription rights trading, treasury shares, margin trading, issuance and registration of securities, disclosure regulations and collective investment schemes regulations.

**INTELLECTUAL PROPERTY:** Jordan recognises that protecting intellectual property rights encourages and fosters innovation. As such, the government protects various forms of intellectual property that include patents, copyrights, trademarks, registered industrial designs, confidential information and trade secrets, integrated circuit designs and new varieties of plants. In addition, in 2004, Jordan ratified the World Intellectual Property Organisation (WIPO) Copyright Treaty and WIPO's Performances and Phonograms Treaty, also known as the Internet Treaties.

**PATENTS:** Patents are governed by the Patents of Invention Law No. 32 of 1999 and are available for any new, useful and non-obvious art, process, machine, manufacture, composition of matter or any new and useful improvement therein. The term of a patent is 20 years



from the date of application. Among the requirements for obtaining a patent are absolute novelty and non-obviousness. A further requirement under the law is that the invention must be capable of industrial application.

To qualify for a patent under the Jordanian Patents of Invention Law, the invention may not be disclosed to the public in any place in the world, either by written or verbal description or use, or through any other means whereby awareness of the contents of the invention is afforded. However, if an invention is disclosed prior to filing an application for patent protection by the inventor or due to unjustified actions by another against him, then the inventor has 12 months from the date of such disclosure to file an application.

Jordan has the first-to-file system, under which common claim disputes in co-pending applications are resolved in favour of the first claimant to file. The Patents of Invention Law also grants a compulsory licence in case of insufficient exploitation of the invention or if the invention is necessary for national defence or emergency situations. In such cases, the patent holder is notified as soon as possible and is awarded remuneration for the use of his invention.

**COPYRIGHTS:** Copyrights are governed by the Copyrights Law No. 22 of 1992. Subject matters protected by copyrights are any original literary, scientific, dramatic, artistic or musical work fixed in a material form. Copyright protection extends to computer programmes both in source code or object code.

It is not necessary to register a copyright in Jordan in order to obtain full copyright protection; however, it is recommended in case of litigation. To register a work, an applicant merely needs to file an application naming the author and stating whether the work is published or unpublished.

The general term for copyright protection is the author's life plus 50 years following the end of the calendar year of death. However, cinematic and television works, works whose author is a corporate entity and works published posthumously are only protected for 50 years. Furthermore, photographic and applied arts works are only protected for 25 years after the date of completion.

Moral rights are also granted to the author of a work to maintain the integrity of, and to prevent the modification, distortion, or mutilation of the work. The author may waive, but not assign, his moral rights. Such rights are inheritable.

**TRADEMARKS:** Trademarks are protected under the Trademarks Law No. 33 of 1952. To register a trademark, the mark must sufficiently distinguish the goods or services of the applicant from those of another. Furthermore, the mark may not contravene any of the moral or social standings of Islamic and Arabic traditions and values.

Any individual, corporation, or other legal entity may register a trademark. Trademark protection lasts for a period of 10 years as of the date of its registration and may be renewed for similar periods upon the payment of the annual fees of \$70.



Patent qualification requires that the invention not be known by the public in any way, shape or form

**REGISTERED INDUSTRIAL DESIGN:** Industrial designs are protected under the Industrial Design Law No. 14 of 2000 and cover any configuration or arrangement of lines that give the product a special appearance and appeal, whether attained by use of a machine or manually. Protection is also granted to textile designs.

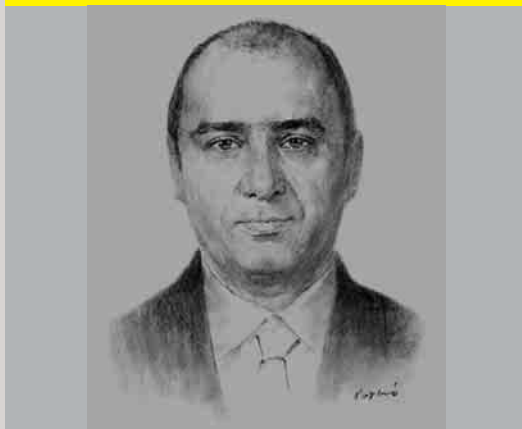
Registration for industrial design protection must be filed within one year of publication of the design. Priority may be claimed from foreign applications filed within six months before the filing of the Jordanian application. Protection is granted for 15 years from the date of registration.

**CONFIDENTIAL INFORMATION AND TRADE SECRETS:** Confidential information and trade secrets are protected by the Unfair Competition and Trade Secrets Law No. 15 of 2000. Information is considered to be a trade secret if:

- It is generally unknown in its final form;
- It has commercial value due to its secrecy;
- The proprietor takes reasonable measures to ensure the secrecy of the information.

**INTEGRATED CIRCUIT DESIGNS:** Integrated circuit designs are protected by the Integrated Circuit Designs Law No. 10 of 2000 whereby protection is afforded to the original layout designs of integrated circuit products. The integrated circuit design must be original, the result of intellectual effort and must not be commonplace among the creators and/or manufacturers of integrated circuit products. To protect an integrated circuit design, it is necessary to register such design at the Integrated Circuit Designs Department at the Ministry of Industry and Trade. The term of protection is 10 years from the date of the first commercial exploitation, anywhere in the world, of the integrated circuit design, provided that the said period does not exceed 15 years from the date of creation.

OBG would like to thank  
Ali Sharif Zu'bi & Sharif Ali Zu'bi for compiling these articles  
for **THE REPORT** Emerging Jordan 2007



Khaled Asfour

## Laws of the land

OBG talks to Khaled Asfour, Managing Partner, Ali Sharif Zu'bi & Ali Sharif Zu'bi Law Office

**How have investment laws affected the ease of doing business in Jordan?**

**ASFUR:** The main purpose of the Investment Law of 2003 was to grant exemptions from Customs duties, sales tax and income tax in relation to projects in certain pre-approved sectors. It also provides guarantees in respect to repatriation and non-confiscation (except in exceptional circumstances for fair compensation) that are meant to give foreign investors the comfort they need to make investments in Jordan. Unfortunately, the 2003 law does not have many provisions that actually make doing business easier, except when it comes to eliminating or reducing taxes and duties.

The new investment law, a draft of which was prepared in 2006, contains provisions that will actually make doing business easier by reducing the permission and pre-approval issues that remain unresolved under the 2003 law. The new law is hotly debated and therefore, unfortunately, has not been enacted.

**What further legal impediments are there to the ease of doing business in the kingdom?**

**ASFUR:** The complaints I hear from foreign investors wishing to invest in Jordan mainly focus on the multitude of business-related fees (in terms of number rather than amount). As a result of these taxes, it is sometimes difficult to ascertain the exact cost of doing business. Additionally, the multiple-permission issue is of concern, as investors would ideally like to have to fill out only one application to do business. In this regard, a one-stop shop that is truly effective and has the power and authority to issue the relevant permits would be very helpful. Another concern for foreign investors is the lack of clarity regarding the employment of foreign labour. Official guidance from the Ministry of Labour on what type of employees can get work permits would be useful. Foreign investors often wish to have their senior executives brought in from abroad, and it is very difficult for us as lawyers to advise them whether they will be able to do so.

**What initiatives are in place to support legal development and legal education in the kingdom?**

**ASFUR:** I understand that the government is working on a comprehensive strategy to improve and develop the judicial system from 2007 through 2009. The plan will include initiatives aimed at hiring high-quality judges and the provision of better financial incentives in order to recruit the leading law school graduates. The plan also calls for recruiting candidates as early as high school, as well as providing scholarships to qualified students for obtaining masters-level law degrees from the UK and the US.

**What can and should be done to address the lengthy and costly litigation process in Jordan?**

**ASFUR:** The litigation process is not costly per se. Court fees are actually relatively low when compared to other countries, both developed and underdeveloped. This actually may be one of the sources of the problem – it is relatively easy to file lawsuits. The large number of law graduates at work in the country is also a problem because there are more lawyers willing to accept lower fees to pursue claims on the behalf of clients. The real cost of litigation is the time factor, and in many instances it is cheaper to settle a case immediately than to wait for several years to reach a final decision, even if that decision is positive.

These problems might be alleviated by installing a different fee structure for court cases and raising the entry-level requirements for candidates to be admitted to law schools and the bar. This is in addition to improvements within the court system itself, such as better automation, establishing specialised judges and improving the service of process procedures by introducing innovative, modern and more efficient processes. Another method of reducing the burden on the court system is to allow written testimonies and depositions outside of the courtrooms. If only a few of these changes were made, the time and cost of litigation in Jordan could be halved.