



Jordan – Introduction of Transfer Pricing Regulation

Background:

In October 2019, Jordan has signed Organisation of Economic Co-Operation and Development's (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS). Thereby, Jordan was actively taking steps to implement minimum standards of BEPS and introduce Transfer Pricing regime in a country.

Recently, Jordan has **introduced Transfer Pricing (TP) Regulation** in a country wide **Regulation No 40 of 2021** in Official Gazette in June 2021.

Key points of TP Regulation:

While we await official English translated copy of TP Regulation, we have summarised the key points of the TP Regulation as per our interpretation of official copy of Regulation as under:

Sr. No.	Particulars	Requirement
1	Effect date of applicability	It would be applicable from 7th June 2021 which is date of publication of Regulation in Official Gazette. Having said this, we await clarification as to for which financial year, Regulation would apply.
2	Coverage – Applicable to whom?	<p>TP Regulations would be applicable to all taxpayers who has entered into related party/ intra-group transactions.</p> <p>Having said this, relaxation is provided to small taxpayers to comply with TP Regulation if quantum of related party transaction does not exceed JOD 500,000 (equivalent to USD 700,000 approximately) during the reportable period.</p> <p>Moreover, relationship between taxpayer and other person can be considered as related parties if the relationship is established between them by way of criteria of control or effective control.</p>
3	Local file and Master File	In case TP Regulation is applicable, taxpayers are required to prepare and maintain local file as well as master file documentation. However, submission of document would be required only upon request from tax authority

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4	Country by Country (CbC) Report	Multinational Group is required to prepare and submit CbC Report if consolidated turnover of group exceeds JOD 600 million (equivalent to USD 840 million). CbC Report needs to be submitted within 12 months from the end of reportable period.
5	Related Party Disclosure Form	In addition to the Transfer Pricing documentation, Taxpayers are mandatorily required to furnish Related Party Disclosure Form along with annual tax return. This may contain disclosure of related party and their country of tax residence, nature of transactions, quantum of transactions, most appropriate method adopted to determine arm's length price, etc
5	TP Method and comparability analysis	TP Regulation in relation to most appropriate method and comparability analysis criteria are mainly in line OECD guidance.

Way Forward:

Jordan, in line with other Middle East and Africa countries, are taking active steps to implement OECD's BEPS minimum standards and Transfer Pricing provisions in the country. While it is expected that tax authorities will provide further guidance on the subject matter soon, taxpayers may proactively start analysing the impact of TP regulation to them and how intra-group transactions can be substantiated.

While we await more guidance/clarification from tax authority, meantime, the taxpayers in Jordan (headquarter entity or subsidiary of foreign headquarter group) are recommended to –

- Conduct a health-check for their intra-group transaction (domestic or cross-border) keeping in mind requirements of Transfer Pricing Regulation
- Take corrective steps for the risk areas identified in health-check analysis
- Perform a benchmarking search exercise to identify potential comparable companies/ agreement from public domain/ licensed database as part of comparability analysis in order to justify pricing/ profitability of related party transactions
- Preparation of inter-company agreements in line with latest Transfer Pricing Regulation and ensuring it is in alignment with actual conduct of the parties
- Formulation of Transfer Pricing policy documentation and ensuring that pricing/ profitability of related party transactions are in line with policy document
- Ensure accurate/ appropriate disclosures to be submitted in Transfer Pricing Declaration form and preparation local file/ master file documentation within prescribed time.

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