Transfer Pricing Country Profile JORDAN

A decision-oriented overview of JORDAN Transfer Pricing - implications, risks, and strategic considerations

1 JORDAN's Transfer Pricing Framework

Jordan introduced a formal transfer pricing (TP) regime under Regulation No. 40 of 2021, aligned with the OECD BEPS framework. The regulation covers groups of multinational entities (MNE groups) headquartered and/or operating in Jordan.

. The framework requires all related-party transactions to comply with the arm's length principle.

. The regime applies to all taxpayers (local and multinational entities) engaged in related-party transactions.;

. Jordan joined the OECD Inclusive Framework (2019) and has adopted BEPS Action 13 documentation standards.

Definition of Related Parties

Regulation No. (40) of 2021 (Transfer Pricing Regulations), which was issued in accordance with Article 77/A of the Income Tax Law No. (34) of 2014:

. A party has effective control over control: Any party (up to the second degree) directly or indirectly controls (50%) or more of the voting rights, profits, or capital of the enterprise if the person participates in the capital, management, or control of the legal entity.

. Entities under common control or joint management.

. Relationships established through 50% or more of a party's transactions are with another party if the affiliated person(s) is a supplier of commercial agents of the other person.

2 Transfer Pricing Methods

- Comparable Uncontrolled Price (CUP)
- Resale Price Method (RPM)
- Cost Plus Method (CPM)
- Transactional Net Margin Method (TNMM)
- Profit Split Method (PSM)

3 Transfer Pricing Documentation

Master & Local File

Required when total value of controlled (related-party) transactions exceeds JOD 500,000 (USD 700,000) during the fiscal year. They must be filed at the request of the Income and Sales Tax Department. Must be maintained (generally within 12 months of year-end) and submitted upon request.
Exemption: Small taxpayers below JOD 500,000 threshold

TP Disclosure Forms

No minimum threshold explicitly stated in practice for filing requirement once TP rules apply.
Requirement:
. Filed annually with the income tax return
. Applicable to taxpayers engaging in related-party transactions, especially those exceeding the documentation threshold

Country by Country Reporting

Applies to MNE groups with consolidated group revenue exceeding:
. JOD 600 million (USD 850 million) in the preceding fiscal year.
Requirements:
. CbCR Notification: Submitted with tax return
. CbC Report: Submitted within 12 months after year-end

4 Key Areas of Focus

- Mandatory documentation and disclosure
- High-risk audit (especially high value transactions, consistent losses, business restructuring, non-monetary transactions)
- Regulatory focus on substance and pricing
- Compliance timing and penalties

Outlook

. Increasing audits as the regime is relatively new and evolving
Penalties:
- General tax penalties apply (e.g., late filing: JOD 100–1,000)
Challenges:
- Documentation readiness (new compliance burden)
- Justification of comparables and TP methods

5 Compliance, Disputes & Outlook

Compliance (ISTD Regulations)

Documentation: Master File; Local File must be maintained and provided upon request
Disclosure Form: Mandatory annual filing with tax return
Affidavit: Certified accountant confirmation of TP compliance required
Consistency Rule: Same TP method should be applied across years unless justified

HOW CAN WE HELP?

TP Governance and Strategy

Designing robust frameworks and strategic advisory

·Economic Substance & TP Policy Design
·TP Policy, Restructuring & Planning
·Value Chain Analysis
and TP / Tax Optimization
·Intangible Property Structuring

TP Reporting and Compliance

Ensuring compliance with evolving regulations

·TP Documentation (Local File, Master File, TP Disclosure Form)
·Benchmarking Analyses
·Country by Country Reporting
·Permanent Establishment (and profit attribution)

TP litigation and Controversy

Protecting your position across the audit lifecycle

·Mock Tax Audits & Pre-audit Strategy
·Defense File Preparation
·Tax Rulings & Advance Pricing Agreements (APA)
·Mutual Agreement Procedure (MAP)
·Post-audit Assessment & Implementation Support

GET IN TOUCH

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At The Tax Point, we support groups operating in the UAE where transfer pricing is not a compliance checkbox, but a strategic control tool.