

Legally Yours



By Ahmad J. Tahboub

Are Regional Offices viable for foreign businesses?

Jordan presents itself as one of the growing countries in the eyes of foreign investors. Nonetheless, when you think about investing in a foreign country, the conclusive question would be: "what is workable in that country ... and how to go about registration procedures?"

As for the first part of the question, it is eminent to know that Jordan accepts foreign investment in the various fields of commerce, industry and tourism. The country witnessed massive foreign intervention in the field of mega tourism and real estate projects. Jordan aspires to go tête-à-tête with other hot points in the region. To facilitate procedures for foreign investors, Jordan initiated an Investment Board responsible and ready to facilitate major investments, in an attempt to create a one-stop-shop for company registration and project launching.

As for the second part of the question, you may also take the optional route of direct registration procedures. Whether you are aiming for a free zone operation, an offshore entity or a local operation in Amman, all procedures start with the Ministry of Industry and Trade. Non-Jordanians are entitled for limited ownerships not exceeding 50% of the business entity. The traditional getaway from ownership restriction was through regional offices. The Ministry attempted to control this venue, by requiring officially endorsed incorporation documents along with audited balance sheets less than two years of age. Also, documents should prove a profitable business entity and owners should produce a written statement justifying registration in Jordan and some linkage to serving the region or some neighboring countries.

The flood of company registration following 2003, presented many violations and misuses of regional office status. The security hazard related to forged documents mounting up to hundreds of illegal registrations.

Unwarranted aliens and muddled residency permits alerted many departments and witnessed direct intervention of the Ministry of Interior Affairs. The long lasting debate between the relevant ministries helped separate serious investors from residency seeking individuals. In result, the Companies Controller Department ("CCD") at the Ministry of Industry and Trade activated the concept of non-operating companies. Under this concept, you may register a fully operational Jordanian company entitled to operate solely outside the country. Further, this form of registration is not subject to local income and sales taxes, since all operations are done abroad. A prototype similar to offshore entities, but has more credibility. Financially viable, given that you may open bank accounts in Jordanian and foreign banks in Amman. As such, bank facilities should be available for the operation once it builds an eminent credit history. Investors get to work through the moderately warm climate simultaneous with electronic control and geographical closeness to their money!

Non-operative companies enjoy swift registration procedures versus traditional regional office registration, where companies are required to seek the Minister's approval as a pre-requisite for registration. Unlike other legal systems, the Jordanian Companies Law allowed single ownership for limited liability companies and warranted that with the Companies' Controller approval. Such approval is looked at as a blessing rather than a pre-registration phase. The CCD claims that registration nowadays consumes around two hours, versus the traditional pause of two weeks to register a regional office. For individual and entities considering investment in the local market, the non-operative form does not limit an investor's ability to register conventional forms of partnerships, limited liability companies or in the case of IT operations Jordanian laws enacted the private shareholding company to induce employee inventions and allow different classes of shareholding.

Jordan's e-government is a newly developed gateway. The country's rapidly developing official services include electronic filing for registration. E-services are still young that you may have to visit CCD to collect your documents. In the context of government advancement, development is not measured by e-tools if lacking essence. To compete in attracting foreign investments, we may want to consider solid tax exemptions for foreign investments, whether in selected areas or limited by time to launching years. In addition, what may be considered locally as legislative development may impose unwarranted disparities on legal positions acquired by registered entities whether local or foreign! Putting aside amendments on essential laws and decrees, the business world contains enough variables as is. Foreign and local investments are entitled to some government guarantees that Jordan's legal environment remains as agreeable as it was when they first started. A point worth considering.