

Newsletter

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Welcome to the twenty-two edition of our Newsletter. In this edition, we will discuss the most prominent legal provisions related to exempt companies within the Hashemite Kingdom of Jordan (hereinafter referred to as the “**Kingdom**”), under the provisions of the Jordanian Companies Law No. 22 for the Year 1997 and its amendments (hereinafter referred to as the “**Law**”) and the Exempt Companies Regulation No. 105 for the Year 2007 (hereinafter referred to as the “**Regulation**”).

The exempt company is considered as one of the most recent types of companies created in the area of commercial companies; an exempt company acquires its nationality from the country in which it is registered, but it does not conduct its business in its country of registration; instead, it conducts its business in a country other than the country in which it was established. The reasons behind the creation of this type of company are several, amongst those legal, social, political and economic reasons, related to the partners or founders of the company and/or the nature of the company’s work. One of the most important features of an exempt company that distinguishes it from other companies is the ease of share capital transfer outside the country in which it was established and registered and which is helpful in dealing with any double taxation hindrances. In this edition, we will address the following:

Topic

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“An exempt company is obligated to carry out its business outside the Kingdom. The exempt company, in accordance with the provisions of the Law, may not conduct its business within the Kingdom.”



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This Newsletter includes the most prominent details related to the features of the exempt company, which are as follows:

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First: Definition of an Exempt Company

An exempt company is defined as a company, the legal form of which is either a public shareholding company, a limited partnership limited in shares, a limited liability company, or a private shareholding company, that is registered in the Kingdom and conducts its business outside of it. The phrase “exempt company” is added to the company name.

Second: The Most Important Features That Distinguish an Exempt Company from Other Commercial Companies

- a. It is possible to register an exempt company as one of the following types of companies: public shareholding, private shareholding, limited partnership in shares or limited liability, but investors mostly tend to opt for limited liability companies or private shareholding companies.
- b. Tax benefits:

Since an exempt company does not conduct its business within the country in which it was established it is considered as tax-advantaged, as it is exempt from tax fees in the country in which it is registered by virtue of the fact that it does not generate any financial revenues within its country of

registration; Therefore, no income tax is imposed on such companies; further the owners of exempt companies seek to conduct their business in countries with a relatively moderate tax system.

- c. Ease of registration and no requirement for internal approvals:

Exempt companies are registered in the Kingdom in a relatively easy way and do not require any approvals from government agencies in terms of origin. They can be registered with all the objectives stated in the standard classification system (ISIC4), which is related to the objectives that companies may conduct in the Kingdom and approved by the Companies Control Department in the Ministry of Industry, Trade and Supply.

- d. The exempt company may hold ordinary or extraordinary general assembly meetings or meetings of the board of directors inside or outside the Kingdom without any restriction.

Third: The Most Prominent Obligations of an Exempt Company

- a. The exempt company is obligated to carry out its business outside the Kingdom. The exempt company, in accordance with the provisions of the Law, may not conduct its business within the Kingdom;
- b. The exempt company shall carry out its business within the scope of objectives for which it was established;



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- c. The name of an exempt company must be accompanied by the phrase “*exempt company*” and include in its name this phrase in addition to its address and registration number in all its publications and all documents issued by it, including agreements and contracts concluded by the company;
- d. The exempt company (in the cases it is a public shareholding company) shall not offer its shares for subscription in the Kingdom in accordance with the provisions of paragraph (b) of Article 211 of the Law;
- e. The exempt company shall have actual (physical) headquarters in the Kingdom;
- f. The number of Jordanian employees working for the exempt company in the Kingdom shall not be less than half of the total number of employees of the company;
- g. The exempt company, upon approval of registration, shall present an annual and unconditional bank guarantee in the name of the General Companies Controller, automatically renewed at a value of (5000) Jordanian Dinars, noting that this amount is refunded upon closing the company, as the case may be;
- h. The exempt company shall, in addition to its registration fees, pay annual fees to the Companies Control Department (within thirty days from the beginning of each year), including in the first fiscal year, as follows:
 - 1) (5000) Five Thousand Jordanian Dinars, if the exempt company is a public shareholding company.
 - 2) (3000) Three Thousand Jordanian Dinars, if the exempt company is a private shareholding company.

- 3) (1000) One Thousand Jordanian Dinars, if the exempt company is a limited liability company or a limited partnership company.

Noting that in the event that the exempt company does not pay the aforementioned annual fees, the guarantee, which we detailed in paragraph (g) above, will be liquidated in favor of the Companies Control Department.

- i. The exempted company shall submit its annual financial statements to the Companies Control Department in a duly manner.

Fourth: The Most Prominent Registration Procedures for an Exempt Company:

- a. **Required documents to register an exempt company:**
 - Civil status card (ID) for Jordanians (for founder/s or partner/s as applicable)
 - Passport for the non-Jordanian for the partner/s or the shareholder/s.
 - Company’s Articles and Memorandum of Association.
 - In the event that one of the partners is a legal entity, such as a company, it will be required:
 - ✓ Company’s registration certificate
 - ✓ Company’s Articles and Memorandum of Association.
 - ✓ A Power of Attorney granted by the company, which indicates the authorized signatory on its



behalf if that information is not clear in the other documents of the company.

b. Procedures to register an exempt company:

- 1) To fill in all the data in the Articles and Memorandum of Association that includes the names of the partners, the capital, the headquarters and the objectives of the company (please note that registration of a limited liability company currently is carried out electronically through the website of the Companies Control Department).
- 2) To submit the company's Articles and Memorandum of Association signed by the founders or the partners, as applicable, in front of the General Companies Controller, a notary public or a practicing lawyer in the Kingdom.
- 3) The Articles and Memorandum of Association shall be reviewed by the competent employee at the Companies Control Department, who will then approve the articles.
- 4) The General Companies Controller/ or who he delegates shall approve registration of the company in writing.
- 5) A bank letter that proves the deposition of no less than 50% of the shares of each partner.
- 6) To deposit a bank guarantee as we have mentioned previously.

c. Fees to register an exempt company:

- Registration fees: (0.002) of the value of the company's capital, provided that it shall not be less than 250 Jordanian Dinars.
- Stamps (0.002).

- 10 Jordanian Dinars to deposit a Power of Attorney, in addition to 40 Jordanian Dinars Power of Attorney fees.
- 15 Jordanian Dinars, as publication fees in the Official Gazette.
- 10 Jordanian Dinars for the bank deposit.
- 10 Jordanian Dinars, to deposit the company's Articles and Memorandum of Association.

Fifth: The Most Prominent Procedures to Liquidate an Exempt Company

a. The required documents to liquidate the company:

- 1) An extraordinary general assembly minutes of meeting that includes the liquidation decision and the appointment of a liquidator for the company.
- 2) Meeting attendance record.
- 3) Meeting invitation and meeting agenda.
- 4) An acknowledgment not to trade in global stock markets.

b. Liquidation procedures:

- 1) To submit liquidation papers and documents to the competent employee at the Companies Control Department.
- 2) To issue a liquidation certificate.
- 3) A clearance shall be requested from the following entities:

Social Security Corporation, Income and Sales Tax, Customs, Central Record, Amman Greater



Municipality and Employment and Training Fund.

- 4) To obtain a permit from the competent court to sell the exempt company's assets if any.
- 5) The approval of the partners on the liquidation report and clearance of the liquidator are requested.
- 6) A final report of the company liquidator is requested, whereby it is reviewed from both the legal and financial aspects and it is approved if it fulfils the requirements.
- 7) After the lapse of the legal period and the fulfilment of all the legal documentation, the file

is transferred to the head of the legal department of the Companies Control Department to study and give his/her opinion on such file.

- 8) After the final approval on all the submitted documents, liquidation fees shall be paid and those are currently 55 Jordanian Dinars.
- 9) Lastly, the certificate will be duly issued for the liquidation of the company and the expiry of the legal entity.



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If you would like to discuss further any aspects of this Newsletter, please feel free to get in touch with one of our lawyers, using the contact details in the Contributors section below.

If you feel that other persons would be interested to read this Newsletter, please feel free to share this Newsletter.

6 If you wish not to have our upcoming Newsletter or if you wish to amend the contact details, please inform us by sending an email to info@hammourilaw.com, titled “non-subscription” and/or “amending the contact details”.

Warm regards,

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ABOUT HAMMOURI & PARTNERS ATTORNEYS AT-LAW

Hammouri & Partners Attorneys at-Law, is a Jordanian multi-practice law firm, founded over two decades ago (established in 1994) by the late Professor Mohammad Hammouri (1940-2022). Professor Hammouri was a renowned Jordanian attorney and an arbitrator, a former Minister of Culture and National Heritage and a former Minister of Higher Education, who wrote a plethora of books, primarily on constitutional rights. Professor Mohammad Hammouri also founded the first School of Law in the Hashemite Kingdom of Jordan at The University of Jordan, in which he was its first dean. Today, the firm is managed by Dr. Tariq Hammouri, a distinguished academic and attorney and a former Minister of Industry, Trade and Supply. Dr. Tariq Hammouri is both an experienced attorney and an arbitrator, an expert in the Corporate sector, Commercial Transactions, Financial Markets, Banking Law and International Trade. He is an Associate Professor at the School of Law, University of Jordan and (formerly) the Dean of the School of Law. Dr. Hammouri is also an officially appointed member of the International Center for Settlement of Investment Disputes (ICSID) Panel of Arbitrators upon designation by the Government of the Hashemite Kingdom of Jordan, for the period of 2020 to 2026.

Hammouri & Partners team consists of 25 attorneys and a number of other professionals working in the firm's specialized departments, providing professional legal services at a local, regional and international level.

The firm's legal services cover numerous areas of practice, including the following: Corporate and Commercial Law (whether that is corporate set-up or drafting of all types of commercial agreements), Intellectual Property law, Banking and Finance Law (the Firm advises local and international banks regarding all Banking Transactions and Regulatory Compliance). Additionally, the Firm's Litigation and Arbitration department have the capabilities and competence to represent parties in the most complex and novel legal matters, as it encompasses expertise in several areas of law, whether it is before courts or arbitral tribunals. Hammouri & Partners Attorneys at-Law was one of the first firms in Jordan to establish a specialized International department to cater to the needs and requirements of international clients on an array of tasks with an international element, such as those regarding bilateral and international trade negotiations, projects, contracts and others.

In addition to what has previously been stated, Hammouri & Partners provides legal advice and consultation to various industries such as those of Construction & Infrastructure, Manufacturing, Engineering, Trade, Insurance and Energy, as some of its clients are major energy, healthcare, information technology and telecoms companies.

Hammouri & Partners Attorneys at-Law provides its broad services throughout Jordan as well as worldwide, through established collaborations with reputable law firms in the MENA region, Europe, the United Kingdom and the USA. Hammouri & Partners has earned regional and international acclaim by the most reputable legal directories. Chambers and Partners Global, International Financial Law Review (IFLR 1000) and the Legal 500 all highlight Hammouri & Partners as a leading law firm in the Jordanian legal services industry.



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