

Jordan: Insurers protest proposed sharp tax hike

By MEIR team (/Authors/AuthorsDetails/id/46288) | 30 May 2018



The Jordan Insurance Federation (JOIF) has rejected a draft income tax law that, if passed, would hike the tax rate on insurance companies from 24% to 40%.

The association called on the government to withdraw the Bill, and not to go into the proposed tax amendments before opening a comprehensive national dialogue on any tax revisions.

"The law will have catastrophic consequences for all economic sectors and investments," the Federation said in a statement.

JOIF points out that the draft tax law would lead to a 66.7% increase in the tax rate for insurers, from 24% to 40%. The insurance sector, among all sectors of the economy, would be subject to the highest tax rate in the kingdom.

The association also points that the Jordanian insurance sector, comprising 24 insurers, achieved a net profit after tax of only JOD 3.9 million (\$5.5 million) in 2017 compared to JOD26.7 million in 2016, a plunge of 85.3%. Despite the losses accumulated by insurers in compulsory lines, and the government's insistence on not raising premium rates in these lines, insurance companies are still continuing to offer the insurance in the national interest, it says.

As a key part of reforms to boost the finances of a debt-burdened economy hit by regional conflict, Jordan's Cabinet last week approved major IMF-guided proposals that aim to double the income tax base. Among the proposals is the move to increase the corporate income tax on banks, financial institutions and insurance companies to 40%.