A Comparison between the Temporary Income Tax Law No. (28) of 2009 and The New Law No. (34) for the Year 2014

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Abstract: ***Income Tax Department of Jordan was established in 1933, when the legislation Jordanian has passed through numerous stages to keep pace with economic and social developments witnessed by the Kingdom, to be issued later the law of 1964. However, as a result of passing time and the increase in the tax base, the Income Tax Act has faced many frequent amendments taking into account the developments in various fields and economic and social activities, which led to the expansion of taxation scope, and thus the state treasury got supplied with revenues to be able to finance public expenditures of the government. The Income tax Department of the Hashemite Kingdom of Jordan has a very important position, Jordan is considered the first among countries of the region, which introduced the concept of self-esteem, according to the provisions of the temporary Income tax Act No. 74 of 1982 and Law No. 57 of 1985, which is one of the main pillars that based upon the state and the percentage of tax collection in Jordan ranged between 18-13% of local revenues in the previous six years, from 2009-2014 as stated in the general budget law (www.gbd.gov.jo).***

Keywords: Tax, tax law, contemporary tax

1. Introduction

The Concept of Tax The concept of tax was not the same always. Whereas the human societies were not established, taxes had not emerged yet. Such kind of age is distinguished by self-sufficiency and simple living condition. There was no common relation between people. Consequently, the opportunity was not prepared for presence of taxes. However, with the development of human life and stability of human groups, the need foe securing protection, internal and external security of these groups has appeared. This went along with the authority which promised to security and protection. Consequently, taxes had appeared for purposes of spending on the needs of societies. The authority was the only party authorized to collect taxes. Form that, we can notice that appearance of taxes has associated with appearance of states, stability of societies and their development.

Governments use different kinds of taxes and vary the tax rates. This is done to distribute the tax burden among individuals or classes of the population involved in taxable activities, such as business, or to redistribute resources between individuals or classes in the population. Historically, the nobility were supported by taxes on the poor; modern social security systems are intended to support the poor, the disabled, or the retired by taxes on those who are still working. In addition, taxes are applied to fund foreign aid and military ventures, to influence the macroeconomic performance of the economy (the government's strategy for doing this is called its fiscal policy; see also tax exemption), or to modify patterns of consumption or employment within an economy, by making some classes of transaction more or less attractive.

Definition of Tax
It is an amount of money imposed by public authorities on natural or artificial individuals according to their taxation potentialities finally, at no cost order to cover the general charges and to achieve different economic and social targets.

Goals of Taxes
There are several goals which the state attempts to achieve by imposing the tax, on the top of these goals is the financial goal in addition to other social and economic goals which the state attempts to achieve through imposing the tax.

Tax system in Jordan
Contract nature of tax:
The development of both political philosophy and the nature of the economic system led to profound changes in the nature of social relationships, which in turn led to the creation of a new concept of the tax, after it had been optional, it gained a mandatory character, the idea of tax contract was based on the theory of social contract, citizen had to give part of his income to the state in exchange for ensuring the authority of ensuring discipline and justice.

Compulsory nature of tax:
The evolution of the concept of tax was as a result of the evolution of the state's functions, but without the requirement
Equivalent to the tax paid to the value of the public services they get it defended the tax value.

The goal of tax system
The goal of the tax system in the developed capitalist countries is just a financial tool to enable them to obtain sufficient resources to finance public spending without leading to reduce the risk, innovation or eliminating the personal incentives for production. This made states draw the tax as a tool to achieve social and economic goals besides being a traditional financial tool for working to reduce the disparity in distributing income and wealth.

The goal of tax system in the underdeveloped capitalist countries
The goal of tax system in the underdeveloped capitalist

countries is to develop savings and investment as well as optimize the allocation of resources and the reduction of the waves of inflation.

The goal of the tax system in socialist countries

It is a flexible tool of economic guidance to control over the instruments of production as well as it is a measure of the adequacy.

Social Security In Jordan

Employers with more than 5 employees are required to register and contribute to the Social Security Corporation. All employees who work for the registered employer have to register with the Social Security Corporation.

Non-Jordanians are subject to the social security deductions if they are residing in Jordan and work for an entity subject to the provisions of the Social Security Law.

According to Law No (1) of 2014, social security rates will be increased in 2015, 2016, and 2017. The increase will be 0.25% on employee share and 0.50% on employer share yearly. This will be fixed after 2017 when employee share will be 7.5% and employer share will be 14.25%.

Tax Justice

It is considered one of the most important taxation system characteristics which legislator should observes during making taxation laws. The concept of justice in general is relative which may differ in interpretation from one person to another. On the other hand, achievement of justice in some matters that man sets is not achievable in full, so decision on any system or law is done according to the limit of achievement of justice, not being fair completely.

Shapes of Taxes Justice

1) Horizontal fair: it means treating all taxpayers equally according to their income and social and economic state with respect to taxes collected from them.
2) Vertical fair: it means that taxpayers are different in income and social and financial states. They are treated differently in terms of taxes collected from them.
3) We notice that the concept of application of horizontal justice is an easy and clear matter but difficulty is in application of vertical justice which is the most common between taxpayers. Majority of taxpayers are different in their incomes and their social and economic status.

Characteristics of Tax Income Law in Jordan

1) Uniform tax system: all sources of taxpayer income which is liable to tax, are limited in one base .it is imposed upon them one amount according to tax slides.
2) Tax Person: tax is imposed on taxpayer himself whether he is natural or artificial .It is according to tax slides stated in law.
3) Tax Annuity: it is the period for which the taxpayer should pay for all sources of his income which is liable to tax. For this purposes the calendar year is adopted for start and end of tax annuity which is 12 months according to activity which is liable to tax.
4) Spatiality and territoriality of tax: it means economic subordination in taxation upon income which is Hobble to tax, it means that criterion of taxation is geography and spatiality of income in any region inside Jordan which is liable to tax regardless of political dependence (nationality) for Person of income In return there is another principle which is called the principle of political dependence adopted by some countries, which requires from taxpayer to pay the due income tax to the country where he belongs to (holding its nationality).
5) Tax Progression: the progressive rate in tax calculation is on individual incomes because these rates achieve justice between taxpayers whereas tax increases whenever income increases.
6) Investment of capital and result of effort (work) it may imposed on both:
7) It means that tax is imposed on profits that investor gains from his money only, as the case of money corporations. It is also imposed of result of effort (work) and on employees and workers and it may be imposed on both (capital and effort).

2. Problem of the Study

In light of economic changes and social developments in the Kingdom of Jordan, there are changes in the Income Tax Act No. 34 of 2014, which many things have been amended such as exempt income, free tax income, tax rates which affects the tax accounts for payers; thus, there is a difference in the application of the new law of income tax and the old temporary No. (28) for the year 2009. Therefore, this study came immediately to indicate the differences between the old and new laws to highlight the validity of the new law as well as the differences with the previous law; thus, the objective of this study is to unveil the most important comparisons between the old and new law.

Hypotheses:

1) There are no differences between Income Tax Law No. (34) of 2014 and the old Provisional Law No. (28) of 2009
2) There is no impact on the tax accounts due to the amendment on the taxable and exempt law.

Objectives of the study:

Objectives of the study can be summarized as follows:

- There is a difference between the tax rates of the new law.
- There is a substantial difference between the Income Tax Act No. 28 of 2009 and the new Law No. (34) of 2014.
- To know the share of tax revenues in the general revenue.
- To know the differences between the old and the new income tax law.

The importance of the study

The importance of the study dramatically stems from the importance of income tax and its significant revenues, and therefore, this study will analyze the differences between the new Income Tax Law No. (34) for the year 2014 with the old law No. (28) for the year 2009 in order to come out with the results of the comparison and recommendations relevant to the tax law.

3. Theoretical Framework

The legal foundations of the tax legislation

The basis of tax law has undergone to long-term controversy and debate over the years, coming out with two theories justifying the act of the state to collect taxes from citizens. The first theory is the contractual theory of tax where the followers and supporters of this theory considered the tax as a "contractual relationship between the state and the individual, the individual pays the tax because he gets the services and benefits in exchange for the paid tax and therefore, this contract becomes an implicit contract between the state and the individual, agreed by the State House and the representatives of the people, the legislative authority ". (Shamiya and Khatib, 1997, page (141)

The second theory is the social solidarity theory where the supporters and followers of this theory considered the tax " one of solidarity aspects among the society members who are submitted under one political authority, drawing their ideas from the historical development of tax concept, where the tax was defined as a personal solidarity between political groups as tribes, then it was defined as a financial gift paid by individuals to the Governor for his help in the implementation of some projects, for example, in wars, to be later considered as an obligatory tax paid by individuals as a duty of solidarity making it one of the distribution of public burdens the social solidarity requires.

As for the contemporary concept of tax, it means an interventional tax which plays an important role in the economic and social policy of the state which also contributes to direct productive investments; to become then a financial resource that authorities depend on to feed the state's treasury. (Shamiya and Khatib, 1997. page (142)

Definition of income tax:

The tax has many definitions defined by researchers and economists which all adopted the focus on the economic, political and social aspects, and through a review of many of accounting and legal literatures regarding the definition of the tax, it is found that it has many definitions focusing on the individual's performance to the state without any exchange, and thus, the state covers their expenses.

- "Cash deduction imposed by public authorities on the legal and physical persons according to their abilities in definitive manner and free of charge with a view to cover the public burden and to achieve the state's income" (Khatib, 1997, p. 3)
- "Cash amount imposed by the state or one of the local bodies, it is collected from the taxpayer without any charge, according to the law or specific legislation and the goal of taxation is to contribute to cover various expenses of the state, and to achieve some of the economic and social objectives which the state is seeking to reach" (Abu Nassar and others, 2009. p. 3)

General rules for the tax

1) **The rule of justice and equality in the ability:**
   This rule needs to distribute the burden on taxpayers in proportion to their incomes.
2) **The rule of clarity and certainty:**
   This rule is closely linked to justice rule, it means if the taxpayer is not familiar very well with the amount of tax, time of taxation and place of taxation, it shouldn't be paid.
3) **Convenience rule:**
   It means to choose the appropriate time that the taxpayer is the tax able to pay without harassment or injury.
4) **Economic rule:**
   According to this rule, it means the need to reduce the tax collection so that the difference between the amount paid by taxpayers and what truly enters the state's treasury should be in the possible lowest number. (Talha, 2008 p. 29)

The definition according to the Income Tax Act in Jordan:

The tax is one of the most modern tax systems since the income tax includes all economic aspects and imposes the taxation on all incomes without exceptions. Accordingly, it can measure the individual's ability to pay taxes. Thus, the Jordanian Tax Law emerged. Laws No. 57 of 1985 and No. 14 of 1995 organize everything related to the components of such a tax. The Jordanian legislator didn't give a specific identification of income subjected to tax, they just count the sources of taxable income as well as they demonstrated the exempted tax (Al-Qaisi, 2008, p. 159).

On the other hand, the Jordanian legislator has relied on two criteria in determining taxpayers:

The first criterion: Accommodation where Article II defined paragraph (a) of the ordinary Jordanian resident who usually resides in the Kingdom of Jordan by one hundred and twenty days whether continuous or intermittent during the year.

Paragraph (b): it came as the following: "Jordanian ordinary person, if he is employed in any government body in the Kingdom of Jordan during the year.

Paragraph (c): it states the following: "non-Jordanian ordinary person who usually resides in the Kingdom of Jordan by 183 days whether continuous or intermittent during the year." This paragraph dealt with cases of verification of income to non-Jordanian Arabs and foreigners.

Paragraph (d): it focused on (companies) which states: "The Resident is a moral person registered in the kingdom and has a center or branch of management and control over work." Here, the legislature adopted the standard of nation (home) not residence.

The second criterion

The criterion of the regional tax, the Jordanian tax legislation imposes tax for those entering the Kingdom of Jordan to work in according to the terms of paragraph (a) and paragraphs (b, c, d), which state: " The tax is imposed on any business and trade whether inside or outside the Kingdom as well as the branches of Jordanian companies operating outside the Kingdom. "

4. Results

After the researchers compared the two laws, they have come out with the following conclusions:

1) The agricultural activity was completely exempted.
2) The tax rates increased on all activities except on the industrial activity by 14%.
3) Fixing the tax rates for basic telecom companies, distribution companies, power generation companies, mining basic materials companies, insurance companies, reinsurance companies, brokerage firms, financial companies and legal persons who engage in leasing activities.
4) Increase tax rates or individuals.
5) Cancel the fine submitted to tax return.

5. Recommendations

Based on the study findings, the researchers recommend the following:

1) Trying to reduce the tax rates for individuals.
2) Trying to reduce tax rates.
3) Promote the work in the agricultural sector because it is the only exempted activity.

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