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# TRAVEL ADVISORY





# Jordanian Taxation Protests

## KEY POINTS

- Proposed tax reform and price rises on key goods, backed by the IMF, led to days of protests beginning on 30 May June.
- Prime Minister Hani al-Mulki resigned on 04 June 2018.
- Regardless of the protest's outcome, the underlying issues to be addressed by the reform will persist.



## SITUATIONAL SUMMARY

**Political:** On 04 June 2018, the Jordanian Prime Minister, Hani al-Mulki, resigned following days of widespread protest around the country and focussed on the capital, Amman. The education minister, Omar al-Razzaz has been appointed as interim prime minister until parliament confirms a long-term replacement.

The protests were organised by a combination of numerous trade and professional associations in direct opposition to proposed tax reforms and reduced price-controls, the fourth such reform effort in eight years, aimed at tackling Jordan's significant budget deficit. In response to the protests and the Prime Minister's resignation, 80 of 130 MPs have signed a letter indicating their refusal to ratify the law. On 02 June, King Abdullah voiced support for the protesters, stating that events made him feel "honoured to be Jordanian".

The Jordanian population has been exposed to minimal levels of tax for decades, with the country highly dependant on foreign aid to meet its spending requirements. The proposed tax reforms are still likely to lead to over 90 per cent of the population falling below the threshold, and tax rates would remain significantly below those in most western countries.



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The reforms also contain measures to counter tax evasion and avoidance, with a key element being the elevation of tax crimes from criminal misdemeanours to felony-level crimes.

## SOLACE GLOBAL COMMENT

Despite forcing the resignation of the prime minister, the impact of the protests on the wider Jordanian political establishment remains to be seen. The monarch, King Abdullah II, remains a major force in the executive branch, heading an elected cabinet and prime minister drawn from the elected parliament. As such, the resignation of Hani al-Mukli may not necessarily impact the overall direction of government. The king's statement of support to the protesters, tempered by instructions to the government to continue taxation reform, demonstrates that some reform is highly likely, however, the law passed may differ from that presently proposed.

The ability for the public disorder to influence the monarchy has been demonstrated several times previously. The most notable occurrence was during the Arab Spring; King Abdullah managed to retain power and maintain order during widespread regional unrest by implementing limited reforms, including an elected cabinet. This does, somewhat, support the idea that the King may seek to follow through on his statements of support, rather than simply paying lip-service.

The declarations against the law by parliamentarians may appear to indicate a stiffer level of resistance; however, it is likely that such objections could be overcome by relatively minor amendments to the law, allowing them to save face by honouring their word, whilst not significantly altering the law's impact. Such an option to overcome opposition is already enshrined in the proposals, in that widespread exclusions and exemptions for certain individuals and groups are contained within the draft. Expanding or adjusting these amendments could remove opposition from key legislators and influencers; however, it would likely increase popular discontent.

That Jordan's aid-dependent government revenue stream requires reformation is beyond dispute by economic consensus. Estimates indicate that only between five and ten per cent of citizens are currently contributing to the tax base by income tax, with rates from seven to 20 per cent, while widespread under- or unemployment prevents many from contributing. Sales taxes, affecting all citizens, vary between four and 16 per cent, depending on the product, with most goods in the four to eight per cent range. Public order has long been maintained by a combination of these low taxes with relatively generous social support programmes, paid for by foreign funding and debt. For example, in 2016, 79 per cent of the budget was financed by internal revenue, nine per cent by foreign aid, and 12 per cent by taking on new debt. As of May 2018, the total public debt had risen to 96 per cent of gross domestic product, with the proposed reforms aiming to reduce this to 77 per cent by 2021. However, in a country where state enterprise accounts for the majority of economic activity and employment, there are few opportunities to generate significant new sources of revenue; vested interests retain huge influence on government decision-making, limiting the potential impact of reforms.

These vested interests are demonstrated by the aforementioned widespread exemptions from taxation. These have acted to fuel the impression among the working- and middle-classes that the burdens of increased taxation are falling disproportionately upon them, with the wealthy or privileged largely exempt. There is a possibility that the lower echelons of society may be more accepting of joining an expanded tax-base if exemptions were reduced and an overt effort to apply measures to the wealthy were also implemented.



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SECURITY ADVICE

## MODERATE POLITICAL RISK



Travellers are advised that instances of unrest are likely to persist at least until parliament is recalled to act upon the proposed reforms and formally select a new prime minister. Measures to contain and limit the unrest, combined with royal support for the protesters, appear to be successfully preventing a more significant outbreak of violence. However, this situation may change and escalate very rapidly. Travellers should maintain heightened levels of situational awareness and closely monitor local media in order to plan journey and activities to avoid any hotspots of unrest.

Solace Global would advise clients to generally recommend a normal level of personal security when travelling to Jordan. However, considering the present unrest, airport meet and greet and a security driver for the length of a visit should be considered, and high profile travellers should consider the employment of executive protection officers. All travel should be undertaken with the support of travel tracking and intelligence software in order to effectively implement duty of care, and ensure travellers remain aware of changes to their security environment.



Solace Global remains available to provide the full range of Travel Risk Management services to clients. Solace Global is also able to provide comprehensive crisis management, in-country journey management, tracking, response, and evacuation services.

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