Local enterprise support project

Final Report on Legal and Institutional Review on the Licensing Home Based Businesses in Jordan



This publication was produced for review by the United States Agency for International Development. It was prepared by Management Systems International.

[February / 2017]

This publication was produced for review by the United States Agency for International Development. It was prepared by LENS.

**Acknowledgment**

USAID Local Enterprise Support Project (LENS) and the consulting team extends its gratitude to all government entities, employees and individuals for their assistance and support during the preparation of this report, and for their active and valuable contribution in providing information, concepts and experiences.

This Report, aim to initiate a national consultation process with relevant stakeholders, to discuss the assessment and recommendations related to Home-Based Businesses.

The analysis contained in this Report was conducted based on the best possible data and references that could be obtained from desk research and based on the information shared by the concerned entities with the working team.

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# **First: Executive Summary**

In the “Home-based Business” licensing reform project, legal and institutional realities overlap; as business owners are not only bound by licensing procedures, but also need to consider the legislative and institutional systems relating to registration, tax, social security, chamber or union membership and the requirements of regulatory legislations regarding residential areas. This report sheds light on the business start-up system in general and the municipal licensing system in particular; in order to inform the decision-making process.

The recommendations of the Economic Policies Council also stressed the importance of facilitating home-based businesses (virtual offices) in order to allow more individuals to start their own businesses and projects with the lowest possible costs and procedures; as Recommendation 24 states as follows: (“**To amend professional licensing regulations and legislations such that home-based professional licenses include more professions throughout all Jordanian governorates.”)**

There is a growing interest in “home-based business” in many countries worldwide for several reasons; including the significant impact of the global recession which started in 2008 and affected many companies in various categories (small, medium and large) leading to millions of lay-offs; which drove individuals to start their own home-based businesses to minimize market entry costs. In addition, the significant change in the labor market in general motivated many individuals to start their home-based businesses offering specialized services or goods to certain populations or groups of investors.

|  |  |  |
| --- | --- | --- |
| **USA** |  | The home-based business sector accounts for approximately 50% of all small enterprises (28 million enterprises) in all business sectors with an annual contribution of USD 400 billion. |
|  |  |  |
| **UK** |  | There are approximately 2.8 million home-based businesses; of which creative professions account for (34%), followed by technology and fashion related professions with (28%) and construction (simple contracting) with (17%). |

Several reports noted that central or local government entities do not take home-based business owners seriously; as many people; due to the lack of comprehensive statistics; consider this sector a small one that targets a limited segment of society (marginalized groups, unemployed young people or women working in simple professions), in addition to being viewed as inconsistent with common economic and commercial laws and norms. On the other hand, some studies pointed out the vital nature of this sector and the need to support and regulate it as it serves the following objectives:

1. Enabling entrepreneurs to start up their businesses and improving start-ups businesses’ chances of continuity and success.
2. Reducing unemployment, particularly among young people, and increasing female participation in labor market.
3. Motivating and enabling unregulated labor to become legitimate.

Based on the excellence criteria set out by “King Abdullah II Award for Excellence”, regulators need to break down and identify the needs of the target group and ensure the provision of services that help achieve their objectives by means of supportive strategies and action plans. This group and its needs has been identified from the personal perspective of the business owner or the nature and size of the project. When identifying these needs, we need to understand the nature, size of micro enterprises and their impact at macroeconomic level; as data released by Jordan Enterprise Development Corporation (JEDCO)[[1]](#footnote-1) indicate that they:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Account for 96% of private sector establishments |  | Employ 70% of total employees |  | Contribute 40% of GDP |

A preliminary economic study was conducted to determine the impact of regulating this key sector by government entities. Using a number of assumptions, it was estimated that some (12,000) business owners might enter the home-based business system depending on how successful the legislative and institutional systems will be in attracting this group to become duly regulated. In a study of the economic impact of the home-based business sector, in which very realistic assumptions relating to the number of business owners, the nature of their businesses and their requirements on one hand, and the manner in which they would act if the legal and institutional systems were more flexible on the other hand, were developed; we identified the following impacts:

|  |  |  |  |
| --- | --- | --- | --- |
| **Assumptions / Expectations** |  | **Beneficiary Households and Job Opportunities** | |
|  |  |  | |
| **Number of new businesses** |  | 12,000 projects | |
| **Number of beneficiary households** |  | 16,800 households | |
|  |  |  | |
| **Job opportunities for women** |  | 5,928 job opportunities | |
| **Job opportunities for young people** |  | 7,344 job opportunities | |
| **Job opportunities for other groups** |  | 3,528 job opportunities | |
|  |  |  | |
| **Economic Impact** |  | **Minimum** | **Maximum** |
|  |  |  |  |
| **Expected annual income per household** |  | JD 38,304,000 a year | JD 70,272,000 a year |
| **Expected rent in the business sector** |  | JD 2,460,000 | JD 5,280,000 |
| **Annual income lost by official, municipal and private entities (fees, taxes, insurance contributions and subscriptions)** |  | JD 9,689,040 | JD 18,802,320 |
|  |  |  |  |
| **Direct economic impact (one year)** |  | **JD 50,453,040** | **JD 94,354,320** |
| **Indirect economic impact (one year)** |  | **JD 23,793,400** | **JD 44,165,800** |
|  |  |  |  |
| **Total Economic Impact** |  | **JD 74,426,440** | **JD 138,520,120** |

Achieving the expected economic impact requires developing the legislative and institutional systems relating to registration, tax, social security, chamber or union membership and municipal licensing and regulation. All institutions need to work together towards developing their legislations and legal and technical requirements and establishing simplified institutional procedures to serve this group. The following key development recommendations were arrived at:

* To amend the Professional Licenses Law and cities planning laws.
* To amend a number of legislations relating to chambers (of industry and commerce) and trade unions in order to simplify requirements and grant exemptions.
* To regulate the requirements and procedures relating to “prior approvals” during the registration and licensing stages.
* To consider offering incentives to support the “home-based business sector” at national level.

As for the current home-based business licensing system implemented by GAM since 2011 and adopted by a number of municipalities, it is an unattractive legislative and institutional system to target business owners as it imposes many requirements and procedures that prevented individuals from benefiting from this important service.

|  |  |  |
| --- | --- | --- |
| **Number of Home-based Business Licenses Issued by Municipalities / GAM** |  | According to available statistics, this figure does not exceed 30 licenses |

Therefore, we recommend that GAM and municipalities work on developing their legislative instruments and institutional procedures in order to achieve set objectives and ensure the inclusion of individuals in the system; and to strive to support them in cooperation and coordination with local and international supporters. The report pointed out how important it is to amend the Professional Licenses Law (GAM and municipalities), **Home-based Professional Licensing Regulations for 2012** and **Buildings and Cities and Villages Planning Regulation No. 136 for 2016,** as well as to **develop new regulations relating to home-based business** for municipalities.

We recommend that the new legislations and institutional procedures consider the proposed model which was developed based on the needs of target groups and the risk-weighted classification principles; as we have developed a proposed home-based business licensing model under which GAM / municipalities categorize professions **and develop a new list of** professions classifying business owners into two categories (**Category A and Category B**) based on the set criteria related to what business owners wish to do (work individually or appoint employees), whether they wish to register (as an individual / establishment / company), the need for contracts and other criteria.

This report seeks to spark wide-scale consultations to discuss its concepts, findings and recommendations, reach an agreement between participating entities towards developing the legislative and institutional systems and ensure minimal legal and regulatory requirements without undermining protection and public interest controls. It also aims to initiate collaboration with stakeholders, particularly municipalities, towards developing the necessary legislations and institutional procedures.

# **Second: Introduction**

## 2.1 About the Concept of “Home-based Business”

“Home-based business”[[2]](#footnote-2) is when someone practices a particular profession from home such that the use of the house for business purposes is secondary to its main use; provided that the practice of said profession does not create an impact beyond that normally associated with residential use, restrict the ability of residents of the area to enjoy their normal way of life, alter the residential character of the area or adversely affect the value of the property; subject to a legal license (professional license) linked to both the relevant person and site within applicable controls and conditions.

There is a growing interest in “home-based business” in many countries worldwide for several reasons; including the significant impact of the global recession which started in 2008 and affected many companies in various categories (small, medium and large) leading to millions of lay-offs; which drove individuals to start their own home-based businesses to minimize market entry costs. In addition, the significant change in the labor market in general motivated many individuals to start their home-based businesses offering specialized services or goods to certain populations or groups of investors.

Although the “home-based business” sector has not been classified or extensively studied yet, general data and statistics and reports issued in many countries worldwide point out the importance of this sector in creating job opportunities, driving economic recovery during recession and supporting GDP. In many reports, we also notice that government reports at central or local levels still do not take home-based business owners seriously as, due to the lack of comprehensive statistics, many consider this sector a small one that serves a particular segment of society, in addition to being viewed as inconsistent with common economic and commercial laws and norms.

Due to the variety of commercial, service-related and professional businesses practiced by business owners, the concept of “home-based business” is not only associated with the municipal licensing process, but also with all legislations and government processes such as registering an establishment or company, tax registration, social security and sector-specific approvals, in addition to its association with legislations regulating cities and uses of residential buildings in particular. Therefore, government entities need to consider facilitating business start-ups “market entry” for all those wishing and have the ability and need to start their own entrepreneurships.

The governance principles relating to legislations and government policies and strategies require the activation of the principle of fairness in order to ensure justice and equality for all individuals while also ensuring fairness for various segments of society. This requires full support of micro and small entrepreneurs to facilitate their entry to the labor market and contribution to national economy. Jordan is one of the countries that have developed a special legislative and institutional system to support these groups.

## 2.2 Strategic Objectives of the Development Project

The legislative and institutional development project for home-based business licensing aims at developing a high-quality licensing system in line with the government’s policy of improving the investment environment by minimizing unjustified cost assumed by a particular group of individuals when starting their businesses. The project also aims at enhancing the transparency and clarity of the licensing process, regulating and clarifying procedures and technical requirements and improving the performance and efficiency of workers in government and local entities, in addition to increasing the efficiency and effectiveness of developed programs by means of optimal utilization of available resources. The project also aims at developing a system that helps achieve high levels of individual commitment to officially enter the regulated national system.

**The Development Projects aims to:**

1. Enable entrepreneurs to start up their businesses at minimal costs and financial burdens, including location-related costs.
2. Improve start-up businesses’ chances of continuity and success by minimizing operating costs.
3. Empower people with special needs or those with restrictive day-to-day living conditions or obligations preventing them from working outside their homes.
4. Help reduce unemployment, particularly among young people, and increase female participation in labor market.
5. Help improve the living standards of Jordanian families.
6. Motivate and enable unregulated labor to become legitimate.

## 2.3 Development Policies and Interests to be Considered

Taking set objectives into consideration, the project team conducted a comprehensive analysis to ensure the analysis of the legislative and institutional system relating to licensing, in addition to the analysis of the economic impact of institutionalizing the proposed model.

Our methodology was based on the need to set controls in order to ensure the development of a new model that takes into account, to the extent possible, the legislative system and institutional situation of municipalities in general. Therefore, the following principles were applied as terms of reference to be complied with:

* Transparency of the licensing model, legislations and work procedures, and consideration of the needs of all categories.
* Efficiency in developing regulatory solutions that take into consideration implementation costs incurred by individuals and entities.
* The rule of law by means of an adequate and comprehensive legal reference for licensing home-based business to be implemented in a standard, consistent and fair manner.
* Follow-up on and assessment of results, and enhancement of appropriate risk-based mechanisms to facilitate the licensing process and associated inspection.

Development processes should not undermine the credibility and reliability of regulation and control processes, nor should they lower the required level of public safety and protection of public and private interests. Therefore, during the development activities we strived to develop clear and specific procedures, standards and conditions that would increase commitment.

When developing the legislative and institutional system, the following elements were considered as they need to be balanced in order to arrive at a system agreed on by all municipalities so as to facilitate the licensing process, as well as government entities concerned with various issues (registration, tax, social security); and drives individuals to regulate their businesses and enter the market through the proposed system.

|  |  |  |
| --- | --- | --- |
| **Taking into consideration the objectives for which zones are established** |  | * Preserving the residential character of residential areas * Preserving the quality of life for citizens * Preserving the value of real property |
|  |  |  |
| **Taking into consideration the interests of the target group** |  | * Cost of practicing a business in a commercial area (leasing a commercial site) * Cost of obtaining a license (registration and licensing fees) * Cost of business-related utilities (water, electricity, telephone etc.) * Cost, or unavailability, of transportation to and from the business site * The wish to choose working hours * The need for legal contracts * The desire to be presentable to the business community and clients * The need for competitive pricing of services |
|  |  |  |
| **Protecting the interests of others (neighbors, service recipients, workers in the business sector)** |  | * Neighbors: (Convenience, health and public safety of neighbors / common services including infrastructure and parking areas / property value / customs and traditions of communities) * Service recipients: (Quality of services / health / public safety) * Workers in the business sector: (competition / commercial site utilization / equal and similar business practicing requirements) |
|  |  |  |
| **Taking the national legislative system into consideration** |  | * Consistency with relevant laws, regulations and legislations: (Ministry of Industry and Trade / ISTD / Civil Defense / Social Security) |

# **Third: Best Practice Model**

## 3.1 Identifying the Target Group and its Needs

The work team reviewed many studies relating to the “home-based business” sector in a number of countries and researched the relevant legislative and institutional systems. It should be noted here that many countries still view this sector as a small, unregulated and seasonal sector that is exclusive to specific groups or simple professions with little impact on personal income or domestic product.

Studies show the exact opposite; as licensed home-based businesses are among the key sectors which help increase income, create job opportunities and sell and export goods in general and services in particular. Studies also show that many professions in various economic sectors are included.

**Target Group Classification**

During the studies and discussions, we noticed that the home-based business licensing issue is still viewed as targeting a specific group of society; such as marginalized groups, unemployed young people or women working in simple professions. We believe that this group should be well protected by the legislative and institutional system, but is not the only group that can benefit from the home-based business licensing system; as all individuals from all social classes in all areas can benefit from this service. The classifications of the groups targeted by the home-based business licensing project vary in terms of the economic, social and health conditions, the nature of professions that can be practiced from home and the business model to be adopted by business owners.

|  |  |  |
| --- | --- | --- |
| In terms of gender |  | All individuals (youth / men / women)[[3]](#footnote-3) |
|  |  |  |
| In terms of personal condition |  | People with special needs or those whose circumstances or obligations prevent them from working outside their homes |
|  |  |  |
| In terms of economic condition |  | All groups of society and various economic conditions |
|  |  |  |
| In terms of the nature of profession |  | Most types of professions in various sectors (creative, service-related, intellectual, crafts, food-related) |
|  |  |  |
| In terms of the size of economic activity |  | Micro and small entrepreneurs |

**Needs of the Target Group**

The work team developed a list of key possible needs of individuals in various target groups to start their home-based businesses. These needs vary depending on groups, areas and business owners.

The needs of target groups can be identified from several aspects including the personal aspect of the business owner (being a young person, woman or a person with special needs) and the nature and size of the planned project (micro or small enterprise).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| In terms of the personal aspect |  | **Women:** Women’s participation in the Jordanian labor market is low due to several problems; on top of wich is the social culture, inadequate transportation and family obligations. Women need full support to ensure their participation in the labor market and benefit from their experience. |  | **The system should take their needs into consideration by developing procedures that ensure:**   * Encouraging and facilitating their participation in the labor market and initiation of their own projects. * Implementing simple and uncomplicated institutional procedures. * Reasonable cost. * Providing (financial and technical) support through training, grants and development, marketing and management assistance. |
|  |  |  |
|  | **People with special needs:** Many persons with special needs, or those who had accidents that resulted in their inability to enter the labor market, face many problems. This can include anyone in any profession, and this category should be provided with full support. |  |
|  |  |  |
|  | **Young people:** Many (male and female) young people face several problems in light of the difficult economic situation and the lack of employment opportunities in both the public and private sectors. Furthermore, the overall social culture adversely affects the entry of young people to the labor market in regular positions. |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| In terms of the nature and size of the project |  | **Micro entrepreneurs:** Many micro enterprises in several Jordanian governorates face problems. These enterprises, which are generally run by women but also include men and young people, are very simple enterprises run by individuals on a small scale (within the neighborhood or local community), on a seasonal basis or on demand. These are important enterprises that help generate additional income to households in a quick and simple manner. |  | **The system should take the nature of their businesses and their needs into consideration by developing procedures that ensure:**   * Minimizing the legal requirements as much as possible so that individuals can comply with them. * Implementing special institutional procedures. * Minimizing financial costs as much as possible. * Providing support through grants and development and marketing assistance. |
|  |  |  |  |
|  | **Small entrepreneurs:** Small entrepreneurs are the primary driver of Jordanian economy; as they account for 95%[[4]](#footnote-4) of economic activities. This category includes (young people, women, men and people with special needs) whose business model is based on managing their enterprises (whether they are service-related, crafts, intellectual, food-related or creative) individually or as part of a group such that they offer goods or services to various categories of customers. This category usually consists of professionals or educated individuals who are capable of starting and managing small enterprises, but mostly lack necessary funding and prefer to start their business with the least possible risks. |  | **The system should take the nature of their businesses and their needs into consideration by developing procedures that ensure:**   * Simplifying the legal requirements relating to registration, licensing, tax and social security. * Implementing clear and transparent institutional procedures. * Reasonable financial costs. * The ability to employ other individuals. * Providing (financial and technical) support through training, grants and development, marketing and management assistance. |

## 3.2 Criteria and Options under Various Models

There is no specific regulatory model as each country develops a regulatory model that caters for all economic, social and developmental aspects. It should be pointed out here that many countries started to develop their legislative and institutional systems to make them more flexible, equitable and open; as the “home-based business” sector has become more important (in number, size and impact), thus requiring clear and comprehensive support and regulation.

The various models can be grouped according to flexibility in terms of the types of permissible / prohibited professions, legal conditions for practicing them, their impact on the neighborhood and infrastructure, site zoning requirements, employment, clients, and the licensing and inspection process.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Criteria** |  | **Flexible Model** |  | **Inflexible Model** |
|  |  |  |  |  |
| **Types of Professions** |  | * All professions are permissible, with the exception of closed professions such as industries or any business that requires studying the environmental impact |  | * Exclusively specified professions. |
|  |  |  |  |  |
| **Profession Practicing Conditions** |  | * All available legal forms (other than big companies such as shareholding companies) |  | * Conditions specify the type and nature of the profession and practicing conditions; such as being limited to a particular form (establishment or company) |
|  |  |  |  |  |
| **Impact on the Neighborhood and Infrastructure** |  | * There are clear conditions to prevent affecting the neighborhood and infrastructure; depending on the profession. |  | * Conditions are of a general nature and prevent any impact on the neighborhood by using equipment or producing materials. |
|  |  |  |  |  |
| **Site Zoning Requirements** |  | * Open for all types of residence (apartments and private residence), usually within a set percentage of the area. |  | * Sites are pre-determined and permissible areas are specified by percentages and figures. |
|  |  |  |  |  |
| **Employment** |  | * Home-based employment is permitted within specific numbers. |  | * Home-based employment is prohibited. |
|  |  |  |  |  |
| **Clients** |  | * Clients may be received in the house subject to simple controls, and the economic activity may be advertised. |  | * Receiving clients or advertising the economic activity is restricted or prohibited. |
|  |  |  |  |  |
| **Licensing and Inspection** |  | * Licensing / inspection depends of the risks involved. Licensing procedures are simple and uncostly. |  | * Licensing / inspection includes all professions and entails complicated procedures and high costs. |

## 3.3 Overview of Applications in Some Countries

1. **United States of America[[5]](#footnote-5)**

The home-based business sector in the USA is highly regulated and most professions can be registered and licensed; with the exception of manufacturing businesses such as car maintenance. Employment is permitted within specific numbers and business owners may sell their products from home, online or by phone. 25% of the total area of the house may be utilized, and advertising is restricted in order to maintain the exterior of the house. Storage outside the house is prohibited.

* The home-based business sector accounts for approximately 50% of total small enterprises (28 million enterprises) in all business sectors and contributes USD 400 billion a year (2012 estimates).
* 24% of business owners use employees and 63% do not.
* The largest sector for home-based businesses is constructions (simple contracting) and accounts for (70%) of all home-based business sectors.

1. **United Kingdom[[6]](#footnote-6)**

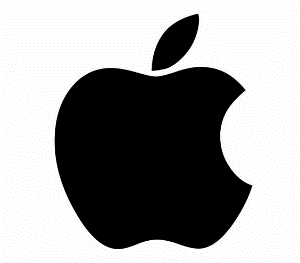
The home-based business sector in the UK is regulated and most professions can be registered and licensed depending on the nature of the area. Employment is permitted within specific numbers. Creative professions, business services (financial and administrative consultancy), retail sale and professional consultancy in various sectors such as legal, scientific and engineering consultancies account for the largest portion of this sector (34%), followed by professions related to technology, simple manufacturing, fashion, services and hospitality (28%) and other professions such as simple constructions, event organization, entertainment and physical fitness (17%).

* The home-based business sector accounts for more than (50%) (2.8 million home-based businesses) of total small and medium businesses.
* The home-based business sector contributes GBP 300 billion to British economy.
* Women account for two-thirds (64%) of home-based entrepreneurs and (54%) of them work from home on a full-time basis.

1. **Kingdom of Saudi Arabia[[7]](#footnote-7)**

Home-based business is regulated by competent authorities; provided that the applicant holds a scientific qualification or professional license and the project satisfies all public health and safety requirements. The list of permissible professions includes more than 70 professions, on top of which are sewing, embroidery and ready-to-wear clothes, workshops and beauty, food and perfume manufacturing, events and wedding services, handicrafts, interior design, consultancy of all types, electronic equipment and appliances maintenance, tourist guidance and tour organization, ancient artifact restoration, kindergarten and private tutoring, sheltering children; seniors and people with special needs, communication; messaging; network control; domain name registration and web content publishing, advertising, public relations; media and translation services. Employment is permitted depending to the classification of the project; provided that the applicant undertakes to assume all financial and moral responsibilities on behalf of his employees. Signs are permitted provided that the license number is stated on the entrance of the house and in any published advertisements. There are no restrictions imposed on area except for certain exclusively specified professions.

We would like to point out that the regulation of this sector by these countries resulted in the emergence of giant corporations the owners of which started as home-based business owners and evolved to contribute to the economic advancement of these countries and create thousands of job opportunities. Following is a review of the 7 major giants that started as home-based businesses:



**Fourth: Impact on the Economy**

By this preliminary study, the project aims to determine the expected economic impact of regulating home based businesses, except in very few cases, belongs to the informal sector and also to the micro and small enterprises sector which account for the major part of the Jordanian economic sector.

This section of the report will be based on certain reports and statistics prepared and published by several government entities and international institutions relating to the Jordanian economy in general and its various sectors in particular. These reports can provide us with the approximate and expected numbers of individuals currently working from home on one hand, and those planning to start working from home officially on the other.

In addition, a number of assumptions will be developed in an attempt to determine the impact of regulating this category in particular. These assumptions are associated with the progressive development of the legal and institutional framework, and assumptions regarding the actions to be taken by individuals in order to align their work with the law. Through this economic study in particular, we will try to determine the quantitative and qualitative effects on stakeholders and economy in general.

**4.1 Overview / Private Sector Statistics**

In global economy, countries compete for resources, technological advances and flow of foreign direct investment (FDI). Therefore, the overall performance of a country should be measured by constant comparison with other countries. We also need continuous improvements to achieve rapid development and, more importantly, improve the living standards of Jordanian individuals and businesses.

The **Doing Business Report 2017** shows a slight increase in Jordan’s global ranking (118 out of 190). Many economic policies and government procedures have improved over the years, while many others have hardly improved at all. In this context, we would like to point out that entering the market is one of the benchmarking criteria in which Jordan fell from the 98th to the 106th rank (-8 points)[[8]](#footnote-8); which is strategically relevant to the development project at hand.

|  |  |
| --- | --- |
| In 2015, Jordan’s GDP was estimated at JD 26.6 billion, to which the agricultural sector contributed 4.2%, the industrial sector 29.6% and the service sector 66.2%. Over the last three years, Jordan’s GDP grew slowly due to surrounding economic and political conditions, as well as other factors, on top of which is Jordan’s unattractive business environment. Jordan’s economic growth rate was 2.4% in 2015, 3.1% in 2014 and 2.8% in 2013[[9]](#footnote-9). |  |

According to its most recent statistical estimates issued in 2011[[10]](#footnote-10), the Department of Statistics (DoS) estimates the number of (active) economic establishments in the formal private sector at approximately 165,879 establishments in various governorates of Jordan, 77% of which are in 3 governorates (Amman 46%, Irbid 17% and Zarqa 15%).

|  |  |
| --- | --- |
| The total workforce in the private sector is 755,776 workers, accounting for 69% of total workers in Jordan[[11]](#footnote-11). |  |

**Micro-, Small- and Medium-sized Enterprises**

|  |  |
| --- | --- |
| According to “Jordan 2025” blueprint, micro and small enterprises account for **96%** of total private sector establishments in Jordan. | **Total 151,000 establishments (estimated)** |
|  |  |
| According to Jordan Enterprise Development Corporation (JEDCO), SMEs employ **69%** of total workforce in the private sector. | **521,485 workers (estimated)** |
|  |  |
| According to Jordan Enterprise Development Corporation (JEDCO), SMEs contribution to national economy stands at **40%** of GDP. | **JD1 billion (estimated)** |

**(Informal) Private Sector**

Based on the study of the informal private sector conducted by UNDP in 2013, the employment rate in the informal sector was estimated at 44% of total employment in Jordan with an estimated 487,681 workers in various positions[[12]](#footnote-12) in this sector.

|  |  |
| --- | --- |
| **City** | **No. of Non-registered Businesses** |
| **Amman** | **6,691** |
| **Irbid** | **4,977** |
| **Zarqa** | **3,933** |
| **Tafila** | **848** |
| **Aqaba** | **358** |
| **Karak** | **1,654** |
| **Total** | **18,460 establishments** |

On the other hand, the results of the analysis of the survey conducted by the USAID-funded **Local Enterprise Support Project (LENS)** in 2014–15[[13]](#footnote-13) to study small and micro businesses show that 23.5% of businesses in Jordan are not registered and, therefore, operate informally without registration or licensing.

**Home Based Business Sector**

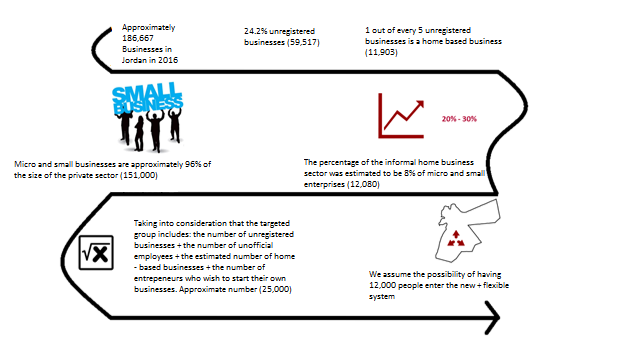
There is no accurate information about the Home-Based Business sector, since only a very small number of business owners are registered and licensed under the current legal system. However, according to study conducted by **USAID** **LENS** **Program** in 2014–15[[14]](#footnote-14) to better understand small and micro enterprises, the main obstacles facing them and their growth opportunities, the analysis of a nation-wide sample (4721 participants) showed that home-based business account for 5.2% of the estimated (151,000) small and micro enterprises with an estimated total of (7,852) home-based businesses. Furthermore, women working from home account for 50% of these enterprises with an estimated (3,926) businesses.

**4.2 Impact on Stakeholders**

There are several figures and statistics relating to the number of individuals working from home. On one hand, based on the percentages depicted by LENS study, the formula specified in the following table shows that there are 12,000 active businesses.

|  |  |  |
| --- | --- | --- |
| **Item** | **No.** | **Source** |
| Estimated total number of active enterprises in Jordan in 2016 | 186,667 | DoS study for 2011 and figures of the Companies Control Department (CCD) and the Commercial Register |
| Number of non-registered businesses | 59,517 | 24.2% of total businesses according to LENS study |
| Number of non-registered home – based businesses | **11,903** | 1 fifth of non-registered businesses according to LENS study |

The Jordanian micro and small enterprises sector is estimated to consist of (151,000) establishments. Although the percentage of home-based businesses in a number of countries (e. g. the UK) ranges between 20 and 30% of private sector establishments in those countries, this percentage, due to the fact that this sector is properly regulated in those countries, was assumed to be 8% of micro and small enterprises in Jordan, which means that there are approximately 12,000 business owners currently working from home in various governorates of Jordan.



On the other hand, since statistics estimate the number of workers in the Jordanian informal sector at approximately 47,000 individuals and some studies estimate the number of informal and non-registered micro and small enterprises at approximately 18,460 establishments. Since we can safely assume that a large number of up to 7,000 individuals nation-wide may be interested in starting their own home-based projects once a supportive legislative and institutional system is in place, we can assume that some 25,000 individuals will enter the labor market through the home–based business system. However, for study purposes and in order to arrive at reasonable figures, we assumed that 50% (12,000) individuals will have their home-based business registered and licenses as proposed later in this report.

This figure confirms the importance of this sector and business owners operating in it, as well as their impact on national economy; an impact that is unclear and not documented in any official statistical data, as business owners operate informally without entering the comprehensive legislative system of registration, taxation, social security and municipal licensing.

By reviewing previous studies, it was clear that many business owners in various targeted categories, particularly women, young people and owners of micro and small enterprises, do not have access to sufficient funding to start their businesses formally. In addition, the costs and requirements of the abovementioned legislative and legal system do not take into consideration their conditions or the nature and size of their businesses; as the sections above show that many legislations do not take their needs and abilities into consideration and institutional procedures for each category of service recipients are rigid and inflexible, which deters many individuals from entering the market in a formal manner.

This part of the economic study shows the impact on the current situation (the legal and institutional system in place in government entities and municipalities) which, based on experience and reality, can be assumed to be unable to attract these categories to enter the labor market and provide employment opportunities at the lowest possible cost. This means that the national system and public and private establishments are losing many opportunities and significant revenue that is supposed to go directly or indirectly to the state treasury or the market.

|  |
| --- |
| **The current situation, in numbers, means there is no clear and direct financial impact of this sector (12,000 business owners) on all concerned institutions, where:**   * Employment is not allowed or done illegally, meaning more unemployment in the kingdom. * Business owners or their unofficial employees are not registered with the Social Security Corp. * Business owners or their unofficial employees are not registered with the Income and Sales Tax Dept./ do not pay income tax. * Business owners are not registered as institutions/companies in registers/ do not pay fees. * Business owners are not registered with municipalities/ do not pay licensing and municipal fees. * Business owners are not registered with chambers of commerce and industry/ do not pay fees. * Business owners cannot rent offices to start their businesses from a commercial zone. |

Our work team decided not to assess the direct financial impact on various stakeholders based on the **current situation**, because business owners will not actually enter the market, which renders the financial figures and date practically inaccurate. In the following part, the consultation team will develop a number of realistic assumptions associated with a **more flexible** regulatory model that takes the needs of business owners into consideration, thus increasing its ability to include business owners in the legislative and institutional system.

The new situation **(more flexible regulatory model)** provides a number of realistic assumptions, which will be explained throughout the report in order to attract the (12,000) business owners to enter the legal and legislative system from registration to licensing as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **The Category Expected to Enter the New Flexible System (12,000)** | | | | | | |
|  |  |  |  |  |  |  |
| **Category** |  | **First** |  | **Second** |  | **Third** |
|  |  |  |  |  |  |  |
| **Business Nature / Model** |  | Individual business  Without employees |  | Regulated / individual business  With one employee |  | Institutional business / partners with employees |
|  |  |  |  |  |  |  |
| **Legal Form** |  | Tax number |  | Individual establishment |  | Partnership / L.L. |
|  |  |  |  |  |  |  |
| **Percentage out of (12,000)** |  | 50% |  | 40% |  | 10% |
|  |  |  |  |  |  |  |
| **Expected Number** |  | 6,000 |  | 4,800 |  | 1,200 |

**First Category: Individual businesses without employees (50% of 12,000) = 6,000 individuals**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1. Registration as a Merchant / Company |  | 1. Registration with the Income and Sales Tax Dept. |  | 1. Municipal Licensing |  | 1. Chamber Membership |
|  |  |  |  |  |  |  |
| * Does not require registration (individual professions) |  | * Requires registration as an individual (tax number) |  | * Requires licensing / notification system |  | * Requires membership |
|  |  |  |  | * Fee: JD 10 |  | * No fees |
|  |  |  |  | * Impact: JD 60,000 a year |  |  |
|  |  |  |  |  |  |  |
| 1. Employment Opportunities – Business Owners |  | 1. Expected Monthly Salary |  | 1. Social Security |  | 1. Income Tax / Individuals |
|  |  |  |  |  |  |  |
| * 50% women, 40% youth, 10% other |  | * JD 300 a month = 3,600 a year |  | * Requires subscription |  | * Requires registration as an individual (tax number) |
|  |  |  |  | * Deduction 21% = JD 63 |  | * Tax-free income |
| * Impact: 6,000 employment opportunities |  | * Impact: JD 21 million in household income * 13.6 at minimum wage |  | * Impact: JD 4.5 million a year * 2.8 million at minimum wage |  |  |
|  |  |  |  |  |  |  |
| 1. Employment Opportunities - Employees | | | | | | |
|  | | | | | | |
| * No other individuals are required to be employed on a full-time formal basis. | | | | | | |
|  |  |  |  |  |  |  |
| 1. Does the Individual have Access to Funding? |  | 1. Can He Rent an Office? |  | 1. Businesses to be Moved to a Commercial Location |  | 1. Expected Annual Rent |
|  |  |  |  |  |  |  |
| * Does not have access to sufficient funding to start the business |  | * Cannot afford the start-up cost |  | * Expected percentage: 5% of the category = 300 individuals |  | * Estimated rent = JD 2,000 |
|  |  |  |  | * Within 3 years of commencement of business |  | * Impact: JD 600,000 * Half rent: JD 300,000 |

**Second Category: Regulated / individual businesses with one employee (0% of 12,000) = 4,800 individuals**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1. Registration as a Merchant / Company |  | 1. Registration with the Income and Sales Tax Dept. |  | 1. Municipal Licensing |  | 1. Chamber Membership |
| * To be registered as an individual establishment |  | * Requires registration with ISTD |  | * Requires licensing / simple procedures |  | * Requires membership |
| * Fee: JD 10 |  | * Net Profit: JD 2,000 |  | * Fee: JF 50 |  | * Fee: JD 30 |
| * Impact: JD 48,000 |  | * Impact: JD 1.9 million a year |  | * Impact: JD 240,000 a year |  | * Impact: JD 144,000 a year |
|  |  | * Profit: JD 500 only (480,000) |  |  |  |  |
| 1. Employment Opportunities – Business Owners |  | 1. Expected Monthly salary |  | 1. Social Security |  | 1. Income Tax / Individuals |
| * 30% women, 40% youth, 30% other |  | * JD 400 a month / business owner |  | * Requires subscription |  | * Requires registration |
|  |  |  |  | * Deduction 21% = JD 84 |  | * Tax-free income |
| * Impact: 4,800 employment opportunities |  | * Impact: 23 million in household income |  | * Impact: JD 4.8 million a year |  |  |
|  |  | * 11 million at minimum wage |  | * 2.2 million at minimum wage |  |  |
| 1. Employment Opportunities – Employees |  | 1. Employee’s Expected Monthly Salary |  | 1. Employee’s Subscription to Social Security |  | 1. Income Tax / Employees |
| * **60%** of them need to employ another individual |  |  |  | * Requires subscription |  | * Requires registration as an employee |
| * One employee allowed |  | * JD 300 a month / employee |  | * Deduction 21% = JD 63 |  | * Tax-free income |
| * Impact: 2,880 employment opportunities |  | * Impact: JD 10.3 million in household income |  | * Impact: JD 2.1 million a year |  |  |
|  |  | * 6.5 million at minimum wage |  | * 1.3 million at minimum wage |  |  |
| 1. Does the Individual have Access to Funding? |  | 1. Can He Rent an Office? |  | 1. Percentage of Businesses to be Moved to a Commercial Location |  | 1. Expected Annual Rent |
| * Does not have access to sufficient funding to start his business |  | * Cannot afford the start-up cost |  | * 20% of the category = 960 |  | * Estimated rent: JD 3,000 |
|  |  |  |  | * Within 3 years |  | * Impact: JD 2.8 million |
|  |  |  |  |  |  | * Half rent: 1.4 million |

**Third Category: Institutional businesses / partners with employees (10% of 12,000) = 1,200 individuals**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1. Registration as a Merchant / Company |  | 1. Registration with the Income and Sales Tax Dept. |  | 1. Municipal Licensing |  | 1. Chamber Membership |
| * To be registered as a partnership / limited liability company |  | * Requires registration with ISTD |  | * Requires licensing / clear procedures |  | * Requires membership |
| * Fee: JD 78 / 313 |  | * Net profit: JD 5,000 |  | * Fee: JD 200 |  | * Fee: JD 75 |
| * Impact: JD 103,200 |  | * Impact: JD 1.2 million a year |  | * Impact: JD 240,000 a year |  | * Impact: JD 90,000 a year |
|  |  | * Profit: JD 1,000 only (240,000) |  |  |  |  |
| 1. Employment Opportunities – Business Owners |  | 1. Expected Monthly salary |  | 1. Social Security |  | 1. Income Tax / Individuals |
| * 20% women, 60% youth, 20% other |  | * JD 500 a month / business owner |  | * Requires subscription |  | * Requires registration |
|  |  |  |  | * Deduction 21% = JD 105 |  | * Tax-free income |
| * Impact: 1,200 employment opportunities |  | * Impact: JD 7.2 million in household income |  | * Impact: JD 1.5 a year |  |  |
|  |  | * 2.7 million at minimum wage |  | * 600,000 at minimum wage |  |  |
| 1. Employment Opportunities – Employees |  | 1. Employee’s Expected Monthly salary |  | 1. Employee’s Subscription to Social Security |  | 1. Income Tax / Employees |
| * **80%** of them need to employ another individual |  |  |  | * Requires subscription |  | * Requires registration as an employee |
| * 2 employees allowed |  | * JD 350 a month / employee |  | * Deduction 215 = JD 73.5 |  | * Tax-free income |
| * Impact: 1,920 employment opportunities |  | * Impact: JD 8 million in household income |  | * Impact: JD 1.6 million a year |  |  |
|  |  | * 4.3 million at minimum wage |  | * 900,000 at minimum wage |  |  |
| 1. Does the Individual have Access to Funding? |  | 1. Can He Rent an Office? |  | 1. Percentage of Businesses to be Moved to a Commercial Location |  | 1. Expected Annual Rent |
| * Does not have access to sufficient funding to start his business |  | * Cannot afford the start-up cost |  | * 30% of the category = 360 |  | * Estimated rent: JD 5,000 |
|  |  |  |  | * Within 3 years |  | * Impact: JD 1.8 million |
|  |  |  |  |  |  | * Half rent: JD 900,000 |

**4.3 Estimated Expected Impact on Economy**

Economic impact increases positively by registering the home – based business sector, striving to develop active projects and creating a comprehensive business environment to encourage more entrepreneurs to enter this sector. Contribution to the development of the home – based business sector will certainly affect business owners in particular and the wider community in general; as home-based work is an important source of additional income to households, enabling them to improve their living conditions and, consequently, increase their spending on their basic needs, as well as spending on education and health.

In order to provide more realistic figures, we set **minimum and maximum** values for all variables such as salary, profit and rent; in order to ensure representation of all Jordanian cities with their varying salaries, operating costs and other rates.

**Analysis Methodology**

The macroeconomic impact of home-based businesses involves several factors and has many direct and indirect effects, which contribute to national economy by providing more economic establishments, employment opportunities and associated salaries and wages paid to home-based workers and business profits, in addition to fees and taxes paid by such economic establishments.

In order to assess the quantitative impact of home-based work at the macroeconomic level, we followed a simple straight-forward methodology to conduct an analysis using input and output tables to assess the economic impact through the increase in GDP. We applied the assumptions explained in detail in the previous section so as to provide stakeholders with a reference for decision-making purposes. To determine this impact, we:

In order to determine the direct economic impact:

* Determined the number of home-based businesses (establishments) as per the specified groups (individual / establishment / company).
* Determined employment opportunities and expected employees’ and business owners’ salaries within maximum and minimum values (minimum wage).
* Estimated government fees at central and municipal levels, social security contributions and income tax.
* Estimated the percentage of individuals who are expected to move to commercial locations within a specific period, and set maximum and minimum rental amounts that varied by governorate / location.

In order to determine the indirect economic impact:

* Used a simple estimated multiplier of (1.44); as home-based businesses encompass several economic sectors that vary in terms of indirect impact within all the above specified levels, which can vary in value, such as the food and service sector.

Effects in this report were grouped to explain them and highlight their significance, particularly in term of:

* Reducing the unemployment rate.
* Impact on households and local communities.
* Impact on government and municipal revenue.
* Macroeconomic impact.

1. **In terms of reducing the unemployment rate**

Jordan is suffering from a major unemployment problem. Even during periods of economic prosperity, the poverty problem with high rates of up to (14%)[[15]](#footnote-15) dominated Jordan’s general landscape as its main economic challenge. High unemployment rates, particularly among women, almost fade when compared to economic participation rates. Estimates indicate that approximately 38% of women who are capable of work are economically active; a percentage that drops significantly when compared to women’s low economic participation rate of 16%.

In 2015, the majority of new jobs were given to young people between the ages of 15 to 24 with 74% of total new jobs. Employment rate was 73.55 for males and 26.5%[[16]](#footnote-16) for females; which provides us with a good indicator that young people obtain a large percentage of new jobs.

One of the main reasons why Jordan’s unemployment rates remain high is the private sector’s inability to create the required employment opportunities to absorb the ever-increasing number of new entrants to the labor market, in addition to the public sector’s diminishing ability to accommodate the unemployed due to the increasing pressure on the general budget. There is also a number of structural challenges that prevent a large segment of the population at working age from entering the labor market, particularly women.

Therefore, home – based business is vital to achieving comprehensive development of the interests of the target group, developing productivity and minimizing the sense of insecurity regarding the ability to deal with adverse conditions. This can be achieved by allowing easy access to the market at minimal cost, creating opportunities for a wide group of formal economic activities, assisting in minimizing marginalization and vulnerability and ensuring access to assets and markets. Home – based businesses also help increase the number of workers in the market, which reduces unemployment rates; particularly among women and young people who are the most affected by the increase in the cost of entering the market.

Facilitating home–based businesses, therefore, helps more women join the labor market; thus minimizing or preventing further cases of poverty among women. Facilitating home–based businesses can also ensure women’s right to employment and protect them from discrimination. It can also remove regulatory barriers in front of female entrepreneurs wishing to obtain loans, which help women become economically independent, productive and active participants in society. Furthermore, increased access to justice helps reduce domestic violence against women and contributes to a more stable family environment.

The following table shows employment opportunities that can be provided (both as business owners and employees) by institutionalizing home-based work licensing process and attracting the required numbers to obtain formal registration and licensing. Categories are defined according to gender as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Category** |  | **As a Business Owner** |  | **As an Employee** |  | **Total** |
| **Employment Opportunities** | **Employment Opportunities** | **Employment Opportunities** |
|  |  |  |  |
| **Women** | 4680 | 1248 | **5928** |
|  |  |  |  |
| **Youth (Both Genders)** | 5040 | 2304 | **7344** |
|  |  |  |  |
| **Other (Men, Pensioners, Persons with Special Needs)** | 2280 | 1248 | **3528** |
|  |  |  |  |
| **Total** | **12000** | **4800** | **16800** |

1. **In terms of impact on households and local economy**

|  |  |  |  |
| --- | --- | --- | --- |
| Expected Number of New Businesses |  | 12,000 projects | |
| Number of Women Beneficiaries |  | 5,928 women | |
| Number of Beneficiary Households |  | 16,800 households | |
|  |  |  |  |
|  |  | **Minimum** | **Maximum** |
|  |  |  |  |
| Expected total annual income per household |  | JD 38,304,000 | JD 70,272,000 |
| Average annual income per household |  | JD 2,280 | JD 4,182 |
| Annual rent in the commercial sector |  | JD 2,460,000 | JD 5,280,000 |

Home–based business, once family members enter the proposed legal and institutional system, will help generate additional income to households, particularly by women facing difficulties in entering the Jordanian labor market due to two main problems, namely, lack of reliable cost-effective transportation and lack of childcare services in most public and private establishments alike.

Therefore, home – based businesses will facilitate participation in the labor market for women and men.

On the other hand, one of the main problems of the Jordanian labor market is the high dependency rate[[17]](#footnote-17) of up to 3.6 individuals nationally and 4.8 individuals for poor families. This means that even those in paid employment are in a hard economic situation because they support a disproportionate number of dependents. Therefore, home – based businesses will help reduce household dependency rates.

Furthermore, this increase in income allows more household spending on basic needs of food, drink and shelter. Studies indicate that the average Jordanian household spending on food is 39.6% of total household income, which is high compared to the global rate of approximately 25%. Jordanian household spending on accommodation is 15.85% of total income. Therefore, home – based businesses will allow households to spend more on these services; thus reducing the burden of other expenses.[[18]](#footnote-18)

In addition, in increase in income will allow more spending on education and health. Jordan’s household spending rate on education is 7.05%[[19]](#footnote-19) of total household income and, while health spending figures are unavailable, an increase in household income in general will certainly allow families to spend more on education and healthcare services for their members.

Furthermore, an increase in household income is the result of an increase in sales; hence raw materials and supporting services purchases are bound to increase, which would affect local economy by increasing the chain of added value activities such that goods and services exchange transactions increase; resulting in an increase in goods and services turnover.

1. **In terms of impact on government and municipal revenues**

Using collected fees and taxes, various government entities provide the necessary financial resources to render their services, pay the salaries of their employees and support all their functions and activities. By calculating the financial resources expected to be collected from individuals and business owners upon entering the labor market, particularly with respect to home-based businesses, we realize the substantial potential revenue to the state treasury, municipalities and private sector supporting establishments, which will impact the economy in general both directly and indirectly.

|  |  |  |  |
| --- | --- | --- | --- |
| **Expected Proceeds** | **Beneficiary** | **Total - Minimum** | **Total - Maximum** |
| Registration fees (company / establishment) | Ministry of Industry and Trade / Companies Control Department | JD 151,200 | JD 151,200 |
| Social security contributions | Social Security Corporation | JD 80,043,840 | JD 14,757,120 |
| Expected taxes | Income and Sales Tax Department | JD 720,000 | JD 3,120,000 |
| Municipal licensing fees | Municipalities | JD 540,000 | JD 540,000 |
| Chamber membership fees | Chambers of commerce / chambers of industry | JD 234,000 | JD 234,000 |
| **Total** | | **JD 9,689,040** | **JD 18,802,320** |

1. **In terms of direct and indirect impact on economy**

We will find that business owners (12,000), once they start their home-based enterprises, benefit from funding (funds) in their possession to purchase the equipment; materials or goods necessary for business, use these funds to recruit employees and eventually sell their services or goods; will create a direct macroeconomic impact, followed by the amounts spent by individuals in the market which will have specific indirect impact on economy.

In order to estimate the economic impact of licensing home-based business in later years, we developed three assumptions regarding the estimated increase in the number of these businesses over a period of five years as follows:

* A conservative assumption of an annual increase of 5%
* An optimistic assumption of an annual increase of 25&
* A moderate assumption of an annual increase of 15%

The following table shows the impact these scenarios on Jordanian economy over the next five years as per the minimum and maximum limits:

A) Direct and Indirect Impact – As per the Minimum Limit

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Year** | **2017** | **2018** | **2019** | **2020** | **2021** |
| First Option | Annual increase rate |  | **5%** | **5%** | **5%** | **5%** |
| Number of home-based establishments | 12,000 | 12,600 | 13,230 | 13,892 | 14,586 |
| Direct economic impact | 50,633,040 | 53,164,692 | 55,822,927 | 58,614,073 | 61,544,777 |
| Indirect economic impact | 23,793,400 | 24,983,070 | 26,232,224 | 27,543,835 | 28,921,026 |
|  |  |  |  |  |  |  |
|  | Year | 2017 | 2018 | 2019 | 2020 | 2021 |
| Second Option | Annual increase rate |  | 25% | 25% | 25% | 25% |
| Number of home-based establishments | 12,000 | 15,000 | 18,750 | 23,438 | 29,297 |
| Direct economic impact | 50,633,040 | 63,291,300 | 79,114,125 | 98,892,656 | 123,615,820 |
| Indirect economic impact | 23,793,400 | 29,741,750 | 37,177,188 | 46,471,484 | 58,089,355 |
|  |  |  |  |  |  |  |
|  | Year | 2017 | 2018 | 2019 | 2020 | 2021 |
| Third Option | Annual increase rate |  | 15% | 15% | 15% | 15% |
| Number of home-based establishments | 12,000 | 13,800 | 15,870 | 18,251 | 20,988 |
| Direct economic impact | 50,633,040 | 58,227,996 | 66,962,195 | 77,006,525 | 88,557,503 |
| Indirect economic impact | 23,793,400 | 27,362,410 | 31,466,772 | 36,186,787 | 41,614,805 |

B) Direct and Indirect Impact – As per the Maximum Limit

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Year** | **2017** | **2018** | **2019** | **2020** | **2021** |
| First Option | Annual increase rate |  | **5%** | **5%** | **5%** | **5%** |
| Number of home-based establishments | 12,000 | 12,600 | 13,230 | 13,892 | 14,586 |
| Direct economic impact | 94,354,320 | 99,072,036 | 104,025,638 | 109,226,920 | 114,688,266 |
| Indirect economic impact | 44,165,800 | 46,374,090 | 48,692,795 | 51,127,434 | 53,683,806 |
|  |  |  |  |  |  |  |
|  | Year | 2017 | 2018 | 2019 | 2020 | 2021 |
| Second Option | Annual increase rate |  | 25% | 25% | 25% | 25% |
| Number of home-based establishments | 12,000 | 15,000 | 18,750 | 23,438 | 29,297 |
| Direct economic impact | 94,354,320 | 117,942,900 | 147,428,625 | 184,285,781 | 230,357,227 |
| Indirect economic impact | 44,165,800 | 55,207,250 | 69,009,063 | 86,261,328 | 107,826,660 |
|  |  |  |  |  |  |  |
|  | Year | 2017 | 2018 | 2019 | 2020 | 2021 |
| Third Option | Annual increase rate |  | 15% | 15% | 15% | 15% |
| Number of home-based establishments | 12,000 | 13,800 | 15,870 | 18,251 | 20,988 |
| Direct economic impact | 94,354,320 | 108,507,468 | 124,783,588 | 143,501,126 | 165,026,295 |
| Indirect economic impact | 44,165,800 | 50,790,670 | 58,409,271 | 67,170,661 | 77,246,260 |

By analyzing these figures, we find that registering 12,000 enterprises under the flexible legislative and institutional framework will have a positive impact on Jordanian economy equal to (a minimum of JD 74 million a year) and (a maximum of JD 138 million a year), increasing annually according to annual rates and revenue as illustrated above, with the consequent increase in employment, economic transactions and contribution to national economy.

# **Fifth: Business Start-up System**

## 5.1 Overview of the Legislative System

Economic activity practicing procedures and conditions in Jordan are stipulated in a system of relevant legislations. Trade and companies laws and regulations issued pursuant thereto set out the procedures and conditions for registering various legal forms to practice economic activities such as companies of all types and individual establishments. Another set of laws set out the procedures to be followed by anyone wishing to practice any business in order to practice his activity and register the appropriate legal form.

After registering the desired legal form, anyone practicing a profession or business must register with the Income and Sales Tax Department (ISTD) in accordance with the income tax and sales tax laws as per the conditions and cases set out in these two laws, and must obtain membership of the chamber of commerce or industry, as the case may be. He must also register with the Social Security Corporation; both for himself and all his workers as he is governed by the Social Security Law in force.

A set of laws relating to municipalities and GAM require anyone wishing to practice a profession to obtain a professional license. In addition, the Law of Crafts and Trades requires obtaining a health license and a number of legislations require environmental and sector-specific approvals for certain types of professions and crafts.

**Following are the key provisions and procedures set out in those legislations.**

|  |  |
| --- | --- |
| **Stage (1):** | **Legal Registration** |

A business owner may choose the legal form he wishes, which is normally determined by the nature of the activity, required volume of work and capital. Companies (of which joint liability and limited liability companies are selected) and individual establishments are some of the most common legal forms in Jordan. Following are the legislations related to the registration of companies and individual establishments:

1. **Companies Law No. 22 for 1997 / Companies Control Department**

Under the Companies Law No. 22 for 1997, the Companies Control Department registers all types of companies, regulates their work and sets all relevant provisions. Article (6) sets out the types of companies that may be registered under this Law. Article (4) states that any company incorporated and registered under this Law shall be deemed a Jordanian judicial person and its registered office shall be in Jordan.

|  |  |  |
| --- | --- | --- |
| **Partnership Company** |  | In a joint liability company, each partner is liable for all the debts of the company even from his personal properties. The Law states that the main characteristic of this type of companies is that each partner is jointly and severally liable with the remaining partners for debts and obligations incurred by the company while he is a partner therein, and is liable for said debts and obligations from his personal properties. In addition, a partner in such a company is considered a merchant. |

|  |  |  |
| --- | --- | --- |
| **Partnership Company** | | |
| **Official authority** |  | * Companies Control Department (Ministry of Industry, Trade & Supply). |
| **Prior approvals** |  | * Certain objectives require prior approval by the concerned sectoral authorities |
| **Investment of non-Jordanians** |  | * File a non-objection application for restricted nationalities with the Ministry of Interior * No limitation on the Minimum Capital for foreign investors within the different economic sectors |
| **Fees** |  | * Registration fees: JD 25 * Stamp of company capital: (0.003) of total capital * Registration application fee: JD 10 * Certificate issuing fee: JD 10 * Presentation of lawyer's power of attorney: JD 10 (presentation fee of JD 27 should be paid for the power of attorney with the Jordanian Bar Association) (as the case may be). |
| **Required documents** |  | * Civil Status ID for the Jordanian investor * Company's contract signed by all the partners. * A statement signed by the partners showing names of signatories. * Prior approval of the competent authorities (sectoral) to register the objective (if any) * Lawyer's power of attorney (as the case may be) (presentation fee of JD 27 should be paid for the power of attorney with the Jordanian Bar Association) |
| **Internal procedures** |  | 1. File a company registration application including names of partners, capital, signatories, head office and objectives and the required documents. 2. Signatures of partners or their designate under notarial power of attorney- before the authorized officer of the Companies Control Department or before the licensed lawyer. 3. Have the application reviewed by the authorized officer of the Companies Control Department. 4. Have the necessary approvals by other concerned authorities (if any) 5. Payment of registration fee at CCD accounting department. 6. Issuance of the registration certificate by the authorized officer of the Companies Control Department. |
| Related Laws |  | * Companies Law No. 22 of 1997, and its amendments * Companies Regulation No. 77 of 2008 * Non-Jordanian Investment Organization Regulation No. 77 of 2016 |

|  |  |  |
| --- | --- | --- |
| **Limited Liability Company** |  | A limited liability company consists of two or more persons and is different from a joint liability company in that the finances of the company are separate from the finances of each partner such that the company, with its assets and funds, is liable for its debts and obligations and partners are only liable for said debts, obligations and losses to the extent of their shares in the company.  The Limited Liability Companies Capital Regulations No. 17 for 2011 state that the capital of a limited liability company must be specified in its memorandum of incorporation and articles of association in Jordanian dinars and may not be less than on dinar. |

|  |  |  |
| --- | --- | --- |
| **Limited Liability Company** | | |
| **Official authority** |  | * Companies Control Department (Ministry of Industry & Trade & Supply) |
| **Prior approvals** |  | * Certain objectives require a prior approval by the concerned sectoral authorities |
| **Investment of non-Jordanians** |  | * File a non-objection application for restricted nationalities with the Ministry of Interior * No limitation on the Minimum Capital for foreign investors within the different economic sectors |
| **Fees** |  | * Registration fees: (0,002) of total capital provided it is no less than JD 250. * Stamps on the company capital: (0,003) of capital * Presentation of lawyer's power of attorney: JD 10 (presentation fee of JD 27 should be paid for the power of attorney paid with the Jordanian Bar Association) (as the case may be). * Publishing fees: JD 15 * Bank deposit (remittance): JD 10 * Contract and articles of association deposit fees: JD 10 * Certificate issuance fees: JD 10 |
| **Required documents** |  | * Civil Status ID for the Jordanian investor or probative documents for the legal person. * Company's contract and articles of association * A letter of a bank to prove deposit of no less than 50% of each partner's contribution provided total deposit is no less than 50% of the company capital subject to the Non-Jordanian Investment Organization Regulation * Prior approval of the competent authorities (sectoral) to practice certain objectives * Lawyer's power of attorney (presentation fee of JD 27 should be paid for the power of attorney paid with the Jordanian Bar Association) (as the case may be). |
| **Internal procedures** |  | 1. File the company registration application including names of partners, capital, shares of partners and company position and objectives together with the required documents with the authorized officer of the companies control department. 2. Signatures of partners or their designate before the authorized officer of the Companies Control Department or before the notary public or the licensed lawyer. 3. Have the application and documents reviewed by the authorized officer of the Companies Control Department. 4. Have the necessary approvals by the other concerned authorities (if any) 5. Payment of the registration fee with the CCD accounts department 6. Issuance of the registration certificate by the authorized officer of the Companies Control Department and submit to the investor. |
| **Related Laws** |  | * Companies Law No. 22 of 1997 and amendments * Limited Liability Company's Capital Identification Regulation No. 17 of 2011 * Companies Regulation No. 77 of 2008 * Non-Jordanian Investment Organization Regulation No. 77 of 2016 |

1. **Trade Law No. 12 for 1966 / Ministry of Industry and Trade**

|  |  |  |
| --- | --- | --- |
| **Establishment (Individual Merchant)** |  | The Ministry of Industry and Trade registers merchants and commercial establishments in a special register called the Commercial Register and sets the procedures and provisions relating to the registration of merchants in the commercial register for commerce practicing purposes. |

|  |  |  |
| --- | --- | --- |
| **Establishment (Individual Merchant)** | | |
| **Official authority** |  | Trade Registrar (Ministry of Industry, Trade and Supply) |
| **Prior approvals** |  | * Certain objectives require prior approvals by the concerned sectoral authorities. |
| **Investment of non-Jordanians** |  | * File a non-objection application for restricted nationalities with the Ministry of Interior * No limitation on the Minimum Capital for foreign investors within the different economic sectors |
| **Fees** |  | * Issuance fee of individual enterprise registration based on the entity capital, as follows: * JD 10 for traders' with capital less than JD 20,000 * JD 20 for traders' with capital greater than JD 20,000 and less than JD 30,000 * JD 30 for traders' with capital greater than JD 30,000 and less than JD 40,000 * JD 40 for traders' with capital greater than JD 50,000 * JD 5 issuance fees of trader's registration certificate for the first time * JD 2 special power of attorney fees (de facto) * JD 5 public power of attorney fees (as the case may be) * JD 27 presentation of lawyer's power of attorney fee paid with the Jordanian Bar Association in case the Power Of Attorney is presented by a lawyer (as the case may be) |
| **Required documents** |  | * ID * Approval of the competent authorities (sectoral) (if any) |
| **Internal procedures** |  | 1. Fill up permit application to practice trade by the competent employee attached with the required documents 2. Payment of registration fee with the accounts section at MIT. |
| **Related Laws** |  | * Industry & Trade Law No. 18 of 1998 and amendments * Trade Registration Regulation No. 130 of 1966 and amendments * Commercial Registration Fees Regulation No. 70 of 2004 * Non-Jordanian Investment Organization Regulation No. 77 of 2017 |

Please, note that some professionals (such as lawyers, engineers or consultants) will only need professional registration with their unions or to register as civil companies in accordance with the legislations. This is illustrated in one of the practical examples below.

|  |  |
| --- | --- |
| **Stage (2):** | **Registration with the Social Security Corporation** |

1. **Social Security Law No. 1 for 2014**

The Social Security Corporation protects the rights of workers covered by the provisions of the Social Security Law in terms of the requirement to subscribe to all types of insurance provided for in the Law so as to insure them against work injuries and provide them with pension upon the end of their services with the their establishments.

Under the Social Security Law No. 1 for 2014, the establishment / company is required to include all its freelancers, business owners and joint partners working in their establishments in the provisions of this Law, The same Law also includes all workers covered by the Labor Law in force. Business owners with any number of workers are required to include their workers in the insurances provided for in the Social Security Law and pay monthly contributions for them pursuant to article (59) of the Social Security Law in force and article (12) of the Social Security Corporation Insurance Inclusion Regulations No. 14 for 2015.

In addition, freelancers, business owners and joint partners working in their establishments are covered by the provisions of the Social Security Law pursuant to sub-paragraph (4) of paragraph (a) of article (4) of the Social Security Law in force and articles (41) and (42) of the Social Security Corporation Insurance Inclusion Regulations in force in accordance with the conditions and provisions set out in said articles.

|  |  |  |
| --- | --- | --- |
| **Registration of Entity with the Social Security Corporation** | | |
| **Official authority** |  | * Social Security Corporation |
| **Fees** |  | * No Fees. |
| **Required documents** |  | * Copy of the entity's commercial registration * Copy of the Vocational License * A list of names of entity workers, their salaries and date of enrollment for each worker. * Authorization letter to the liaison officer * Copy of the Jordanian worker's ID or passport of the non-Jordanian (or work permit) |
| **Internal procedures** |  | 1. The investor files the application attached with all documents to the Social Security Corporation (SSC) at the branch located within the territory to which the project belongs. 2. SSC representative inspects and examines the entity. 3. SSC representative informs the investor of any remarks or shortages in the application. 4. In case the requirements have been satisfied in full, the investor is officially informed of the entity inclusion under the provisions of the social security scheme and the entity is officially registered. 5. The investor receives the social security card. |
| **Related Laws** |  | * Social Security Law No. 1 of 2014, and its supporting regulations. |

|  |  |
| --- | --- |
| **Stage (3):** | **Registration with the Income and Sales Tax Department** |

1. **Income Tax Law No. 34 for 2014**
2. **General Sales Tax Law No. 6 for 1994**

Anyone practicing any business activity in Jordan is required to register with the Income and Sales Tax Department. Paragraph (a) of article (3) of the Income Tax Law No. 34 for 2014 states that any income earned in the Kingdom by any person as a result of practicing a business activity shall be subject to income tax. The relevant activity is one that is practiced by any person for the purpose of achieving gain or profit; including commercial, industrial, agricultural, professional, service or craft activities.

**Registration with ISTD:**

* **With respect to sales tax:** All investors (individuals, establishments or companies) in various economic sectors practicing businesses that are subject to tax under the Sales Tax Law and wishing to register voluntarily or are mandatorily subject to said Law; and
* All taxpayers, registration for sales tax purposes is mandatory if their sales or revenue from taxable goods and services exceed the set registration threshold within twelve successive months as follows:
* JD (30,000) for the service sector
* JD (75,000) for the trade sector

**With respect to income tax:** Every individual, establishment, company or resident practicing an activity in the Kingdom; whether said activity is commercial, industrial, professional, service related or a craft.

|  |  |  |
| --- | --- | --- |
| **Registration with the Income & Sales Tax Department** | | |
| **Official authority** |  | * Income and Sales Tax Department |
| **Fees** |  | * N/A |
| **Required documents** |  | * Commercial registration showing the signatories * ID of the signatory or his/her designate in writing * Copy of the Vocational License * Copy of the import card (if any) * Copy of the lease contract (if any) * Copy of the salary certificate (income tax) * Copy of the guaranteeing contract in case there is something guaranteed |
| **Internal procedures** |  | 1. The investor files the application attached with the required documents to the authorized officer of income and sales tax department. 2. The authorized officer examines the application and takes a decision. 3. In case of approving the application, the investor obtains the tax number of his/her firm /company under a registration certificate in case of sales tax and a tax number certificate in case of income tax. |
| **Related Laws** |  | * Income Tax Law No. 34 of 2014 * General Sales Tax Law No. 6 of 1996, and amendments. |

|  |  |
| --- | --- |
| **Stage (4):** | **Chamber Membership (Chambers of Industry and Commerce)** |

1. **Provisional Law of Chambers of Commerce No. 70 for 2003**
2. **Law of Chambers of Industry No. 10 for 2005**

The Law of Chambers of Commerce regulates the work of chambers of commerce. This Law requires commercial establishments and small companies and establishments the main purpose of which is practicing commerce to obtain membership of the chamber of commerce within the jurisdiction of which their stores are located.

The Law of Chambers of Industry regulates the work of chambers of industry. This Law requires industrial establishments and crafts establishments operating in a particular industrial sector to obtain membership of the chamber of industry within the jurisdiction of which their plants are located.

|  |  |  |
| --- | --- | --- |
| **Chamber Membership (Chamber of Industry or Commerce)** | | |
| **Official authority** |  | * Chamber of Commerce / Chamber of Industry |
| **Fees** |  | 1. Chamber of Commerce  * Annual Membership fees * (50-500) JDs according to the capital * First time membership fees (50% of the annual fees). * For small enterprises / Capital below 5000 JDs: (20 JDs membership fees and 10 JDs initial fees)  1. Chamber of Industry  * Annual Membership fees * (100-1500) JDs according to the capital * First time membership fees (50% of the annual fees). * For small enterprises in handicrafts / Capital below 300000 JDs: (1 -70 JDs membership fees and 50% JDs initial fees) |
| **Required documents** |  | 1. Chamber of Commerce  * Commercial registration certificate * Copy of the lease contract (if any)  1. Chamber of Industry  * Commercial registration certificate * List of Employees and certificate issued by Social Security Corporation |
| **Internal procedures** |  | 1. Chamber of Commerce 2. The applicant files the membership application attached with the required documents to the chamber. 3. The applicant should define how many stores owned by the enterprise and which economic sector they work under. 4. The Board of Directors should issue its decision within (15) days, and in case no decision was made, the application will be considered approved. 5. In case of approving the application, the applicant pays the fees, and receives the membership certificate. 6. Chamber of Industry 7. The applicant files the membership application attached with the required documents to the chamber. 8. The applicant should define how many factories owned by the enterprise and which economic sector they work under. 9. The Board of Directors should issue its decision within (30) days, and in case no decision was made, the application will be considered approved. 10. In case of approving the application, the applicant pays the fees, and receives the membership certificate. |
| **Related Laws** |  | * Chamber of Commerce Temporary Law (70) for the year 2003 * Chamber of Commerce Regulation (45) for the year 2009 * Chamber of Industry Law (10) for the year 2005 * Chamber of Industry Regulation (65) for the year 2005. |

|  |  |
| --- | --- |
| **Stage (5):** | **Professional Licensing** |

1. **Professional Licenses Law No. 28 for 1999**
2. **Law of Professional Licenses for the City of Amman No. 20 for 1985**
3. **Law of Crafts and Trades No. 16 for 1953**

**Professional License**

GAM / competent municipality regulates the practice of professions and businesses within its boundaries. Anyone wishing to practice any profession must obtain a license from the mayor in accordance with the Professional Licenses Law No. 28 for 1999 if the profession is practiced within the boundaries of the municipality, or a license from GAM Mayor in accordance with the Law of Professional Licenses for the City of Amman No. 20 for 1985 if the profession is practiced within the boundaries of GAM.

The two aforementioned laws state that no one may practice any profession in the city of Amman or the competent municipality without obtaining a license and paying the relevant fees as per the schedules attached to said laws. The Professional Licensing Regulations and Conditions for 2009 set out the conditions for granting the license and the relevant procedures in terms of submitting the application and necessary documents and data. Professional licensing fees are set out in the schedules attached to the Professional Licenses Law and Law of Professional Licenses for the City of Amman in force.

In performing its professional licensing duties, the municipality verifies the following: (The necessary approvals for practicing all professions are obtained from the relevant official authorities, the profession and establishment (store) in general satisfy health conditions, the establishment (store) satisfies public safety requirements, solid waste management; organization and disposal and health hazards prevention).

The mayor, financial accountant or anyone authorized thereby inspects stores to verify their owners’ compliance with the provisions of the Professional Licenses Law and regulations issued pursuant thereto, and may issue a decision temporarily closing any store where a profession is practiced without license.

**Health License**

Health licenses are regulated under the Law of Crafts and Trades No. 16 for 1953 which requires a license issued by the Minister of Health or anyone delegated thereby in writing or the municipality physician within his jurisdiction; in order to practice any craft classified under the provisions of this Law.

For the purpose of practicing crafts listed under class 2 in the schedule attached to the Law of Crafts and Trades, as in the case of the licenses for plants and stores of mineral acids and other chemical substances, the Law requires; in addition to the approval of the licensing authority, the approval of the Director of The Public Security Directorate or anyone delegated thereby in writing. As for crafts listed under class 3 in the schedule, as in the case of licenses for dairy shops producing milk and cream for distribution and manufacturing butter and cheese, the competent authority’s approval is required in addition to the approval of the licensing authority.

The license applicant is required to pay a craft and trade license fee as per the schedule attached to the Law which sets out the fees applicable to various types of crafts. The administrative governor, municipality physician, any physician from the Ministry of Health or municipality inspector inspects any place that is licensed to practice a classified craft for any violations of the provisions of this Law.

|  |  |  |
| --- | --- | --- |
| **Obtaining a Vocational License / Health License** | | |
| **Official authority** |  | * Greater Amman Municipality / Municipalities |
| **Fees** |  | * The fees are determined in accordance with the Vocational Licenses Law and Crafts and Industries Law * GAM / Municipality charges 20% of professions license fees for waste collection, transport and disposal provided that it is not less than JDs 20. * GAM / Municipality charges annual fees for transport, treatment and disposal of waste. Such fees are determined by GAM according to the volume of waste generated from the economic activity * GAM / Municipality charges annual fees for advertisement licensing. Kindly |
| **Required documents** |  | * Valid occupancy permit to the intended purpose for buildings built after 1980 or Construction Permit for buildings built during the period from 1970 till 1980 or building certificate for buildings built before 1980. * Copy of the valid planning site layout * Land layout * Plot registration deed * Original lease agreement in addition to 5 copies certified within the competence region or title deed in case the license applicant is the owner of the building * Commercial registration * Clearance from land's and building taxes * Chamber of Commerce or Industry registration (as the case may be) * Approvals of the concerned official authorities for the activity objectives. |
| **Internal procedures** |  | 1. The investor files the application attached with all documents to GAM / Municipality. 2. The official authorities (including the Civil Defense Directorate) conduct necessary engineering inspection 3. The official authorities conduct health examination (should the economic activity require such) 4. The Vocational Section is visited to complete the procedures. 5. The investor pays the due fees against a payment voucher. 6. Issue the Vocational License |
| **Related Laws** |  | * The Amman City Vocational Licenses Law No. 20 of 1985, and amendments * The Vocational Licenses Law No. 28 of 1999 * Crafts and Industries Law No. 16 of 1953 |

**Sector-specific approvals:** In addition to obtaining professional licenses from municipalities and health licenses, practicing certain professions and businesses requires the approval of official authorities that, under their relevant legislations, are entitled to control certain types of professions in line with their regulatory role and their right to impose general conditions in order to ensure public health and safety. Please, refer to the Licensing Manual of the Investment Commission which sets out the prior approvals in a specific number of economic sectors. This Manual was used to explain some of the aforementioned procedures.

## 5.3 General Recommendations for Developing a Supportive System (to Support Home-based Business Owners)

In order to encourage target groups to start their simple businesses and enter the legal and institutional system (regulated sector) which will benefit them and their families by generating income and employing individuals, and to help reduce poverty and unemployment, we recommend studying the following development recommendations:

1. **Developing / Amending the Professional Licenses Law No. 28 for 1999 and Law of Professional Licenses for the City of Amman No. 20 for 1985**

We recommend that the Ministry of Municipalities / GAM review the Professional Licenses Law and Law of Professional Licenses for the City of Amman in force to elaborate on the duties of GAM / municipality with respect to regulating the practice of professions and market entry by:

* Developing the concept of professional licenses such that it focuses on comprehensive municipal regulation in terms of site, and regulation of markets and professions.
* Explaining the exemptions relating to the persons set out in the license fee and licensing exemption schedule, and how their practice is to be controlled particularly as the provisions is primarily associated with the Home-based Professions Regulations with respect to simple professions.
* Reviewing the schedules attached to this Law relating to professional licensing fees so as to amend said fees in line with the concept of real pricing according to the cost of service provided by official authorities.
* Applying the “risk-weighted licensing” concept, reviewing the licensing procedures for simple professions and providing for mere notification of the municipality of the home-based business commencement date for low-risk categories.
* Explaining the frameworks of the inspection process and the duties and jurisdictions of GAM /municipality, and applying the concept of inspection based on the level of risk.

1. **Abolishing the Law of Crafts and Trades No. 16 for 1953**

The provisions of the Law of Crafts and Trades are general provisions that address all professions, rather than a specific one and provide for controlling several subjects, rather than a single subject such as food, public health, hygiene etc. All these subjects are regulated by legislations “Food Control Law, Public Health Law, Law of Agriculture, Professional Licenses Law” and, therefore, are inapplicable against other provisions of other more specific legislations that regulate all the subjects covered by the Law of Crafts and Trades.

Abolishment of this Law will not result in a legislative vacuum since all the subjects regulated thereby are regulated by other laws of specific nature and are issued later to the Law of Crafts and Trades; which allows us to say that the provisions of this Law are implicitly abolished because they are regulated by new laws.

1. **Exemption from the Approvals Required for Practicing Home-based Professions (Approval of the Competent Zoning committee)**

The Cities, Villages and Buildings Planning Law in force requires anyone applying for a professional or craft license to practice the relevant profession in a building to obtain a permit from the competent zoning committee concerned with the use of said building for the purpose for which it was constructed.

We recommend that the Ministry of Municipalities / GAM review this requirement as licensing is regulated by the Professional Licenses Law in force which grants the licensing authority to the mayor who conducts a physical inspection to verify the building's fitness for practicing the relevant profession and its satisfaction of the conditions stipulated in national building laws, in addition to verifying compliance with the land uses set out in the Cities and Villages Planning Law in force.

Competent zoning committees (specifically local and district ones) can present all the requirements and conditions, based on which they grant approvals, to professional licensing authorities; namely municipalities and GAM; so that said authorities monitor the satisfaction of the necessary requirements for using the building for practicing the professions to be licensed, in order to save time and effort, because district committees are always busy with their duties as set out in the Cities, Villages and Buildings Planning Law, which requires the professional license applicant to visit said committee repeatedly.

1. **Amending a Number of Legislations Relating to Chambers (of Industry and Commerce) and Trade Unions**

Anyone practicing a profession in any economic sector (other than regulated / union professions) is required to register with the chamber of commerce or industry, which presents an obstacle to many individuals; particularly those with micro professions. Therefore, we recommend that chambers of industry and commerce develop a comprehensive incentive program for exempting this category from fees for a specified period (two years), and develop a comprehensive support program for them.

Furthermore, a number of union legislations impose certain conditions on union members for union professions practicing purposes; as, in addition to requiring union members to hold profession-specific scientific qualifications and pass set examinations, a large number of said legislations require having an office that is suitable for practicing the relevant profession. The legislations of the Jordanian Bar Association require a suitable office only through which a lawyer may practice his profession. The same is true for the Engineers Association which requires the office area not to be less than (20) meters. We recommend that all relevant authorities study their legislations to ensure facilitating business start-ups and minimizing legal and technical requirements imposed on them when starting up their businesses.

1. **Regulating Non-Jordanian Investments**

The **Regulating Non-Jordanian Investments Regulations No. 77 for 2016** were issued pursuant to article (10) of the Investment Law No. 30 for 2014 to set out the bases and conditions in accordance with which non-Jordanians can invest in Jordan by means of ownership of, participating in or contributing to any economic project. These Regulations set out the economic activities and projects to which non-Jordanian investors may contribute, and the percentages of their contribution. They also set out the economic projects in which non-Jordanian investors may not participate at all.

With the provisions of these Regulations, the Jordanian legislator took a very good step towards encouraging foreign investment by abolishing the previous requirements for foreign investment in terms of the need for the value of a non-Jordanian investment to be not less than fifty thousand Jordanian dinars or equivalent, which encourages foreign investment in Jordan.

We would also like to point out that foreign investment in Jordan is not limited to big projects; as the home-based business licensing system can be used by largest non-Jordanian residents in Jordan, such as Syrians, to undertake simple businesses serving their local communities; such as handicrafts and food products. In order to support such businesses, we recommend:

* Lifting the restriction imposed on retail trade which requires that the non-Jordanian ownership interest in these projects does not exceed (50%) of project capital; particularly with respect to simple retail trade projects such as the sale of embroideries and various types of sewing.
* Lifting the restriction imposed on the provision of engineering services and consultations, particularly simple ones, which requires the collaboration of several engineers and that the non-Jordanian ownership interest in these projects does not exceed (50%) of project capital.
* Studying the restriction imposed on bakeries which strictly prohibits non-Jordanian investors from contributing to said projects, or elaborating on this prohibition such that it does not include home-based provision of simple baked products and cake.
* Striving to quickly issue instructions specifying the professions and handicrafts which non-Jordanians may not practice by means of instructions issued by the Commission for this purpose pursuant to paragraph (b) of article (6) of these Regulations; taking into consideration the professions and crafts that are required the most by local communities while allowing non-Jordanians to practice them in order to reduce unemployment in said groups and its expected impact on national economy.

1. **Prior Approvals**

In addition to obtaining professional licenses from municipalities and health licenses from the Minister of Health, practicing certain professions and businesses requires obtaining prior approval for registration or practicing purposes from official authorities that, under their relevant legislations, are entitled to control certain types of professions.

In order to make things easier for those practicing simple home-based professions and businesses and wishing to start their businesses so as to generate reasonable income while also reducing high costs, we need to reconsider the procedures and conditions for granting said sector-specific approvals to target groups that are capable of working from home. In this respect, we suggest:

* Adopting registration / licensing methods that are based on classifying said professions as low-risk professions since they do not require the use of any substances that can have a negative impact on public health and safety, and the resulting reduction of inspection visits to a minimum and striving to amend the legislations relating to the work of inspectors in relevant authorities which grant prior approvals for practicing said professions.
* Striving to reduce the approval issuance periods and considering the possibility of granting said powers to main competent authorities without referring to other authorities and prolonging the approval issuance period (such as granting the municipal council / GAM council the power to approve the use of buildings for practicing the profession to be licensed without referring to district zoning committees; which would help reduce the time needed for licensing).
* That all agencies explain and publish their requirements and coordinate fully with the government entities responsible for registration and municipalities responsible for licensing in order to facilitate and simplify the procedures.

1. **Offering incentives to encourage and support the “home-based business Sector”**

In order to encourage those wishing to benefit from the home-based business licensing system, decision makers need to study a number of options that give a number of facilitations and appropriate incentives to start simple businesses in order to generate an appropriate financial resource and reduce unemployment to the benefit of national economy. We would like to point out that what we present is one of the options that need to be extensively studied in order to assess their impact on the target group, Public Treasury and financial resources in general.

|  |  |  |
| --- | --- | --- |
| **Studying the Establishment of a Sovereign Wealth Fund (SWF) for Social Security Contributions** |  | 1. The Social Security Law in force requires anyone practicing any business in Jordan to register with the Social Security Corporation and pay monthly subscription fees for himself and all workers in his establishment or wherever his business is practiced. 2. Payment of monthly subscription fees to the Social Security Corporation in addition to payment of employees’ salaries presents an actual obstacle to new entrepreneurs seeking to minimize costs as much as possible particularly in the first two years of business. This can seriously drive them to abandon their businesses and join the unemployed masses who present a major national concern. 3. By establishing a national fund to support small home-based enterprises by paying part of the monthly subscription fees to the Social security Corporation, official authorities will significantly help those wishing to practice home-based businesses to continue their businesses. Certain controls can be imposed on the provision of these contributions such as requiring a specific number of home-based workers, providing these contributions for a specific period of time after which home-based business owners start paying social security subscription fees in full. |
|  |  |  |
| **Studying the Offering of a Package of Tax Exemptions** |  | 1. The Income Tax and General Sales Tax laws in force require anyone practicing any business in Jordan to register with the Income and Sales Tax Department, keep tax records and pay tax to ISTD as per the rates set out in said laws. 2. Payment of due tax, whether it is income or sales tax, in addition to payment of monthly subscription fees to the Social Security Corporation and payment of employees’ salaries presents an actual obstacle to new entrepreneurs seeking to minimize costs as much as possible particularly in the first two years of business. It would also increase the problems encountered by national economy by increasing unemployment rates in case this group decides to discontinue its simple businesses. 3. It would be appropriate in this respect for official authorities, including the Ministry of Finance, to study the possibility of offering tax exemptions and concessions for home-based business owners similar to the tax concessions offered to investors under the Investment Law in force; provided that the said tax concessions are offered for a specified period (e. g. two years) after which the tax is paid in full. |

We would also like to present some of the legal and institutional recommendations for government entities to develop the business start-up system as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Entity** |  | **Key Recommendations** |  | **Affected Regulatory Tools** |  | **Means of Development** |
|  |  |  |  |  |  |  |
| **Companies Control Department** |  | 1. Clarifying and simplifying the registration procedures; particularly for limited liability companies, and reducing registration fees. 2. Studying the issue of exempting start-up companies from, or postponing, fees. 3. Simplifying procedures and facilitating individuals’ access to them 4. Activating a single “Establishment National Number, and Classification and Registration of Purposes” system at national level 5. Clarifying and facilitating the issue of “prior approvals for registration” relating to other authorities. |  | * Legislations relating to the Department * Institutional procedures |  | * Legal study * Financial study * Procedures and processes engineering * Regulation Impact Assessment Study (RIA) |
|  |  |  |  |  |  |  |
| **Ministry of Industry and Trade** |  | 1. Developing and simplifying registration and trade name registration procedures. 2. Studying the possibility of merging the Commercial Register Directorate with the Companies Control Directorate, or signing a memorandum of understanding to align their work. |  | * Legislations relating to business * Institutional procedures * Organizational structure |  | * Legal study * Financial study * Procedures and processes engineering * Study of the organizational structure |
|  |  |  |  |  |  |  |
| **Income and Sales Tax Department (Ministry of Finance)** |  | 1. Studying the possibility of granting tax incentives (lower rates, exemption, postponement) to individuals, establishments and micro and small companies for a specified period. 2. Studying the possibility of granting special exemptions to employees in specified categories (such as home-based business). 3. Clarifying the requirements, procedures and formulas for all tax-related processes in instructions and manuals. 4. Facilitating the procedures relating to income and sales tax in terms of submitting data and payment. |  | * Tax legislations * Institutional procedures |  | * Legal study * Financial study * Procedures and processes engineering * Regulation Impact Assessment Study (RIA) * Procedure cost study (Standard Cost Model) |
|  |  |  |  |  |  |  |
| **Social Security Corporation** |  | 1. Studying the establishment of a national fund to subsidize insurance subscription fees for a specified category of establishments and companies for a specified period. 2. Clarifying the requirements, procedures and formulas for all tax-related processes in instructions and manuals. 3. Facilitating subscription fee payment procedures and individuals’ access to said services in a simple manner. |  | * Legislations relating to social security * Institutional procedures |  | * Legal study * Financial study * Procedures and processes engineering * Regulation Impact Assessment Study (RIA) * Procedure cost study (Standard Cost Model) |
|  |  |  |  |  |  |  |
| **Chambers of Industry & Chambers of Commerce** |  | 1. Clarifying and simplifying membership procedures; particularly for start-up companies and establishments. 2. Studying the possibility of granting incentives (exemption, postponement) to individuals, establishments and micro and small companies for a specified period. 3. Developing a comprehensive program for providing financial and technical support to target groups. |  | * Legislations relating to the chamber of industry * Legislations relating to the chamber of commerce * Institutional procedures |  | * Legal study * Financial study (cost and benefit analysis) * Procedures and processes engineering |
|  |  |  |  |  |  |  |
| **Municipalities** |  | 1. Clarifying and simplifying licensing procedures; particularly for start-up establishments and companies. 2. Activating the exemption of start-up companies from, or postponement of, fees. 3. Simplifying procedures and facilitating access to them. 4. Clarifying and facilitating the issue of “prior approvals for licensing” relating to other authorities. 5. Applying the principles of risk-based inspection & licensing and “silence is consent” |  | * Legislations relating to municipal zoning * Institutional procedures |  | * Legal study * Financial study * Procedures and processes engineering * Regulation Impact Assessment Study (RIA) |
|  |  |  |  |  |  |  |
| **Jordan Enterprise Development Corporation** |  | 1. Studying and issuing a legislation for “small enterprises” in order to develop a legislative system for this category. 2. Implementing support programs such that they include all target groups. 3. Facilitating the necessary procedures and requirements to benefit from the services offered by JEDCO. |  | * Legislations relating to the JEDCO * Institutional procedures * Services |  | * Legal study * Strategy study and procedures and processes engineering * Regulation Impact Assessment Study (RIA) |

**xth: Current Legal and Institutional System**

**6.1 Greater Amman Municipality’s Framework**

**6.1.1 Legislative Framework and Analysis Results**

6.1.1.1 Legislative Framework

In Jordan, zones, land uses within zones and relevant terms and conditions are determined and declared in accordance with the Cities, Villages and Buildings Planning Law No. 79 for 1966 as amended and Buildings and Zoning Regulations in the City of Amman No. 67 for 1979, such that a residential area can only be used for housing purposes and may, with the exception of private housing, be used for the purpose of providing residents of the area with daily local services; with the approval of the local zoning committee.

Through various legislations, Greater Amman Municipality regulates professions and businesses within its boundaries. GAM issues the necessary licenses for all professions in accordance with the procedures stipulated in the Professional Licenses Law for the City of Amman No. 20 for 1985 which also specifies professional licensing fees. Based on the Professional Licensing Regulations and Conditions for 2009, GAM sets the conditions and procedures for obtaining professional licenses and the conditions for practicing professions in commercial and residential areas.

**Following are the numbers of relevant articles in the aforementioned legislations.**

|  |  |  |
| --- | --- | --- |
| ***Legislation*** |  | ***Relevant Articles*** |
| Professional Licenses Law for the City of Amman No. 20 for 1985 |  | *(3, 5, 6, 8, 9, 10, 11, 13, 15)* |
| Regulation of Advertisements Licensing within GAM No. 143 for 2016 |  | *(4, 5, 6, 8, 9)* |
| Regulation of Nuisance Prevention and Waste Collection Fees within GAM No. 150 for 2016 |  | *(6, 8)* |
| Home-based Business Licensing Regulations for 2012 |  | *Entire Regulations* |
| Professional Licensing Regulations and Conditions for 2009 |  | *(2, 3, 4, 5, 6)* |
| Cities, Villages and Buildings Planning Law No. 79 for 1966 as amended |  | *(33, 35)* |
| Buildings and Zoning Regulations in the City of Amman No. 67 for 1979 |  | *(28،33)* |

**Following is a preview of the key provisions in said legislations**

1. **Professional Licenses Law for the City of Amman No. 20 for 1985**

* This Law is the main legislation regulating professional licensing procedures within GAM. Under Article (3) of this Law, anyone wishing to practice any profession in the city of Amman is required to obtain a license in accordance with the provisions of this Law and is also required to pay the professional license fee specified in the schedules attached to this law and considered part of it.
* Professional licenses are issued by decision of GAM Mayor in accordance with the conditions stipulated in the Professional Licensing Regulations and Conditions for 2006 the key provisions of which are set out in Clause (5) below. Professional licenses are renewed annually in accordance with Article (10) of the Law which sets out license renewal procedures, while Article (12) requires anyone whose license is lost or damaged to apply to GAM for a replacement license for a fixed fee of one dinar.
* Article (11) of the Law requires certain license applicants to be members of Amman Chamber of Commerce or Industry and to pay their annual subscription fees.
* Under Article (13) of the Law, shops are inspected by decision of the Mayor or Deputy Mayor to check shop owners’ compliance with this Law and regulations and instructions issued pursuant to it, and the Mayor or Deputy Mayor may issue a decision temporarily closing any shop practicing a profession without a license.
* Article (15) of the same Law imposes a fine not less than JD 10 and not exceeding JD 100 on anyone who violates the provisions of this Law; including practicing any profession in the city of Amman without obtaining a license in accordance with the provisions of this Law.

1. **Advertisements Licensing Regulation within GAM No. 143 for 2016**

* Under article (4) of these Regulations, anyone practicing any profession within GAM is required to put a sign identifying his store after obtaining the necessary license and paying the fees stipulated in article (9) of the Regulations (the annual fee of a store sign fitted at the entrance of the building is JD 20 per meter or fraction of a meter).
* Under article (5) of these Regulations, the advertisement licensing application shall be submitted to GAM Mayor using the approved form together with the documents and data specified for this purpose by GAM Council, and the Mayor shall decide on the matter within (60) days as of the date of application. Under article (6) of the Regulations, the license shall be renewed annually subject to the approval of GAM Mayor.
* In the event anyone violates these Regulations by installing or using any store sign without a license, failing to install a store sign or committing any of the violations set out in article (8) of these Regulations, the Mayor shall notify said person of the violation and GAM may remove the sign and recourse to the offender for relevant costs plus (25%) of total costs against administrative expenses. Furthermore, the convicted offender shall be punished under article (73) of the Municipalities Law No. 41 for 2015 by a fine not less than JD 20 and not exceeding JD 500.

1. **Nuisance Prevention and Waste Collection Fees within GAM Regulation No. 150 for 2016**

* Under article (6) of these Regulations, GAM shall, upon issuing or renewing a license, charge (20%) twenty percent of the fee payable for any professional license issued under the applicable Professional Licenses Law for the City of Amman as a waste collection, movement, treatment and disposal fee; provided that the amount charged by GAM is not less than JD (20).
* Anyone causing a health nuisance in the shop operated thereby is required to remove said hazard within the period and in the manner specified by GAM Mayor, otherwise he will be referred to the competent court and the Mayor may decide to remove the hazard at the expense of the offender.

1. **Home-based Business Licensing Instructions for 2012**

* Under the Home-based Business Licensing Instructions for 2012, GAM allows certain professions to be practiced from home. These Instructions are the primary legislation that allows and licenses home-based business and sets out in the schedule attached to it the professions that may be practiced from home in three main categories (intellectual professions, handicrafts and food processing).
* Under article (4) of these Instructions, a number of conditions must be satisfied by the profession that may be practiced from home; as the practice of said professions must not require the use of equipment, involve hazardous substances, have an adverse impact on public health or safety or overburden the services or infrastructure of the relevant residential area.
* Under article (5) of these Instructions, anyone wishing to work from home is required to apply to GAM Mayor for a license using a special form. The license applicant must satisfy the same professional licensing conditions and requirements applicable in GAM, must be a resident of the same house in which the profession is to be licensed, must be the owner or tenant of said house and may not be a holder of another professional license.

* Article (6) of the Instructions requires the license applicant to be a natural person registered in the individuals commercial register of the Ministry of Industry and Trade or a juridical person registered in the companies register of the Companies Control Department as a limited liability, joint liability or commandite company only.
* Article (7) sets out the conditions for using the part of the building designated for home-based business purposes; such that the area used for practicing the relevant profession does not exceed (15%) of gross floor area of the house or (25) meters, whichever is less, the profession is not practiced beyond the closed building of the house and no advertisement signs are used on the building containing the house, while a sign with dimensions not exceeding (15 cm \* 5 cm) stating the purposes and license number may be used on the door of the house only.
* Article (8) of the Instructions sets out the general conditions for practicing a profession from home. This article does not allow the employment of anyone to work for the licensee in the house and prohibits the practice of professions from home to cause any traffic congestion in the residential area where the house is located. The same article also prohibits publishing any advertisement about the profession that includes a reference to the location of the house.
* Article (9) of the Instructions stipulates special conditions for practicing a profession from home. These conditions relate to receiving customers and displaying products in the house depending on the type of profession practiced from home. The same article also includes conditions relating to construction, equipment, production processes and transport of food items.
* Under article (10) of the Instructions, GAM employees shall inspect the house from which a profession is to be practiced for license issuance and renewal purposes, as well as to investigate any complaints received. Article (11) gives GAM Mayor the right to decide to suspend and/or refuse to renew a license without the offender having the right to claim any damages. The same article states that the provisions relating to penalties and fines stipulated in the Professional Licenses Law for the City of Amman in force shall apply to any licensee or anyone who violates the provisions of these Regulations.

1. **Professional Licensing Regulations and Conditions for 2009**

* These Regulations set out the conditions and procedures for obtaining professional licenses, as well as general conditions applicable to all businesses. These Regulations apply to all persons within GAM.
* Under article (2) of these Regulations, anyone wishing to obtain a professional license is required to apply to GAM Mayor using the relevant form. The same articles also sets out the data to be provided in the application including information about the license applicant such as the applicant’s name, home address etc. and data regarding the discharge from waste collection fees, zoning fees etc.
* Article (3) of the Regulations requires the business owner (license applicant) to be a Jordanian citizen and the shop to satisfy health and public safety conditions. Article (4) requires the approval of competent authorities for the purpose of practicing profession causing pollution or noise, involving explosive substances or disturbing general landscape, as well as trading in wood, steel, cement, pipes, livestock, cattle, poultry and the like, auto repair, craftsmanship and industrial occupations.
* Article (5) of the Regulations requires anyone wishing to practice any profession in a building to obtain a construction permit. Article (6) of the Regulations states that no one may practice any of the professions listed in schedule (1) to the Professional Licenses Law in force anywhere without obtaining the necessary approvals from the competent authorities the legislations of which requires their approval prior to licensing.

1. **Cities, Villages and Buildings Planning Law No. 79 for 1966 (as amended)**

* Under this Law, zones and land uses within zones are determined and declared. The same Law sets out the manner in which zoning plans and provisions shall be developed and amended.
* Article (33) of this Law states that craftsmen and industrial workers may only practice their crafts and industries in the places designated for such crafts and industries in accordance with established projects and regulatory provisions.
* Article (35) of the same Law requires anyone applying for a license to practice a profession in a building to obtain a permit from the competent zoning committee concerned with the use of said building for the purpose for which it is constructed.

1. **Buildings and Zoning Regulations in the City of Amman No. 67 for 1979**

* The provisions relating to the uses of all types of land (residential, commercial, industrial) and the conditions and procedures relating to such uses are stipulated in these Regulations.
* Under article (28) of these Regulations, a residential area shall be used for the construction of residential buildings or any other purposes set out in the approved zoning plan. Under paragraph (b) of the same article, a residential area with the exception of private housing may, subject to the approval of the local zoning committee and in accordance with the conditions and regulations established by GAM Council, be used for the purpose of providing daily local services to residents of the area within the businesses specified in said paragraph; including grocery shops, pharmacies and bakeries.
* Article (33) sets out land uses in the central commercial area for constructing buildings for commercial, residential, public services and places of worship purposes. This article sets out the provisions relating to the use of buildings in this area.

6.1.1.2 Legislative Analysis results

Following is an analysis of key legislations relating to licensing home-based professions in GAM.

|  |  |  |
| --- | --- | --- |
| **Legislation** |  | **Legislative Analysis Results** |
|  |  |  |
| 1. **Professional Licenses Law for the City of Amman No. 20 for 1985** |  | * The recommendations regarding the Professional Licenses Law have already been provided. To avoid redundancy, please refer to the comments. |
|  |  |  |
| 1. **Cities, Villages and Buildings Planning Law No. 79 for 1966 (as amended)** |  | * Re-examining article (35); as professional licensing is regulated under the Professional Licenses Law for the City of Amman in force which vests the licensing authority in the Mayor who conducts physical inspections to verify building's fitness for practicing the relevant profession and its satisfaction of the conditions stipulated in national building laws, and verifies compliance with land uses set out in the Cities, Villages and Buildings Planning Law in force. |
|  |  |  |
| 1. **Home-based Business Licensing Instructions for 2012** |  | * In the appendix thereto, these Instructions set out a list of professions that may be practiced from home in three exclusive categories (intellectual professions, handicrafts, food processing). Given the possibility of adding many other professions to this list, taking into consideration market requirements and required and available professions, as well as the professions accessible to young people and women, it is better to leave the determination of said professions to decisions issued by GAM Mayor that can be reviewed periodically. * With respect to companies’ and establishments’ right to licensing, article (6) of these Instructions allows business owners to register either an individual establishment or partnership in order to obtain home-based professional licenses; which helps individuals come together and form partnerships in order to share risks and benefit from accumulated experience. * Article (8) of the Instructions states that the licensee establishment or company may not use or employ anyone to work from home. Looking at the professions that may be practiced from home, we find that most of them require group work that requires a limited number of employees; which calls for examining these options in order to achieve the key objective of creating new job opportunities and reducing unemployment rates, particularly among young people and women. * With respect to companies, article (6) allows issuing a license in the name of the judicial person registered in the companies register of the Companies Controller, and we can safely assume that the Regulations do not prohibit partners from working from home. However, an explicit provision in this context would clarify these Regulations further. * Article (4) of the Instructions set out the general licensing conditions which are consistent with many practices and legislative systems. As for the regulatory conditions relating to construction, paragraph (a) of article (7) of the Regulations stipulates that the area of a house that is used for practicing a profession may not exceed (15) of gross floor area or (25) meters, whichever is less. The idea of specifying an area in square meters (25 m2) is inconsistent with best practices as work may only be practiced in a percentage of the total area of the house within the controls generally set out in the Buildings and Zoning Regulations in the City of Amman. * It would be appropriate to amend the conditions relating to the food sector which require a designated room for food preparation and equipment, particularly as all the food-related professions that may be licensed (with the exception of homemade pastry) are considered professions that are based on low-risk production processes from a nutritional point of view since the production process involved is a simple process that does not have a significant impact on public health, and the preparation and procurement of the tools needed for such processes is highly costly to home-based professional license applicants. * We also need to reconsider the violations; as GAM Mayor is entitled to suspend and/or refuse to renew a license without the offending licensee having the right to claim any damages, which is unlawful in that it undermines the licensee’s right to resort to courts to claim compensation for damages sustained thereby. Furthermore, article (12) grants GAM the right to revoke a license in specific cases; which is inconsistent with the concept of progressive and fair penalties. * We also need to reconsider the annual nature of the license under these Instructions which results in an annual fee that is onerous to small business owners; particularly as the  Regulations are linked to the Professional Licenses Law and all GAM-related legislations; which may increase the health license issuance fee under the Law of Crafts and Industries, as well as advertisement and waste collection fees. |

**6.1.2 Institutional System and Analysis Results**

6.1.2.1 Institutional System

Home-based professional licenses are applied for through the 22 district offices of GAM, whereas licenses are, in the case of approval, issued by the GAM main office upon the approval of the district committee.

The issuance of home-based professional licenses started in 2011 and by mid-2015, 25 licenses were issued; most of which are for intellectual professions[[20]](#footnote-20), as the district committee of GAM adopts a very strict approach to issuing home-based professional licenses for handicrafts or for food processing businesses due to their impact on their neighborhoods in terms of noise or employees and clients traffic, as well as their impact on public health and the effort exerted to inspect and control them.

|  |  |
| --- | --- |
| Type of Profession | No. |
| Consultancy | 12 |
| Handicrafts | 3 |
| Food Processing | 4 |
| Intellectual Professions (Translation, Accounting, Design, IT…) | 6 |
| **Total** | **25** |

Although licensees sign an undertaking to allow GAM to inspect their home-based businesses, GAM only inspects businesses upon receiving complaints from neighbors, due to two factors; the first of which is the fact that these professions (particularly intellectual ones) are of a low-risk nature and inspecting houses still poses a “challenge” to GAM employees due to the privacy and inviolability of houses.

Licenses granted are widely spread throughout the various districts of GAM. However, they are mainly concentrated in western districts such as Tila Al Ali and Wadi El Sir and are mostly in the intellectual professions category. GAM currently receives 2 to 3 home-based professional license applications a week and takes 2 to 4 weeks to determine an application.

While Home-based Business Regulations in the City of Amman prohibit employment in licensed home-based establishments, partners work from the home of the licensed partner. On the other hand, and although the Professional Licenses Law allows newly registered establishments or handicrafts owned by women and do not have any workers to obtain professional licenses without fee, this legal clause is not activated for no specific reason.

Furthermore, there is no restriction imposed on the nationality of home-based business licensees so long as the relevant establishment is registered with the relevant authorities (Companies Control Department or Commercial Register). In general, obtaining a home-based professional license does not require the approval of any external parties. The table below shows the procedures for obtaining a home-based professional license within GAM.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **#** | **Procedure** | **Owner** | **Documents** | **Comments** |
| 1 | Applying for a home-based professional license | Applicant | * New home-based professional license form * Occupancy permit | * The application is submitted to the district office or GAM main office * The occupancy permit must be less than two years old |
| 2 | Reviewing and commenting on the application | District Professional Licenses Directorate | * New home-based professional license form * Occupancy permit | * The application is commented on in terms of zoning class and house location |
| 3 | Examining and deciding on the application | Local committee | * New home-based professional license form * Occupancy permit | * Local district committees convene “once a week” and have the authority to determine home-based professional license applications * Although local committees have the authority to determine home-based professional license applications, they “often” refer the applications to the central district committee to determine them |
| 4 | Reviewing the recommendation of the local committee | Professional Licenses Department - GAM | * Recommendation of the local committee |  |
| 5 | Inspecting the site | Professional Licenses Department - GAM |  | * The GAM team inspects the site to verify its compliance with the occupancy permit and that it belongs to the applicant |
| 6 | Preparing the report of the district committee | Professional Licenses Department - GAM | * Report on the application and inspection results | * The district committee convenes “once a week” and is authorized to determine several types of applications (construction permits, professional licenses, occupancy permits …), but may not consider all the applications submitted to it depending on the volume of applications. |
| 7 | Examining and deciding on the application | District committee |  | * There are no specific criteria for deciding on home-based professional license applications, as decisions are largely subject to the committee’s discretion |
| 8.1 | If the application is refused, the applicant is notified of the decision | District Professional Licenses Directorate |  |  |
| 8.2 | If the application is approved, the applicant is requested to provide the necessary documents | Professional Licenses Department - GAM |  | * The district committee specifies the required documents which generally include:  1. Commercial registration from the Ministry of Industry and Trade 2. House lease or title deed 3. University degree (for particular intellectual professions) 4. Undertaking to allow inspection by GAM employees 5. Undertaking to avoid nuisance and comply with registration conditions |
| 9 | Submitting the required documents to GAM Professional Licenses Department | Applicant | 1. Commercial registration from the Ministry of Industry and Trade 2. House lease or title deed 3. University degree (for particular intellectual professions) 4. Undertaking to allow inspection by GAM employees 5. Undertaking to avoid nuisance and comply with registration conditions |  |
| 10 | Paying the fees | Applicant |  | * Fees include professional license and health license fees and are determined in accordance with the “Professional Licenses Fees” schedule attached to the Law |
| 11 | Issuing the license | Professional Licenses Department - GAM |  |  |

6.1.2.2 Institutional Analysis Results

Following is an analysis of the institutional procedures for licensing home-based professions within GAM.

|  |  |  |
| --- | --- | --- |
| **Subject** |  | **Institutional Analysis Results** |
|  |  |  |
| 1. **With respect to procedures** |  | * Procedures are generally clear, but are neither published on GAM’s web site nor in GAM Professional licenses Directorate. * The need to present applications to the local committee prolongs the licensing process as committees convene “once a week” and often do not have sufficient time to determine all the applications presented to them; which leads to postponing the applications to later meetings. Furthermore, local committees, lest the district committee reverses its decisions, refer home-based professional license applications to the district committee to determine them; which prolongs the process further. * On the other hand, the district committee suffers from work pressure due to the substantial number of applications presented to it relating to regulatory and construction matters, not to mention professional licenses in residential areas and outside zones. This prolongs the presentation of home-based professional license applications and consequently delays their determination. In addition, the district committee lacks a clear decision making methodology relating to licensing home-based businesses; as the decision is subject to the discretion of the committee, even if all the conditions set out in the Regulations are satisfied. * Authorizing district directors, rather than district committees, to approve the issuance of home-based professional licenses, and amending the legislations accordingly. * There is no timeframe set for issuing licenses and although GAM stated that the determination of license applications takes 2 to 4 weeks, it is very likely to take longer due to the time needed for applications to be presented to, and approved by, the committees. * Setting a timeframe for granting the license from the date of receiving a complete application; such that a license is issued automatically and by law in the event GAM fails to reply within the set period. We suggest this period to be two weeks. * Publishing the home-based professional licensing steps, requirements and fees on GAM’s web site and in various district offices. |
|  |  |  |
| 1. **With respect to requirements** |  | * The home-based professional licensing requirements, namely the required documents; conditions and requirements, are neither published on GAM’s web site, nor in district offices or GAM Professions Directorate. * GAM requires workers in certain professions, particularly intellectual ones, to be holders of academic degrees or to satisfy certain technical conditions; which is inconsistent with the purpose of issuing a professional license; namely to verify the appropriateness of the site from a regulatory and construction perspective. In addition, this issue is outside GAM’s jurisdiction as there are other authorities concerned with the regulation of the practice of certain types of professions. * Cancelling the requirement to present academic degrees or certificates of experience for intellectual professions; as neither GAM nor municipalities are supposed to establish or oversee the technical requirements and conditions for practicing professions. |
|  |  |  |
| 1. **With respect to fees** |  | * Although articles (2) and (3) of the Professional License Fee Exemption Schedule for the City of Amman No. 2 for 1985, as amended, allows the exemption of newly registered companies and establishments that need to train and qualify their technical staff until they start selling their products or rendering their services provided that the exemption period does not exceed two years as of the date of registration, in addition to women making their living from manual sewing or simple home-based professions or businesses without any male or female workers, these exemptions are not activated for no obvious reason; which increases the cost to home-based business licensees and deters them from applying for licenses. * Activating the exemptions provided for in articles (2) and (3) of the Professional License Fee Exemption Schedule with respect to new establishments for the first two years, as well as those run by women without labor. |

**6.2 Municipalities System**

* + 1. **Legislative Framework and Analysis Results**
       1. Legislative Framework

In Jordan, zones, land uses and relevant terms and conditions are determined and declared by municipalities in accordance with the Cities, Villages and Buildings Planning Law No. 79 for 1966 as amended and Buildings and Cities and Villages Planning Regulation No. 136 for 2016, such that a residential area can only be used for housing purposes and the Supreme Zoning Council may, by approval of the competent committee, approve the use of a residential area for the practice of a number of home-based professions.

Through various legislations, the competent municipality regulates professions and businesses within its boundaries. The municipality issues the necessary licenses for all professions in accordance with the procedures stipulated in the Professional Licenses Law No. 28 for 1999 which also specifies professional licensing fees.

Based on the Advertisement Licensing Regulations within Municipalities No. 76 for 2016, the competent municipality licenses the advertisement signs of shops through which professions are practiced, and collects advertisement fees. Based on the Regulation of Nuisance Prevention and Waste Collection Fees within Municipalities No. 68 for 2016, the competent municipality collects specific annual fees for waste collection, movement, treatment and disposal.

**Following are the numbers of relevant articles in the aforementioned legislations.**

|  |  |
| --- | --- |
| ***Legislation*** | ***Relevant Articles*** |
| Professional Licenses Law No. 28 for 1999 | *4, 5, 6, 8, 12, 13, 15* |
| Professional Licensing Regulations and Conditions for 2009 | *(2, 3, 4, 5, 6)* |
| Advertisement Licensing Regulations within Municipalities No. 76 for 2016 | *(4, 5, 6, 8, 10, 11, 13)* |
| Regulation of Nuisance Prevention and Waste Collection Fees within Municipalities No. 68 for 2016 | *(6, 9, 11)* |
| Cities, Villages and Buildings Planning Law No. 79 for 1966 as amended | *(33, 35)* |
| Regulation of Buildings and Cities and Villages Planning No. 136 for 2016 as amended | *(3, 4, 5)* |

**Following is a preview of the key provisions in said legislations**

1. **Professional Licenses Law No. 28 for 1999**

* This Law is the main legislation regulating professional licensing procedures within municipalities. Under Article (3) of this Law, anyone wishing to practice any profession in the city of Amman is required to obtain a license in accordance with the provisions of this Law and is also required to pay the professional license fee specified in schedule (1) attached to this law and considered part of it in accordance with the bases set out in article (7) of the Law which groups municipalities into first category and second category municipalities.
* Professional licenses are issued by decision of the mayor of the competent municipality in accordance with the conditions stipulated in the Professional Licensing regulations and Conditions for 2009 the key provisions of which are set out in Clause (2) below. Professional licenses are renewed annually in accordance with Article (12) of the Law which sets out license renewal procedures, while Article (14) requires anyone whose license is lost or damaged to apply to the municipality for a replacement license for a fixed fee of two dinars.
* Article (13) requires anyone wishing to obtain a professional license to present, upon applying for license issuance or renewal, a certificate from the competent authorities indicating that the relevant profession is licensed and the license applicant is registered with the chambers of commerce or industry of the competent authority under applicable laws.
* Under article (15), shops are inspected by decision of the mayor or financial accountant to verify their owners’ compliance with the provisions of this Law and the regulations and instructions issued pursuant thereto, and the mayor or finance accountant may decide to temporarily close any shop where a profession is practiced without license.

1. **Professional Licensing Regulations and Conditions for 2009**

* These Regulations set out the conditions and procedures for obtaining professional licenses, as well as the general conditions applicable to all businesses. These Regulations apply to everyone within municipalities.
* Under article (2) of these Regulations, anyone wishing to obtain a professional license is required to apply to the mayor using the relevant form. The same articles also sets out the data to be provided in the application including information about the license applicant such as the applicant’s name, home address etc. and data regarding the discharge from waste collection fees, zoning fees etc.
* Article (3) of the Regulations requires the business owner (license applicant) to be a Jordanian citizen and the shop to satisfy health and public safety conditions. Article (4) requires the approval of competent authorities for the purpose of practicing professions causing pollution or noise, involving explosive substances or disturbing general landscape, as well as trading in wood, steel, cement, pipes, livestock, cattle, poultry and the like, auto repair, craftsmanship and industrial occupations.
* Article (5) of the Regulations requires anyone wishing to practice any profession in a building to obtain a construction permit. Article (6) of the Regulations states that no one may practice any of the professions listed in schedule (1) to the Professional Licenses Law in force anywhere without obtaining the necessary approvals from the competent authorities the legislations of which require their approval prior to licensing.

1. **Advertisement Licensing Regulations within Municipalities No. 76 for 2016**

* Anyone placing an advertisement within a municipality is required to obtain the necessary license and pay the fees stipulated in accordance with the provisions of article (4) of these Regulations. The license application shall be submitted to the municipality using the relevant form together with the documents and data specified for this purpose by the municipal council.

(The annual fee for a sign fitted at the building entrance is two dinars per meter or fraction of a meter in municipalities of the first category. Municipalities of the second category charge (60%) of this fee and municipalities of the third category charge (50%) of the same.)

* The mayor shall issue the license within a maximum period of seven days as of the date of the council’s approval of the same. The license shall be annual and must be renewed within a maximum period of two years as of its expiry date; subject to the approval of the Mayor in accordance with article (5) of these Regulations.

1. **Nuisance Prevention and Waste Collection Fees within Municipalities Regulation No. 68 for 2016**

* Under article (9) of these Regulations, GAM shall, upon issuing or renewing a license, charge (20%) twenty percent of the fee payable for any professional license issued as per schedule (1) attached to the applicable Professional Licenses Law as a waste collection, movement, treatment and disposal fee; provided that the amount charged for the municipality is not less than JD (36) for first category municipalities, JD (24) for second category municipalities and JD (20) for third category municipalities.
* In the event anyone causes a health nuisance, the mayor or chairperson of the local council may, based on the health controller’s report, require said person to remove said hazard within the period and in the manner specified by the mayor or chairperson of the local council, otherwise he will be referred to the competent court and the mayor or chairperson of the local council may decide to remove the hazard at the expense of the offender.

1. **Cities, Villages and Buildings Planning Law No. 79 for 1966 (as amended)**

* Under this Law, zones in Jordan and land uses within zones are determined and declared. The same Law sets out the manner in which zoning plans and provisions shall be developed and amended.
* Article (33) of this Law states that craftsmen and industrial workers may only practice their crafts and industries in the places designated for such crafts and industries in accordance with established projects and regulatory provisions.
* Article (35) of the same Law requires anyone applying for a license to practice a profession in a building to obtain a permit from the competent zoning committee concerned with the use of said building for the purpose for which it is constructed.

1. **Building and Cities and Villages Planning Regulation No. 136 for 2016**

* The provisions relating to the uses of all types of land (residential, commercial, industrial) and the conditions and procedures relating to such uses are stipulated in these Regulations.
* Under article (5) of these Regulations, a residential area shall be used for the construction of residential buildings or any other purposes set out in the approved zoning plan. Under paragraph (c) of the same article, the Supreme Zoning Council may, subject to the approval of the competent committee, approve the use of a residential area for practicing certain home-based businesses provided that said businesses are practiced individually. Said businesses are exclusively set out in this paragraph, while the remaining articles of this Regulation set out the uses of residential, commercial and industrial lands and the conditions applicable thereto.
* The remaining articles of this Regulation set out the uses of residential, commercial and industrial lands and the conditions applicable thereto.

6.2.1.2 Legislative Analysis Results

Following is an analysis of key legislations relating to licensing home-based professions in municipalities.

|  |  |  |
| --- | --- | --- |
| **Legislation** |  | **Legislative Analysis Results** |
|  |  |  |
| 1. **Professional Licenses Law No. 28 for 1999** |  | * The recommendations regarding the Professional Licenses Law have already been provided. To avoid redundancy, please refer to the comments. |
|  |  |  |
| 1. **Cities, Villages and Buildings Planning Law No. 79 for 1966 as amended** |  | * Through its construction-related legislations represented by this Law and the regulations issued pursuant thereto, municipalities ensure that individuals and economic entities implement the requirements relating to construction processes and projects and monitors land uses. Competent zoning committees issue construction and building permits in accordance with the Law. * Article (35) of the Law requires anyone applying for a license to practice any profession or handicraft in a building to obtain a permit from the competent zoning committee concerned with the use of said building for the purpose for which it is constructed. * The Ministry of Municipalities and competent authorities need to re-examine this article; as professional licensing is regulated under the Professional Licenses Law in force which vests the licensing authority in the mayor who conducts physical inspections to verify buildings’ fitness for practicing the relevant professions and its satisfaction of the conditions stipulated in national building laws, and verifies compliance with land uses set out in the Cities, Villages and Buildings Planning Law in force. * Keeping this article would hinder the licensing of professions as it requires additional effort and time for issuing professional licenses. |
|  |  |  |
| 1. **Buildings and Cities and Villages Planning Regulation No. 136 for 2016** |  | * Sub-paragraph (3) of paragraph (c) of article (5) of this Regulation sets out the professions that may be practiced from home; which are:   ((Translation, printing, fashion design, marketing and advertising materials design, architectural drawing, financial; administrative and technological consultancy and services, information technology (software and web site development and design), online sale and marketing, sewing, embroidery, ornaments such as jewelry, ceramics, mat and carpet weaving, soap manufacturing, candles manufacturing, jams, bakery (cookies, pastry, cake, desserts), vegetables, herbs and legumes processing, making pickles of all types and Jameed (hard dry yoghurt) production)).  This exclusive specification of professions in this Regulation presents the target group of entrepreneurs with a closed list based on which entrepreneurs, professionals and women cannot start other possibly more needed and more profitable projects. Therefore, it is better not to list the professions in the Regulation, but rather state that a list of permissible professions will be developed as part of special regulations and appendices to be issued in the future.   * By studying the provisions of this Regulation, we find that practicing home-based professions in accordance with it is limited to natural persons and individual establishments registered in the commercial register while companies are not allowed, under this Regulation, to practice their businesses from home; which prevents the allocation of risks between partners, in addition to preventing benefiting from partners’ experiences. Therefore, it would be more appropriate not to stipulate the legal form of permissible home-based professions in the Regulation, but rather state that the same will be specified as part of the regulations to be issued in the future based on the Professional Licenses Law. * With respect to allowing employment in home-based businesses, sub-paragraph (3) of paragraph (c) of article (5) of the Regulation relating to practicing individual professions and businesses can be interpreted to mean that the business owner must work individually and may not employ anyone to work with him from home. Here we find that it would be better to allow the employment of a specific number of individuals who may, for instance, be residents of the same house; which helps create new job opportunities, particularly for young people and women. |

**6.2.2 Institutional System and Analysis Results**

6.2.2.1 Institutional System

The work team selected Zarqa Municipality in order to try and identify the institutional procedures relating to licensing home-based professions.

Within Zarqa Municipality, home-based professional license applications are submitted through the municipality’s six district offices throughout the city. Zarqa Municipality started granting home-based professional licenses almost three years ago. So far, licenses have been granted to 5 ladies all of which are in the food processing industry. Other than that, no licenses have been granted for any handicrafts or intellectual professions. Complete applications are determined within 2 to 4 weeks.

A license is granted upon the approval of the competent local committee; subject to the approval of the Ministry of Health in the event of food-related professions. Zarqa Municipality does not impose any conditions or limitations on the number of home-based workers.

The biggest challenge faced by home-based workers seeking professional licenses is the houses’ non-compliance with zoning conditions in most cases, in which case business owners need to end the relevant violations (such as violation of set-back or area requirements or architectural projections) which entail a substantial cost. Furthermore, most home-based licensees or license applicants in Zarqa are tenants, which renders the required modifications to buildings in order to end violations extremely difficult.

The table below shows the procedures for obtaining a home-based professional license within Zarqa Municipality

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **#** | **Procedure** | **Owner** | **Documents** | **Comments** |
| 1 | Applying for a home-based professional license | Applicant | * New professional license application form * Construction plan license or occupancy permit * Zoning plan * Land plan | * The application is submitted to the district office in which the house is located |
| 2 | Reviewing and commenting on the application | Municipal district office | * New professional license application form * Construction plan license or occupancy permit * Zoning plan * Land plan | * The application is reviewed by:  1. The Zoning Directorate 2. The construction permits section 3. The Buildings and Licenses Directorate |
| 3 | Inspecting the site | The professions section of the municipal district office |  | The application is inspected to verify zoning compliance |
| 4 | Inspecting the site | The health section of the municipal district office |  | The site is inspected to verify the satisfaction of health requirements of the municipality |
| 5 | Inspecting the site | Ministry of Health |  | The site is inspected to verify the satisfaction of health requirements of the Ministry of Health |
| 6 | Studying and determining the application | Local committee |  | * The local committee convenes once a week * There are no specific criteria for assessing and deciding on home-based professional license applications |
| 7.1 | If the application is refused, the applicant is notified accordingly | Municipal district office |  |  |
| 7.2 | If the application is approved, the necessary documents are requested to complete the licensing process | The professions section of the municipal district office |  | * In the event of approval, the following documents are requested:  1. Commercial registration certificate issued by the Ministry of Industry and Trade 2. Certificate of membership of the chamber of Commerce or Industry 3. House lease or title deed 4. Approvals of relevant government entities (if necessary) |
| 8 | Requested documents are submitted to the municipal district office | Applicant |  |  |
| 9 | Paying the fees | Applicant |  | * Professional license and health license fees are paid in accordance with the fees schedule attached to the Professional Licenses Law |
| 10 | Issuing the professional license | The professions section of the municipal district office |  |  |

6.2.2.2 Institutional Analysis Results

Following is an analysis of the institutional procedures for licensing home-based professions within Zarqa Municipality.

|  |  |  |
| --- | --- | --- |
| **Subject** |  | **Institutional Analysis Results** |
|  |  |  |
| 1. **With respect to procedures** |  | * The procedures for obtaining a professional license in Zarqa Municipality are generally clear and specified. However, the inspection is carried out separately by the Municipality’s professions and health sections; which prolongs the procedure. In addition, in the case of food-related professions which are the most common professions there, the inspection is carried out by the Ministry of Health the requirements and conditions of which are largely similar to those of the Municipality’s health section and although the Municipality stated that obtaining a home-based professional license takes 2 to 4 weeks, it is likely to take longer due to the long process involved. * Furthermore, practicing a home-based profession requires the approval of the local committee which, despite convening weekly, does not determine all the applications submitted to it due to their large volume, and does not give priority to home-based professions in its meetings; which prolongs the licensing process even further. * Authorizing district directors, rather than local committees, to approve the issuance of home-based professional licenses, and amending the legislations accordingly. * In order to amend the legislations such that they allow district directors to grant home-based professional licenses, specific criteria need to be developed for deciding on license applications in line with the relevant Regulations; such that applications are approved so long as they are complete. * Simplifying the home-based professions inspection procedures such that inspections are, if necessary, carried out in a timely manner without the need for requesting inspection by the Ministry of Health. * Setting a timeframe for granting the license from the date of receiving a complete application; such that a license is issued automatically and by law in the event the municipality fails to reply within the set period. We suggest this period to be two weeks. |
|  |  |  |
| 1. **With respect to requirements** |  | * One of the main problems encountered by those seeking home-based professional licenses in Zarqa is the need for the site to be compliant from a construction point of view with the construction and occupancy permits. Since many buildings in the city of Zarqa, particularly old ones, are from a construction point of view incompliant due to inadequate control, this often hinders the licensing. In addition, most home-based license applicants are tenants; which makes it difficult for them, even if they possess the financial ability to do so, to end the violations; because this requires the approval of the landlord. |

**Seventh: Proposed Institutional Model and Recommendations for Consultation**

The Royal Letter of Designation in September 2016 provided a clear strategic vision that requires all government entities to work together towards a sustainable economic and social development.

***Boosting our economy tops our national priorities. Accordingly, it is essential to continue with economic reform programs and efforts to develop the economy and realize our national goals. It is also important to advance and deliver specific well-planned laws, policies and measures that enhance the competitiveness of the economy … and limit unconducive red tape. These efforts are needed in order to generate jobs … it is equally important to continue executing recommendations agreed upon with the Economic Policies Council … Swift programs and measures that will be operationalized to boost the national economy and your ability to deliver results in this vital domain remain a national priority that has our utmost attention. These efforts must seek to achieve a fair distribution of developmental gains amongst different governorates. They should also provide means of economic resilience and growth to the middle class …. The government must continue executing developmental and productive programs on the local levels across all governorates. In doing so, it must pursue a sustainable developmental approach and increase the support provided for small and micro projects led by entrepreneurial youth in the governorates. It should support the country’s business environment ….”***

***From the Royal Letter of Designation to H. E. Prime Minister Hani Mulki (25th of September 2016)***

The recommendations of the Economic Policies Council also stressed the importance of facilitating home-based businesses (virtual offices) in order to allow more individuals to start their own businesses and projects with the lowest possible costs and procedures. The 24th recommendation states as follows:

**Recommendation 24: “To amend professional licensing regulations and legislations such that the home-based professional licenses include more professions throughout all Jordanian governorates.”**

Based on the above, and the results of the legal and institutional analyses and international best practices in this area, a new and simplified risk-weighted business model that meets the needs of the target group was proposed for consultation with stakeholders.

**7.1 The Proposed Nation-wide Model – For Consultation**

**7.1.1 The Proposed New Classification of Professions**

In order to clearly define professions and ensure that the list includes the largest number of professions sought by individuals and the market, it is proposed that professions be re-classified as follows:

|  |  |  |
| --- | --- | --- |
| **Classification** |  | **Proposed Professions – For Consultation** |
|  |  |  |
| 1. **Manual professions and handicrafts** |  | * Sewing / embroidery / carpet weaving * Candles and soap manufacturing * Pottery, ceramic and mosaic |
| 1. **Food-related professions** |  | * Production of jam, pickles, vegetables and herbs * Bakery products * Ready meals and desserts * Jameed, dairy products |
| 1. **Service-related professions** |  | * Technician, electrician, plumber, mobile barber, house cleaning, house painting * Advertising and promotion, general marketing * Real estate marketing, real estate management * Party and wedding planning * Care and sheltering services for children, seniors and people with special needs * Typing, secretarial services, photocopying and administrative services * Personal and funeral services |
| 1. **Creative professions** |  | * Fashion design * Jewelry design * Graphic design, web site design * Instruction (education, music, sport etc.) |
| 1. **Intellectual professions** |  | * Consultancy and studies (administrative, financial, technological, economic, social, educational, health, teaching, environmental, ICT, income tax, mining, geological, industrial, hotels, agricultural, customs.) |
| 1. **Regulated professions** |  | Professionals:   * Physician, engineer, lawyer * Tourist trip organizer, male / female tourist guide |

*Note: Consultations must be carried out on a wider scale with target groups in order to develop a final list.*

**7.1.2 The Licensing Model Based on the "Needs and Business Model" of the Business Owner / Professional**

Based on the needs of target groups discussed in section (3.1) above and in line with the principles of risk-weighted classification, the proposed home-based business licensing model was developed, under which municipalities / GAM classifies business owners into two categories (Category A and Category B) based on the following criteria:

|  |  |  |
| --- | --- | --- |
| **Category A** |  | **Those who wish to:** |
|  | * Work individually |
|  | * Work in a limited space |
|  |  |
|  | **Their business model:** |
|  | * Does not require employees |
|  | * Does not require contracts |
|  | * Does not require the registration of an establishment / company |
|  | * Does not require wide-scale provision of services or goods |
|  | * Does not require significant process management, procedures and technologies |
|  |  |  |
| **Category B** |  | **Those who wish to:** |
|  | * Work individually or in a group |
|  | * Work in a larger space |
|  |  |
|  | **Their business model:** |
|  | * Requires employees |
|  | * Requires contracts |
|  | * Requires the registration of an establishment / company |
|  | * Requires wide-scale provision of services or goods |
|  | * Requires significant process management, procedures and technologies |

Please, note that business owners in the various professions specified in the list above can apply to the municipality for a license to practice any permissible profession they desire and must, based on their needs and business models, choose the category they want; such that licenses are issued as per categories and relevant conditions.

However, there are some exceptions to this classification relating exclusively to regulated professions; as the business owner may only select category (A) due to the nature of the work involved.

Following are the criteria and procedures relating to the proposed model, and the terms, conditions and procedures applicable to “home-based professional licenses” in categories (A) and (B):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Criteria** |  | Category A |  | Category B |
|  |  |  |  |  |
| **Registration / Legal Form** |  | * Not required |  | * Individual establishment or * Joint liability / limited liability company |
|  |  |  |  |  |
| **Tax Registration** |  | * Requires registration with ISTD |  | * Requires registration with ISTD |
|  |  |  |  |  |
| **Licensing Procedures (Municipality)** |  | * Requires completing a form and notifying the municipality * The principle of “Silence implies consent” applies * Prior inspection is carried out depending on the level of risk involved |  | * The license application must be duly submitted to the municipality and the license will be issued * Prior inspection is required for licensing purposes |
|  |  |  |  |  |
| **Approvals** |  | * Does not require the approval of other authorities (except in special cases that need to be specified) |  | * Requires the approval of relevant authorities depending on the profession to protect public interest |
|  |  |  |  |  |
| **Employment** |  | * Employment is prohibited |  | * The owner of an individual establishment may employ (2) individuals * A company may employ (2) individuals; provided that the total number of home-based workers does not exceed (3) individuals including the partners |
|  |  |  |  |  |
| **Regulatory Requirements** |  | * 25% of the house for a maximum of 25 square meters * Not to affect the external shape of the building * Not to affect infrastructure, residential neighborhood or traffic |  | * 25% of the area for a maximum of 50 square meters * Not to affect the external shape of the building * Not to affect infrastructure, residential neighborhood or traffic |
|  |  |  |  |  |
| **Advertisements** |  | * A sign may only be fitted on the door of the house * Advertisements may be published |  | * A sign may only be fitted on the door of the house * Advertisements may be published |
|  |  |  |  |  |
| **Receiving Clients** |  | * Clients may be received in the house within customary limits |  | * Clients may be received in the house within customary limits |

**7.2 Proposed Legislative Amendments**

**7.2.1 Proposed Legislative Amendments - GAM**

**Home-based Professional Licensing Instructions for 2012**

The Home-based Professional Licensing Instructions for 2012, under which GAM regulates home-based businesses, also need to be amended in line with the model proposed in chapter one of this section. The following table shows the required amendments:

|  |  |  |
| --- | --- | --- |
| **Article No.** | **Content of the Current Article** | **Proposed Amendment** |
| 1 | The title and effective date of the Regulations | * No amendment |
| 2 | Definitions | * Deleting the definition of (profession) and stating in the provisions of the Regulations that permissible home-based professions will be set out by decision of GAM Mayor or GAM Council; to allow for the addition of new professions based on market needs. |
| 3 | List of professions | * Amending paragraph (b) of this article such that permissible professions are not part of the Regulations, but rather set out by decision of GAM Council. |
| 4 | Home-based professions approval conditions | * No amendment |
| 5 | License application procedures | * Amending paragraph (b) of this articles which requires anyone applying for a license under these Regulations to satisfy similar professional licensing conditions and requirements as those in force in GAM. * Categorizing home-based professions practiced under the decisions of GAM Council into simple and advanced professions, and incorporating an article in the Regulations setting out the bases for considering a professional practice simple or advanced. Said bases should take into consideration the volume of work required to practice the relevant profession, as well as productivity and the possibility of using home-based employees * If such categorization is established, the practice of simple professions should not require licensing pursuant to article (3) of the Professional Licenses Law for the City of Amman in force. Instead, GAM should be notified of the commencement of the relevant home-based business, and prior inspection should be regulated under a separate article. |
| 6 | General provisions of the license | * Amending paragraph (b) of this article which requires, for licensing purposes, the person to be registered in the commercial register or registered as a company; as many of these professions can, under relevant legislations, be practiced without registration in the commercial register. * Amending paragraph (d) of this article which states that a license shall be renewed annually in order to reduce the financial burden of those wishing to practice home-based professions; particularly in the first two years of practice. * Amending paragraph (e) of this article which requires the approval of relevant authorities; as a large number of professions that may be practiced from home do not originally require such approvals; such as sewing, embroidery, potteries and ceramics. |
| 7 | Conditions relating to the use of the part of the building designated for home-based business purposes | * Amending paragraph (a) by increasing the utilized area of the building to (25%) of the building for a maximum area of 25 meters for simple professions and 50% for advanced ones. |
| 8 | General conditions for practicing home-based professions | * Amending paragraph (a) by allowing individual establishments and companies to employ more than two employees. * Amending paragraph (d) by allowing those practicing advanced professions to publish advertisements including the location of the house. |
| 9 | Special conditions for practicing home-based professions | * Amending this article to allow: * Storing raw materials without affecting the building and environment. * Receiving clients in the house within customary limits. * Delivering products from the house. |
| 10 | Inspection procedures | * Amending this article; such that certain types of professions do not require prior inspection; such as consultancy services of all types, sewing and embroidery. |
| 11 | Violations | * Amending this article in line with the legal principle of progressive penalty rather than directly revoking the license. |
| 12 | License revocation | * Amending this article in line with the legal principle of progressive penalty rather than directly revoking the license. |
| 13 | Delegation | * No amendment |
| 14 | Annulments | * No amendment |

**7.2.2 Proposed Legislative Amendments - Municipalities**

1. **Buildings and Cities and Villages Planning Regulation No. 136 for 2016**

Sub-paragraph (3) of paragraph (c) of article (5) of this Regulation is the legal basis for practicing home-based businesses within municipalities. This provision sets out professions that may be practiced from home on an exclusive basis which is restrictive to those practicing professions; such that the addition of any new profession requires the amendment of the entire Regulation, which is time-consuming. Furthermore, the Regulation states that said professions shall be practiced on an individual basis; which prevents the employment of home-based workers and therefore prevents benefiting from their experience and does not help create job opportunities to reduce unemployment.

Therefore, this provision should be amended as follows:

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| **Proposed New Provision**  In addition to the provisions governing structural or detailed zoning plans, the following shall be taken into consideration with respect to residential areas:  c. The Council may use a residential area for the following purposes by virtue of regulations issued thereby for this purpose; subject to the approval of the competent committee:  3. Practicing certain home-based businesses and professions in accordance with the conditions established by the Council. Said businesses and professions, and relevant licensing procedures, shall be set out in the regulations issued for this purpose. |

1. **New Regulations Governing Home-based Businesses within Municipalities**

For the purpose of licensing home-based businesses within municipalities, special regulations need to be issued based on sub-paragraph (3) of paragraph (c) of article (5) of the Regulation of Buildings and Cities and Villages Planning No. 136 for 2016. We propose the following structure for said regulations.

|  |  |
| --- | --- |
| **Article No.** | **Article Content** |
| 1 | Title and effective date of the regulations  (Home-based Professional Licensing Regulations within Municipalities for 2017) |
| 2 | Definitions. The following should be defined:  The Law: The Professional Licenses Law in force.  The Regulation: The Regulation of Buildings and Cities and Villages Planning in force.  The Municipality: The competent municipality established pursuant to the Municipalities Law in force.  The Council: The municipal or village council, as the case may be.  The Mayor. The Mayor of the municipality.  The Licensee: The person licensed in accordance with the provisions of these Regulations.  The House: The residential house from which the practice of a profession is licensed in residential areas in accordance with the provisions of these Regulations.  A paragraph providing for the adoption of definitions set out in the Law and Regulation should be added. |
| 3 | **List of Professions**  A provision should be added stating that the professions that may be practiced under the Regulations shall be set out by decisions to be issued by the local council or Minister of Municipalities; subject to the addition of new professions based on market needs and the demand on new professions. |
| 4 | An article should be added stating that the **professions that may be practiced from home** as set out in the decisions of the municipal council or Minister of Municipalities, may be either simple or advanced based on the following factors:   1. The nature of work to be performed. 2. The nature and cost of the materials used. 3. The use of one or more workers to work from home. 4. Work volume and number of customers. 5. Whether the profession is practiced by companies or individuals. |
| 5 | **Conditions to be Satisfied by the Professions that may be Licensed**  These are the general conditions applicable to professions; such that they do not affect public safety and the environment, do not overburden the resources and infrastructure of the residential area, do not affect the existing building and do not produce poisonous or foul-smelling substances or the like. |
| 6 | **Licensing Procedures and Provisions**   * This article should state that anyone who practices a simple profession pursuant to article (4) of these Regulations shall be exempted from the licensing requirement and shall only notify the competent municipality. * It should also state that a home-based professional license shall be deemed an alternative for a regular professional license, and that the approval of other authorities for licensing purposes shall depend on the nature of the profession. * It should also state that license application shall be submitted to the mayor using an approved form, and that the Regulations shall specify the documents to be attached to the application. * It shall also state that the license applicant shall be the owner or tenant of the house or a member of the family of the owner or tenant who is a resident of the same house, and shall present proof of the house owner’s consent to using the house for practicing the relevant profession. |
| 7 | **License Issuance**   * The authority of the municipal council to issue licenses shall be subject to the satisfaction of the relevant conditions under the Regulations. * It should state that licenses shall be issued in the names of individuals, businesses and companies. * The license shall be valid for two years and shall be renewed subject to the satisfaction of the issuance conditions. * It should state that a simple practice of certain types of professions shall not require the approval of other authorities; as a home-based business license shall preclude the need for any other license. |
| 8 | **The Use of Home-based Workers**  To allow companies and individual establishments to employ home-based workers within controls, and explicitly allow partners to work together from home. |
| 9 | **Advertisement**  To incorporate a provision allowing companies and establishments to publish promotional advertisements referring to the location of the building in an absolute manner, and allow individuals to do the same in certain professions, in addition to allowing small signs to be fitted on the door of the house. |
| 10 | **Conditions for Practicing Home-based Professions**  To incorporate a provision setting out the controls on practicing home-based professions depending on the category of the professions, such that:   * Customers may be received in the house provided that neighbors are not disturbed and a maximum limit is set for the number of visitors. * Products may be delivered from the house / food products may not be offered for consumption from the house. * Raw materials and end products may be stored in a residential building in quantities that do not affect the residential use of the house. * Building specifications are set out in terms of ventilation, lighting and the availability of a designated area for preparation, production and storage, and other requirements. * Equipment-related conditions to protect the environment and public health. * Conditions relating to production processes in terms of the availability of a refrigerator to refrigerate and freeze certain food items and the like. * Food transport conditions in terms of using appropriate protective materials and refraining from disturbing the neighbors. |
| 11 | **Inspection**   * To incorporate a provision setting out the professions that do not require prior inspection in terms of not requiring a license, but rather inspection in order to verify the implementation of public health and safety procedures. * To incorporate a provision setting out the procedures for inspection for licensing purposes and subsequent inspection; provided that inspection is based on the level of risk the relevant profession imposes on neighbors and workers for the purpose of determining the frequency and nature of inspection visits. |
| 12 | **Penalties**  To set out possible violations; including practicing a home-based profession without license, violating license conditions, disturbing the neighbors or violating these Regulations, and establishing penalties in the form of small fines that may be aggravated if violations are repeated. |
| 13 | **License Revocation**  To set out license revocation cases; such as the death of the licensee, licensee’s request to revoke the license or non-satisfaction of license conditions; while recommending not to revoke a license as a penalty; because revocation of a license deprives the licensee from his financial resources and renders him unable to pay the fines that may be imposed on him under these Regulations. |
| 14 | **Delegation** |

**7.3 Institutional Modifications (GAM and Municipalities)**

**7.3.1 Proposed Home-based Professional Licensing Process Map**

Based on the proposed model, the following proposed procedures were designed in order to make the licensing process easier for business owners.

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|  | **Procedure** | **Owner** | **Documents** | **Comments** |
| 1 | Applying for a home-based professional license | Applicant | * New professional license application form * Lease / Landlord approval (if rented) * Building note | * The application is submitted to the district office in which the house is located |
| 2 | Reviewing and commenting on the application | Municipal district office | * New professional license application form * Supporting Documents | * The application is reviewed by The District Office |
| 3 | Studying and determining the application | Municipal district office | * New professional license application form * Supporting Documents | * The district office should coordinate with other entities to get any needed approvals. |
| 4 | Paying the fees | Applicant |  | * Professional license and health license fees are paid in accordance with the fees schedule attached to the Professional Licenses Law |
| 5 | Issuing the professional license | The professions section of the municipal district office |  |  |
| 6 | Risk Based Inspection | The professions section of the municipal district office |  | The Municipal team, and based on risk, can inspect some homes. |

Eighth: Recommendations and Future Action Plan

The recommendations regarding future challenges to the proposals based on legal and institutional analyses can be summarized as follows:

1. To strive to reach an agreement between participating entities on the recommendations relating to the development of the legislative and institutional systems and their impact on work procedures and legal and regulatory requirements. Government development and reform projects require the political will of decision makers in order to implement the recommendations and develop the new concepts which require a general regulatory policy to be complied with by all official entities; supported by a detailed action plan to implement the proposed recommendations.
2. Joint coordination in order to implement the legal and institutional recommendations; as this process sometimes needs a long period of time due to the many parties involved. Therefore, we recommend that a detailed action plan be developed by the participating official entities which should review their legal instruments based on approved policies and legal recommendations.
3. The need to consult regularly with stakeholders (public sector, private sector, unions, chamber of commerce and industry, individuals) on a wide-scale in order to complete the development of the legislative system and supporting institutional model and ensure support for policies and set objectives.
4. To conduct in-depth legal, financial and economic studies in order to develop the overall business start-up system; so as to ensure its development in line with the strategic objectives relating to supporting the owners of micro, small and medium enterprises.

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|  | Task | Timeframe | Owner |
| 1 | Holding the initial consultation sessions to discuss the report and recommendations and decide thereon. | January 2017 | Project committee:   * Ministry of Industry, Trade and Supply * Greater Amman Municipality * Ministry of Municipal Affairs * Municipalities * USAID Local Enterprise Support Project (LENS) * Stakeholders |
| 2 | Amending relevant legislations. | February 2017 |
| 3 | Making the necessary institutional modifications to simplify the procedures | March 2017 |

1. https://www.researchgate.net/file.PostFileLoader.html?id=5761d3f6217e2016e7226299&assetKey=AS%3A373367036235777%401466029046272 [↑](#footnote-ref-1)
2. Legalization of Home Based Businesses In Jordan, USAID Economic Development Program, September 2008 [↑](#footnote-ref-2)
3. There is no precise definition of gender as referred to in the report; as it includes individuals (male and female young people and men and women in general without specifying the age group). [↑](#footnote-ref-3)
4. “Jordan 2025 Document”, <http://inform.gov.jo/Portals/0/Report%20PDFs/2.%20Human%20&%20Social%20Development/Jordan%202025.pdf> [↑](#footnote-ref-4)
5. https://www.businessforhome.org/2012/07/home-based-business-in-america/ [↑](#footnote-ref-5)
6. http://www.greatbusiness.gov.uk/home-businesses/ [↑](#footnote-ref-6)
7. http://www.csc.org.sa/Arabic/WomenCommittee/Achiv/Pages/ch4.aspx [↑](#footnote-ref-7)
8. http://www.doingbusiness.org/data/exploreeconomies/jordan/ [↑](#footnote-ref-8)
9. <http://data.worldbank.org/country/jordan> [↑](#footnote-ref-9)
10. <http://web.dos.gov.jo/sectors/economic/economy/establishments-census/?lang=ar> [↑](#footnote-ref-10)
11. <http://www.dos.gov.jo/dos_home_a/main/linked-html/Emp_unEmp.htm> [↑](#footnote-ref-11)
12. <http://www.mop.gov.jo/echobusv3.0/SystemAssets/pdf/Reports/informal%20sector%20panoramic%20study%20final.pdf> [↑](#footnote-ref-12)
13. <http://www.jordanlens.org> [↑](#footnote-ref-13)
14. <http://www.jordanlens.org> [↑](#footnote-ref-14)
15. <http://data.worldbank.org/country/jordan>, “Poverty headcount ratio at national poverty lines (% of population)”- Jordan2010 [↑](#footnote-ref-15)
16. Department of Statistics [↑](#footnote-ref-16)
17. State of Poverty in Jordan Report 2012 [↑](#footnote-ref-17)
18. State of Poverty in Jordan Report 2012 [↑](#footnote-ref-18)
19. State of Poverty in Jordan Report 2012 [↑](#footnote-ref-19)
20. Information provided by Greater Amman Municipality [↑](#footnote-ref-20)