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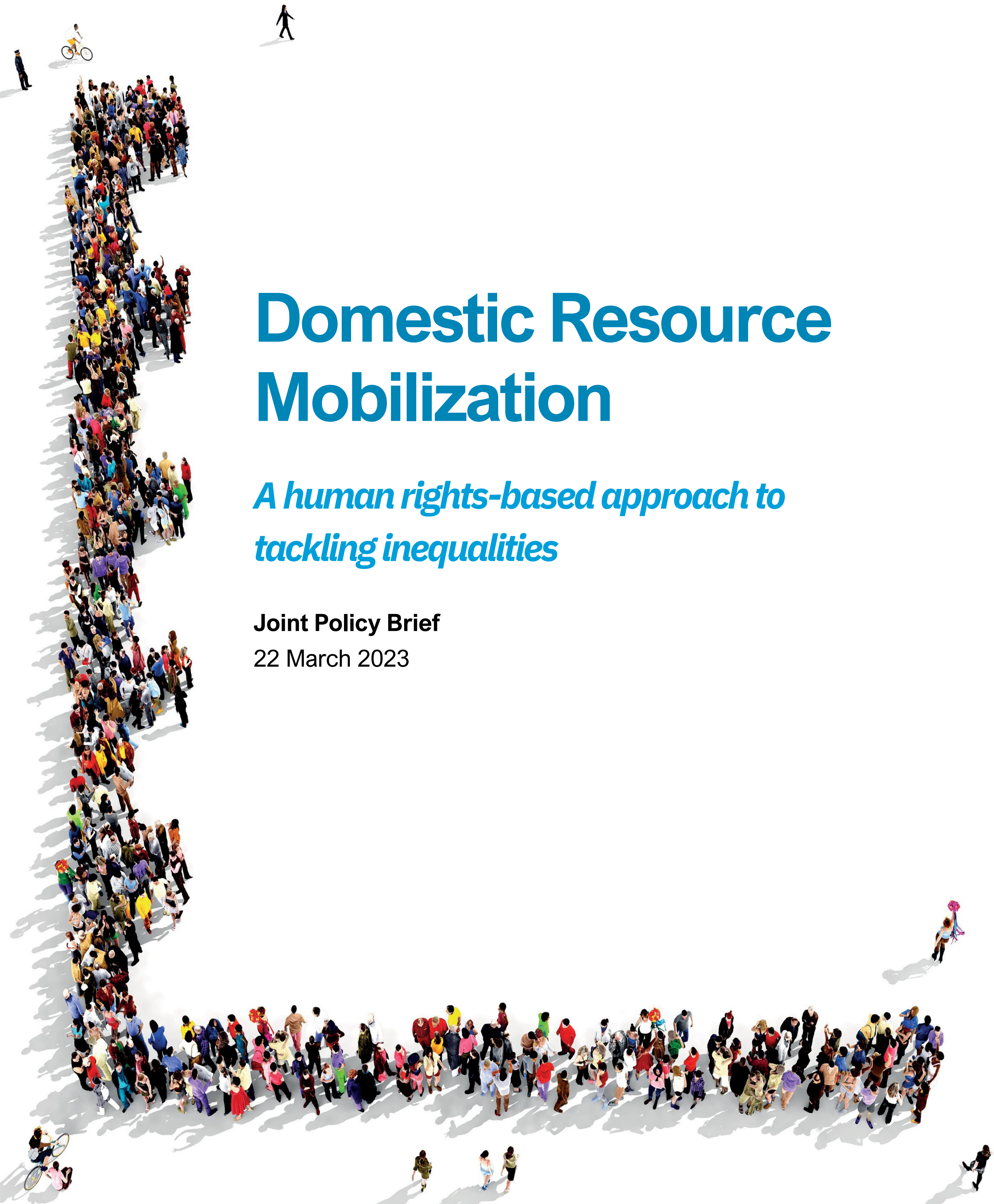
HUMAN RIGHTS 75

المجلس الاقتصادي والاجتماعي الأردني
Economic & Social Council of Jordan



Domestic Resource Mobilization

A human rights-based approach to tackling inequalities

Joint Policy Brief
22 March 2023

Preface

This year marks the 75th anniversary of the Universal Declaration of Human Rights - Human Rights 75. The Declaration reminds us that the "inherent dignity and equal and inalienable rights of all members of the human family is the foundation of freedom, justice and peace."

Human rights are rights we have simply because we exist as human beings. They are inherent to us all, regardless of nationality, sex or ethnic origin, colour, religion, language, or any other status. They range from the most fundamental - the right to life - to those that make life worth living, such as the rights to food, water, education, work, health, and liberty.

The 75th anniversary of the adoption of the Universal Declaration of Human Rights is a reminder that we need to ensure the same emphasis on all human rights – civil, political, economic, social and cultural, and the right to development.

At the same time, the realization of all human rights, which also lie at the heart of the 2030 Agenda for Sustainable Development, needs the financial resources to do so.

This policy brief seeks to highlight the importance of mobilizing the necessary resources to invest in economic, social and cultural rights, and to reposition public expenditure to prioritize people's needs and rights. This implies reviewing economic and fiscal policies as to their impact on human rights, whether human rights principles are applied in the design of more redistributive, fair and just fiscal policies and it also includes providing support to participative, inclusive, transparent and accountable budget processes that allow the public and civil society to "follow the money" - bolstering trust in Government, and ensuring that policies will be more effective and advance people's rights. In the end, as the United Nations High Commissioner for Human Rights put it, we are looking for a "human rights economy which seeks to redress root causes and structural barriers to equality, justice, and sustainability, by prioritizing investment in economic, social and cultural rights." We seek to deliver maximum social protection, and quality education and healthcare for all; access to justice and rule of law; effective climate and environmental action; fundamental freedoms, and the broadest possible civic space. And to ensure that business models and economic policies are guided by human rights standards.

The policy brief is very timely to support the Economic, Political and Administrative reform processes. As His Majesty King Abdullah II advised in addressing the Parliament in November 2022: "The vision is clear and the only way forward is through action and achievement to build a new Jordan—a modern state rooted in participation, active citizenship, the rule of law, and dedicating all available resources to development; a state led by its young men and women, with their limitless aspirations and relentless resolve."

We hope this policy brief can contribute to bring a human rights-based approach to discussions in Jordan on economic and fiscal policies.

Prof. M. Shteiwi

President of the Economic and Social Council of Jordan

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United Nations Resident Coordinator in Jordan

Introduction

The Ministry of Finance of Jordan published its General Government Finance Bulletin November 2022, for the country's public finance statistics for the first ten months of 2022.[1] Domestic revenues had significantly increased, from 19.9 per cent in 2020 to 23.7 per cent in the first ten months of 2022 as a share of gross domestic product (GDP), compared with the same period of 2021. Foreign grants declined from JD 573.7 million in the first ten months of 2021 to JD 128.5 million in the same period of 2022. On the expenditure side, the imbalance between current and capital expenditures continued and, as shares of GDP, they reached 26.3 per cent and 4.2 per cent respectively in the first ten months of 2022.

The overall budget deficit (excluding grants) in the first ten months of 2022 increased in level (by JD 51 million) but as a ratio of GDP decreased from 7.1 per cent in the first ten months of 2021 to 6.8 per cent in the same period of 2022, due to the austerity measures that were implemented through the International Monetary Fund (IMF) programme. The debt stock gradually increased to 110.7 per cent in the first ten months of 2022 as a share of GDP, compared to 110.2 per cent in 2021. The debt stock-GDP ratio increased by 16.5 per centage points in October 2022 when it is compared with its level in 2019.

> *A **human rights economy** seeks to redress root causes and structural barriers to equality, justice, and sustainability, by prioritizing investment in economic, social and cultural rights.*
>
> **Volker Türk**
>
> United Nations High Commissioner for Human Rights

The decline in the budget deficit as a share of GDP is mainly driven by indirect tax increases, especially on goods and services which disproportionately affects people with a low income contradicting a progressive, fair, and equitable tax system. And this structure is not sustainable and needs to be changed through progressive measures on income tax and environmental tax, that lessen income inequality.

As this policy paper outlines, Government revenues are not in pace with its development priorities, are not sufficiently addressing inequalities and necessitate more accountable and transparent resource mobilisation. Jordan faces challenges of chronic debt accumulation, which may have severe effects, especially after 2025 when the country will have to start repaying its concessional loans. This paper provides a human rights-based analysis of the budget (revenue collected) to establish and determine the maximum available resources (MAR) needed to reallocate the Government's financial resources and foster long-term economic growth.

In line with the national priorities including the economic modernization vision, and the public sector and political modernization reforms that aim to improve the quality of life, access to public services, political participation of youth and women and strengthen the capacity of the public sector, it establishes which groups may be most detrimentally affected and what measures are needed to address this and to leave no one behind.

The main purpose of this policy paper is to inform decision makers and partners and to promote critical engagement between the UN entities, Government representatives, civil society, and the public at large on the importance of mobilizing the necessary resources to reverse an underinvestment in economic, social and cultural rights, and to reposition public expenditure to prioritize people's needs and rights.

United Nations normative and policy framework

> *To recover better, we need an economy that puts human beings and rights at the centre of economic policy. One that invests in health, social protection, and other human rights to curb inequalities and discrimination; embraces progressive taxation, labour rights, and decent work; and promotes meaningful public participation and civic spaces.*
>
> *This human-rights-based approach to the economy is an essential lever to relaunch and accelerate our path toward realising the United Nations 2030 Agenda for Sustainable Development.*[2]
>
> **Michelle Bachelet**
> Former United Nations High Commissioner for Human Rights in IMF Reflections on a Healthy Society.

Jordan is committed to implementing the 2030 Agenda for Sustainable Development and to leaving no one behind. It reported on the implementation of the 2030 Agenda in July 2022 at the high-level political forum on sustainable development through submitting a voluntary national review (VNR) report.[3] The 2030 Agenda is grounded in human rights.

Jordan has ratified the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, as well as a number of other human rights treaties, and it is obliged to regularly report on the implementation of these Covenants and treaties.[4]

> Maximum of available resources (MAR) means that a Government must do all that it can to mobilize resources within the country in order to have funds available to progressively realize economic, social and cultural rights.

Realizing the 2030 Agenda means realizing human rights, especially economic, social and cultural rights. The concept of “progressive realization” describes a central aspect of States’ obligation under international human rights law to take appropriate measures towards the full realization of economic, social and cultural rights to the maximum of their available resources. The reference to “resource availability” reflects a recognition that the realization of these rights can be hampered by a lack of resources and can only be achieved over a period of time.

At the same time, a lack of resources cannot justify inaction or indefinite postponement of measures to implement these rights. Some rights do not require significant resources to begin with (e.g. the right to form and join trade unions and to strike, or the obligation to protect children and young persons from economic and social exploitation). States should not allow existing standards to deteriorate, and they must meet minimum core obligations (e.g. to provide free and compulsory primary education for all). In any case, the obligation to use the maximum available resources means that a Government must do all that it can to mobilize resources within the country in order to have funds available to progressively realize economic, social and cultural rights.[5] This can be achieved through collecting tax and non-tax revenues efficiently.

The Jordan context

Jordan is classified as an upper-middle-income country.[6] Gross domestic product per capita in current prices increased by 2.6 times, from JD 1207.6 in 2000 to JD 3128.1 in 2021.[7] Economic growth averaged 4.2 per cent in the period from 2000 to 2021 due to high growth performance (6.5 per cent) in the first half of this period.[8]

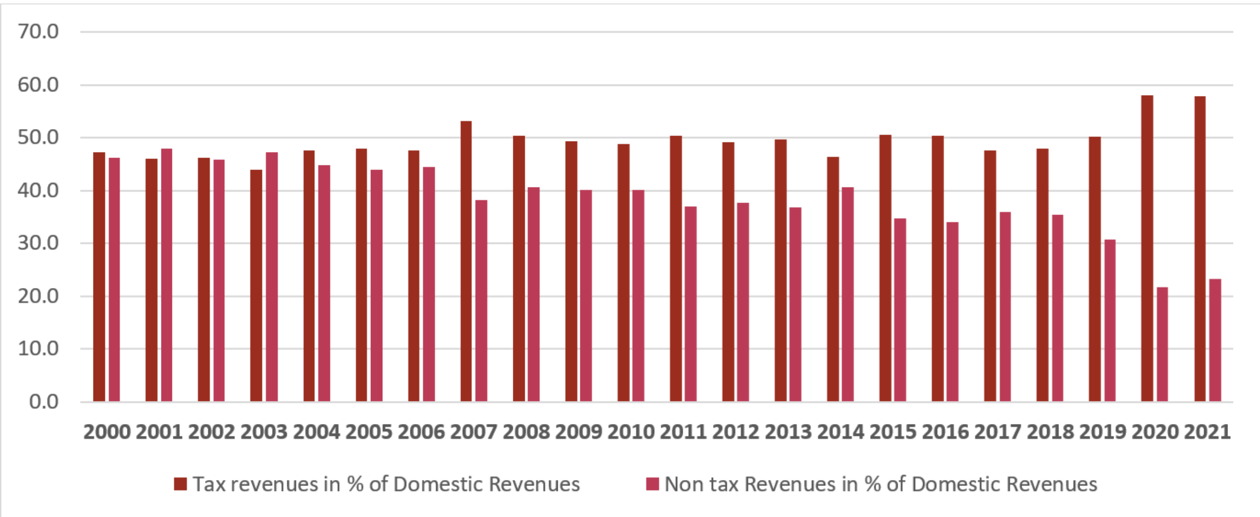
Over the past two decades, laws, by-laws and tax regulations have been subject to reforms, with numerous reviews and changes. The tax structure was changed over the years from 2000 to 2021 through increasing the share of direct taxes on domestic revenues from 21.7 per cent in 2000 to 33.1 per cent in 2021 and by increasing the share of indirect taxes from 48.4 per cent to 54 per cent. For example, the general sales tax (GST) constitutes around 69.9 per cent of tax revenue collection and is considered as the major source of revenue in 2021.[9] About 20.4 per cent of tax revenue collection came from income tax and 5.9 per cent from trade taxes in the same year.

However, after three decades of structural reforms, the economy still faces significant challenges that exist due to import dependency, regional crises, fragmented labour market structure resulted in inequality, corruption, and the high poverty rate. These challenges, accompanied by slow economic activity, particularly after the global financial crisis in 2008, along with an increase in public spending, have led to a high budget deficit, which stood at JD 2,533.9 million (excluding grants, 7.8 per cent of GDP) in 2021, and high public debt, which stood at 110.2 per cent of GDP[10] and continued to increase and reached to 110.7 per cent of GDP in October 2022.

The share of non-tax revenue on domestic revenues significantly decreased from 46.3 per cent in 2000 to 23.3 per cent in 2021.[11] One of the main reasons for this decrease is related to the measures taken by the Government to contain the COVID-19 pandemic. Due to some economic activities stopping in the country, non-tax revenues (from selling goods and services, property income and other miscellaneous revenues) significantly declined. In 2021, the revenues collected by the Government covered about 84.7 per cent of Government spending, while the rest was financed by loans and grants.[12]

The Government is committed to three critical reforms - the economic modernization vision, public sector reform, and the political modernization process - with well- defined roadmaps which are also interlinked with the implementation of SDGs and achievement of the 2030 Agenda.

Figure 1: Tax and non-tax revenues (% of total domestic revenues; current prices)



Source: General Government Finance Bulletin, various issues.
Available at: https://www.mof.gov.jo/EN/List/General_Government_Finance_Bulletins.

What is the legal, institutional and historical context for taxation in Jordan?

The **legal framework for taxation** in Jordan originates from the Constitution, which provides general tax principles that must be followed and guides the Government in endorsing further tax laws. Article 111 of the Constitution stipulates that "[n]o tax or duty shall be imposed except by law; and they shall not include the kinds of fees which the Treasury charges for the services rendered by Government departments to individuals or in consideration of benefits accruing to them from the State domain. In imposing taxes, the Government shall apply the principle of progressive taxation, along with the attainment of equality and social justice; and provided that such shall not exceed the capacity of taxpayers and the State's need for funds."[13] Furthermore, any amount of tax levied shall not exceed the ability of those taxed and the actual need of the State for funds.

The legal framework that seeks to apply these principles includes:

- Customs Law No 20 .of 1998, as amended.[14]
- Income Tax Law No. 34 of 2014, as amended by Income Tax Law No. 38 of 2018.[15]
- General Sales Tax Law No. 6 of 1994, as amended by General Sales Tax Law No. 29 of 2009.[16]

Government decrees, regulations and instructions also form sources of tax law in Jordan. Other regulations and laws such as the Investment Law, the Company Law, the Renewable Energy and Energy Conservation Law and the Aqaba Special Economic Zone Authority Law aim to regulate taxes on the profits and income of individuals and corporate income tax, as well as fees. In some cases, those legal frameworks offer investors incentives and exemptions from customs duties and the general sales tax. The Income Tax Laws provide the framework for progressive taxation in Jordan. Income Tax Law No. 34 of 2014 and Income Tax Law No. 38 of 2018, which amends the 2014 law, have created six progressive tax brackets.

The Constitution of Jordan, legislation, Royal Discussion Papers, the Economic Modernization Vision, Public Sector Modernization Reform, Political Modernization Reform, the Government Priority Plan 2020–2021, ministerial strategies and the Comprehensive National Plan for Human Rights 2016–2025 guarantee non-discrimination and equality and safeguard civil, political, economic, social and cultural rights, (including the rights to work and education), personal freedoms (including freedom of expression and association) and access to information.[17]

Jordan has many **bilateral trade agreements and other agreements to avoid double taxation**. Jordan is a member of the World Trade Organization (WTO) and of the Greater Arab Free Trade Area (GAFTA) and is a signatory to the Agadir Agreement. Jordan is also a party to the European Union Association Agreement and the Barcelona Declaration. It has entered free trade agreements[18] with the United States of America, the States of the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland), Singapore and Canada. There are around 39 agreements to avoid double taxation and to promote cross-border trade and investment,[19] about 55 bilateral free trade agreements and investment treaties, and seven free trade agreements allowing access to regional and international markets.[20]

In general, most free trade zones and industrial estates provide many investment incentives and tax and customs exemptions. However, the free zones are outside of the jurisdiction of Jordan Customs and provide a duty-free and tax-free environment for the storage of goods transiting Jordan.[21]

As to the **historical context**, following the financial crisis of 1989, Jordan embarked on deep structural and fiscal reforms, as well as the liberalization of its trade system and the privatization of public entities, with support from IMF and the World Bank, and this has significantly affected the country's tax system. The Jordan Reform Matrix (2018–2024) covers revenue mobilization and debt management, public sector efficiency, reducing business costs, investments and exports, access to credit, the labour market, safety nets, transportation, energy, water, agriculture and tourism. There are seven cross-cutting (horizontal) and four sectoral (vertical) dimensions to the Matrix. As of February 2021, 130 reforms have been implemented out of 338. In these reforms, intermediate results shall be determined by the end of 2022 and outcomes by 2025. These intermediate results and outcomes are consistent with the ongoing IMF programme in terms of macroeconomic and fiscal stability, employment creation, exports and increases in investment. Furthermore, the World Bank has supported the Reform Matrix, led by the Ministry of Planning and International Cooperation, since its launch at the London Initiative 2019.

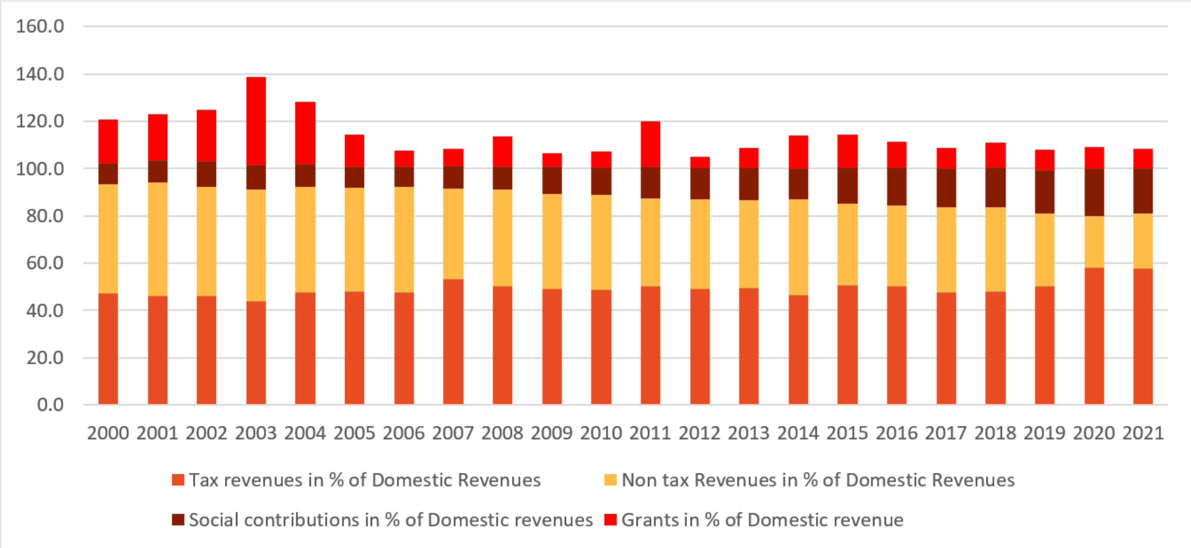
During the last three decades, Jordan applied subsidy schemes on prices of vital goods such as fuel and bread in order to protect the purchasing power of households.[22] However, these subsidies are fiscally costly and have led to structural changes in the economy, both for the Government and for households. They need to be reformed, taking into account the need to progress on meeting some Sustainable Development Goal targets (e.g. for Sustainable Development Goals 7 and 12) without losing momentum on realizing others (such as for Sustainable Development Goals 1 and 13). Some subsidy reforms such as those for bread or the reform of electricity tariffs, which commenced on 1 April 2022,[23] support Jordanians living in a vulnerable situation while leaving behind the impoverished middle class and non-Jordanians living in a vulnerable situation, in particular female-headed households, migrants (in both regular and irregular situations), and Syrian, Palestinian and other refugees.

Good reform practices during previous tax reforms included measures to increase corporate income tax, to introduce a national contribution tax or capital gains tax, and those to reduce tax allowances and exemptions while at the same time increasing tax rates for higher-income individual taxpayers. Moreover, the number of income tax brackets for individuals increased from three to six, with a top marginal rate of 30 per cent.

How does the Government generate revenue?

The Government's domestic revenue comes from both tax and non-tax revenues. Tax revenues consisted of around 57.9 per cent of Government domestic revenue and about 18 per cent of GDP in 2021. Non-tax revenue yielded around 23.3 per cent of Government domestic revenue and around 7.1 per cent of GDP in 2021. The third source of Government revenue is social contributions, which include contributions for the Social Security Corporation and the Government Pension Fund. Social contributions as a share of Government domestic revenues increased from 8.8 per cent in 2000 to around 19.1 per cent in 2021, representing about 6 per cent of GDP. Foreign aid and grants to Jordan decreased from their maximum amount of JD 1,055.5 million in 2018 to JD 819.2 million in 2021. Figure 2 shows the main sources of Government revenue and the development of the tax structure between 2000 and 2021.

Figure 2: Sources of Government revenue (% of total domestic revenues; current prices)



Source: General Government Finance Bulletin, various issues.

The **general sales tax (GST)** constitutes the main source of Government tax revenue, at 69.9 per cent of tax revenue and 40.5 per cent of Government domestic revenue in 2021, while income tax constitutes only 20.4 per cent of tax revenue and 11.8 per cent of Government domestic revenue.[24] The tax system of Jordan is complicated.[25] For example, there are five sets of sales tax rates, ranging from zero to 16 per cent. The majority of goods and services are subject to 16 per cent sales tax, while other goods are subject to a series of special taxes, ranging from 4 per cent to 10 per cent, that can be imposed instead of or in conjunction with GST; other goods or services, such as rice and wheat, can be either exempted from sales tax entirely or classified as having a sales tax rate of 0 per cent, as in the case of fertilizers. It was found from an examination of the composition of sales tax during the COVID-19 period that taxes on domestically produced goods had the highest increase among the various components of sales tax.

The current **personal income tax system**, governed by Income Tax Law No. 38 (2018), with its six tax brackets, **is more progressive than the previous one**.[26] The current law provides a framework for a progressive tax system, with six progressive tax brackets. The income tax share of all tax revenues increased from 16.1 per cent in 2000 to 20 per cent in 2018 and to 20.4 per cent in 2021. Income tax from individuals, employees and corporate entities as a share of GDP increased from 2.6 per cent in 2000 to 3.6 per cent in 2021. This constitutes around 20.4 per cent of tax revenues and about 11.8 per cent of Government domestic revenues for the same year.

Table 1 below compares tax brackets under the previous Income Tax Law of 2014 and those under the current Income Tax Law of 2018, which shows how one can apply targeted exemptions efficiently in response to changing socioeconomic conditions in the country.

Table 1: Taxable income and income tax brackets

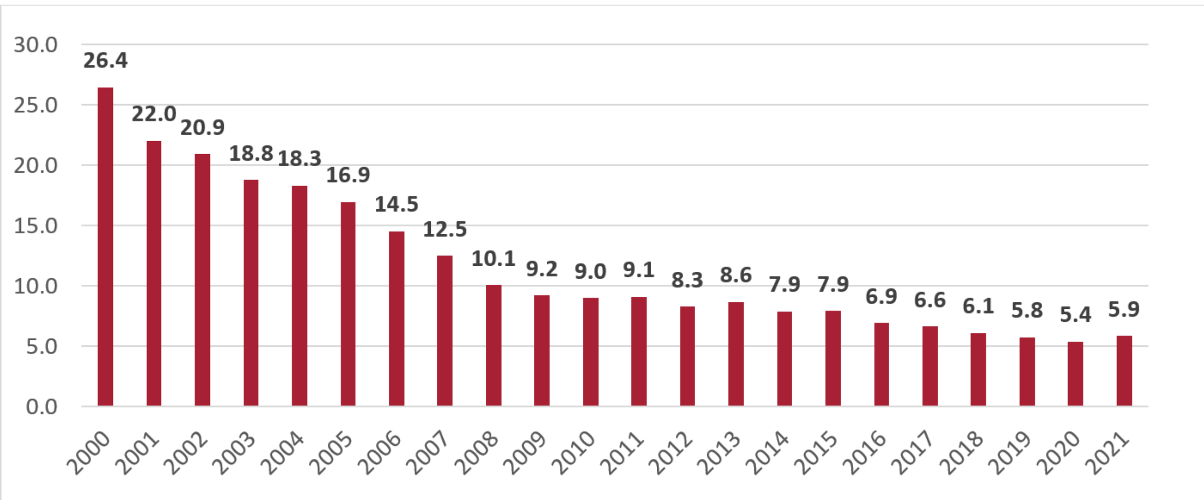
Income Tax Law of 2014		Income Tax Law of 2018		Average Tax Rate
Income Bracket (JD)	Tax Rate	Income Bracket (JD)	Tax Rate	
1 – 10,000	7%	1 – 5,000	5%	7.5%
		5,001 – 10,000	10%	
10,001 – 20,000	14%	10,001 – 15,000	15%	17.5%
		15,001 – 20,000	20%	
More than 20,000	20%	20,001 – 1,000,000	25%	27.5%
		More than 1,000,000	30%	

Sources: Income Tax Law No. 34 of 2014 and Income Tax Law No. 38 of 2018

The current income tax system is expanding the tax base by lowering the annual exemptions offered to individuals and dependents from JD 12,000 to JD 10,000 for 2019 and to JOD 9,000 for all subsequent years. The annual minimum wage of JD 3,120 is exempted from income tax, but is subject to payroll tax equal to a 7.5 per cent employee contribution and a 14.25 per cent employer contribution. This means that **a greater number of vulnerable households are contributing to the tax system indirectly**. **An increase to the number of brackets and adjusting the top marginal rate to 30 per cent could help reduce income inequality**.

Customs duties are the third source of Government tax revenues. These duties' share of taxes was decreasing yearly, from 26.4 per cent in 2000 to 5.9 per cent in 2021. This decrease reflects the country's commitments to bilateral and multilateral trade agreements that aim to remove all tariffs on trade with other countries. Figure 3 shows the reduction in customs duties as a share of tax revenues from 2000 to 2021.

Figure 3: Customs duties (% of tax revenues; current prices)

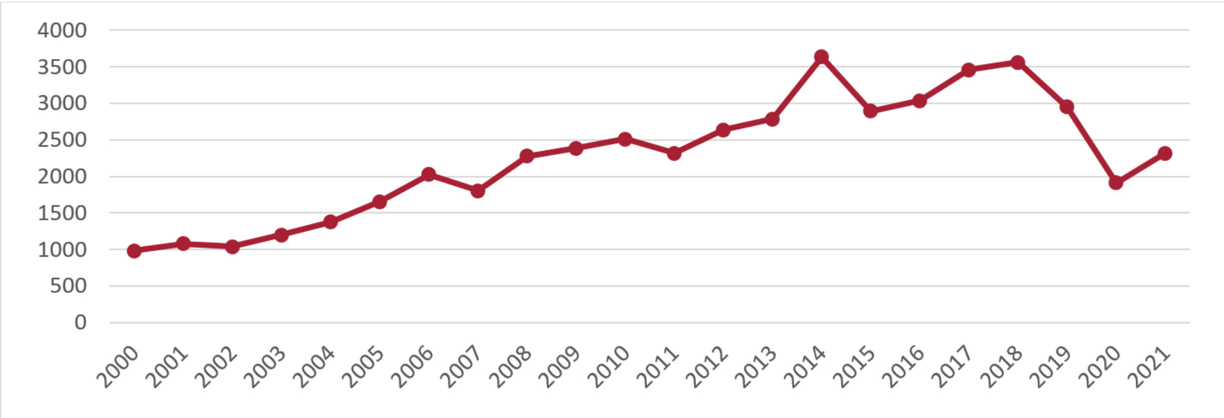


Source: General Government Finance Bulletin, various issues.

The fourth source of tax revenues is **additional taxes and real estate tax**. Additional taxes decreased between 2000 and 2021, from 11.1 per cent in 2000 to about 3.8 per cent in 2021 since the majority of additional taxes were eliminated in 2010 to simplify the tax system.

Non-tax revenues consist of several types of fees, licences, interest, profits and mining and other revenues. In 2021, non-tax revenue represented around 23.3 per cent of general Government revenues and about 7.1 per cent of GDP. Fees and licences increased as a share of non-tax revenues from 30.2 per cent in 2000 to 43.4 per cent in 2021 and constituted 10.1 per cent of Government domestic revenue in 2021. Fees and licences refer to an amount of money paid by an individual or business to a Government agency for the privilege of performing a certain service or engaging in a specific business. They are indirect taxes used for regulated individuals and commercial activities. Government agencies' interest and profits decreased as a proportion of non-tax revenue from 27.4 per cent in 2000 to 15.4 per cent in 2021.

Figure 4: Non-tax revenue (million JD; current prices)



Source: General Government Finance Bulletin, various issues.

How does the Government generate revenues at the provincial level?

The number of municipalities in Jordan is around 100, excluding Greater Amman, the Aqaba Special Economic Zone and Petra. These 100 municipalities are classified into three types based on their location, population and financial performance. Type A includes 12 municipalities, type B includes 65 municipalities and type C includes 23 municipalities.[27]

According to the Local Administration Law No. 22 of 2021, municipalities are private associations and are financially and administratively independent.[28] The Law gives municipalities the right to levy and collect a limited range of local taxes and fees, while own-source revenue mobilization is weak because of inefficient tax and fees enforcement and collection.[29] Municipalities are considered local service providers to the population living within their boundaries. The main sources of revenue for municipalities are local taxation, fees, charges and transfers from central Government.

A common characteristic of municipalities is their dependency on central Government revenues. For example, some types of taxes and fees such as fuel tax,[30] vehicle registration licence fees, traffic fines and other fines are collected by the central Government and transferred to municipalities, representing 32 per cent of total revenues for municipalities in 2021. At the same time, municipalities only receive a very small share of the central budget – less than 15 per cent.[31] Municipalities' capital spending decreased from JD 94 million in 2016 to JD 47.3 million in 2021.

Table 2 shows the main sources of revenue collected by type A, type B and type C , which represent all municipalities in the country. Between 2016 and 2021, own-source revenues for municipalities constituted, on average, 64.4 per cent of total revenues.

Table 2: Sources of revenue for municipalities (million JD; current prices)

	2016	2017	2018	2019	2020	2021	% change 2020/2021
Fuel tax share	109.9	114.9	119.0	160.3	82.6	95.0	15.0%
Licences	9.0	9.7	9.7	9.7	4.3	2.7	-37.5%
Tax and fees	143.3	135.7	169.3	125.4	97.1	94.5	-2.7%
Vocational fees	5.1	4.6	4.7	4.6	3.8	4.6	21.4%
Land and construction licences	15.2	18.2	13.5	11.6	9.4	12.9	36.9%
Returns	14.6	14.2	19.4	13.5	11.3	11.1	-2.3%
Fees	9.9	9.5	10.2	9.7	8.5	7.3	-14.0%
Trash collection services	17.1	18.9	20.9	23.6	16.3	26.5	62.1%
Other revenues	33.6	33.7	37.4	29.9	22.2	26.1	17.8%
Shares	9.8	11.9	37.0	14.5	11.4	15.0	30.7%
Rent	8.3	8.3	8.2	7.7	7.9	12.3	55.0%
Project revenues	0.08	0.10	0.28	0.10	0.21	0.19	-11.8%
Interest	1.4	0.7	0.5	0.8	0.8	1.8	111.2%
Financial investment	0.9	3.0	2.1	2.8	1.7	2.3	35.7%
Own-source revenues	248.6	249.7	295.6	234.0	179.5	198.4	10.6%
Total revenues	**368.3**	**376.4**	**451.6**	**408.9**	**273.6**	**308.4**	**12.7%**

Source: Ministry of Local Administration, 2023. Available at https://www.mola.gov.jo/Ar/List.

Own-source revenues collected by municipalities witnessed fluctuations during the period from 2016 to 2021. They increased from JD 248.6 million in 2016 to JD 295.6 million in 2018 but decreased to JD 234.0 in 2019 and, with the impact of the COVID-19 pandemic, to JD 179.5 million in 2020 (i.e., total own-source revenues decreased by 23.3 per cent from 2019 to 2020). This latest decrease in total revenue is due to a 48.4 per cent reduction in municipalities' fuel tax share and a 33.1 per cent decrease in own-source revenues. Own-source revenues from all 100 municipalities have shown a decrease from 2018 to 2020 but increase in 2021.

These figures indicate that the ability of municipalities to mobilize more revenue is limited by the law, weak collection, exemptions and dependency on the central Government. Revenue collected by municipalities provides certain services related to waste management and collection. **In practice, the central Government provides all basic services: water, electricity, gas, sewerage, primary education, health care, civil defence, public transport, housing and environmental services**.

Table 3: Own-source revenue according to municipality type (million JD; current prices)

Municipality Type	2016	2017	2018	2019	2020	2021
Type A	128.8	130.2	151.3	128.6	95.4	83.1
Type B	104.4	104.2	126.8	91.3	74.1	100.6
Type C	15.4	15.3	17.5	14.1	10.0	14.7
Total	**248.6**	**249.7**	**295.6**	**234.0**	**179.5**	**198.4**

Sources: Ministry of Local Administration, 2023, and General Government Finance Bulletin, various issues.

Table 4 shows that the population of the main governorates that cover the 100 municipalities excluding Amman, Aqaba and Petra comes to about 4.9 million, representing 44 per cent of the total population in 2021.

Table 4: Population by governorate and gender in 2021

	Male	Female	Total
Amman	2,492,200	2,149,800	4,642,000
Al-Baqa'a	305,800	263,700	569,500
Zarqa	835,800	745,200	1,581,000
Madaba	115,800	103,300	219,100
Irbid	1,059,400	990,900	2,050,300
Mafraq	328,400	308,600	637,000
Jerash	142,700	131,800	274,500
Ajloun	105,000	99,000	204,000
Karak	191,500	175,200	366,700
Tafilah	58,300	53,200	111,500
Ma'an	95,800	87,700	183,500
Aqaba	123,300	94,600	217,900
Total	**5,854,000**	**5,203,000**	**11,057,000**

Source: Department of Statistics, population survey, 2021. Available at http://dosweb.dos.gov.jo/population/population-2/.

Type A municipalities, which generate around JD 119.6 million on average between 2016-2021, represent approximately 29.5 per cent of the total population, with around 654,000 households. The data show a considerable inequality between Aqaba, Petra and Greater Amman Municipality and all of the other municipalities in terms of revenue collected and services provided to the population. Both Petra and Aqaba governorates receive special tax treatment in comparison to other governorates. **Own-source revenues from Aqaba, Petra and Greater Amman municipalities exceeded the revenue collected from the other 100 municipalities by 30 per cent on average between 2018 and 2021. However, the total population in these three municipalities represents 44 per cent of the population, while the other municipalities together represent 56 per cent.**

Total revenues from all municipalities including Greater Amman, Petra and Aqaba represented around 1.8 per cent of GDP in 2021, in comparison to 2 per cent of GDP in 2020.

Table 5: Total revenue from all municipalities (million JD; current prices)

Revenue of Municipalities						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
Domestic Rev.	**247.1**	**250**	**286.4**	**226.1**	**246.7**	**258.2**
Taxes	143.3	135.7	169.3	121.4	166.7	174.3
Pension	0	0	0	0	0	0
Grants	9.8	9.4	37	25.1	9.2	9.6
Other rev.	103.8	114.3	117.1	104.7	80.1	83.8
License and fees	28.7	32.3	28.3	26	23.4	24.1
Total	**256.9**	**259.4**	**323.4**	**251.2**	**255.9**	**267.8**
% of GDP	**0.91%**	**0.88%**	**1.05%**	**0.79%**	**0.82%**	**0.82%**
Revenue of Petra Region Authority and the Aqaba Economic Region Authority						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
Domestic Rev.	**81.5**	**60.3**	**72**	**87.1**	**48**	**48.2**
Taxes	7	7.3	7.6	6.7	5.9	9.9
Pension	0	0	0	0	0	0
Grants	0.2	0	0	0	0	0
Other rev.	74.3	53	64.4	80.4	42.1	38.3
License and fees	74.3	53	64.4	80.4	18.4	19.4
Total	**81.7**	**60.3**	**72**	**87.1**	**48**	**48.2**
% of GDP	**0.29%**	**0.20%**	**0.23%**	**0.27%**	**0.15%**	**0.15%**
Revenue from Greater Amman						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
Domestic Rev.	**329.4**	**310.2**	**303.7**	**260.7**	**323**	**252.3**
Taxes	88.8	94	105.8	96.8	92.1	88.6
Pension	0.4	0.4	0.3	0.3	0.2	0.2
Grants	0	0.9	5.7	11.7	2.8	2.4
Other rev.	240.2	215.8	197.6	163.6	230.7	163.4
License and fees	139.2	142.5	118.7	114.6	95.4	111.1
Total	**329.4**	**311.1**	**309.4**	**272.4**	**325.8**	**254.7**
% of GDP	**1.16%**	**1.05%**	**1.00%**	**0.85%**	**1.04%**	**0.78%**

Total revenues						
	2016	2017	2018	2019	2020	2021
Domestic Rev.	**658**	**620.5**	**662.1**	**573.9**	**617.7**	**558.7**
Taxes	239.1	237	282.7	224.9	264.7	272.8
Pension	0.4	0.4	0.3	0.3	0.2	0.2
Grants	10	10.3	42.7	36.8	12	12
Other rev.	418.3	383.1	379.1	348.7	352.9	285.5
License and fees	242.2	227.8	211.4	221	137.2	154.6
Total	**668**	630.8	704.8	610.7	629.7	570.7
% of GDP	**2.36%**	**2.13%**	**2.28%**	**1.91%**	**2.01%**	**1.75%**

Source: General Government Finance Bulletin, May 2021.

The fiscal performance of municipalities and the public services that have been provided to the population during the past two decades is reflected in socioeconomic developments in the municipalities where around 52 per cent of the population live. According to the governorate development plan, the quality of health services provided is very low and inefficient, and these services do not meet the expectations of the population. There is a shortage of medical equipment, medicine and staff, and there is limited capacity and budget for municipalities to invest in the environment and health sectors.[32]

Budget revenue per inhabitant shows an unequal distribution among municipalities. The share of budget revenue per inhabitant in Aqaba and Petra in 2021 is the highest among municipalities (JD 187.3), followed by Amman (JD 54.9), and then all other municipalities (JD 43.5).

The data in **table 6** shows **significant inequality between Aqaba and Petra, Greater Amman Municipality and all of the other municipalities in terms of revenue collected and services provided to the population**.

Table 6: Budget revenue per inhabitant (JD; current prices)

	2018	2019	2020	2021
Aqaba and Petra	308.2	359.3	190.9	187.3
Amman	71.5	61.5	71.8	54.9
Other municipalities	56.3	42.7	42.5	43.5

Sources: Author calculation based on data from the Department of Statistics and the General Government Finance Bulletin.

Additionally, the Syrian crisis and an increased number of refugees in Jordan places extra pressure on the existing resources for municipalities. Public service delivery is strained, and there are concerns about ensuring the long-term socioeconomic integration of Syrian refugees[33] within the existing budget. To ensure the progressive realization of minimum core obligations, increased investments in public services are necessary. For example, according to a 2020 Human Rights Watch report on the educational situation of Syrian refugee children in Jordan, 80 per cent of Syrian refugees are living in poverty. According to the same report, only a quarter of secondary-school-age Syrian refugee children are enrolled in school, partly as a result of administrative barriers to enrolment and partly because of a lack of affordable and safe transportation. School classrooms and health centres are overcrowded, and there is a shortage of teachers and medical staff.[34] Most of the municipalities in the northern part of the country face numerous challenges related to solid waste management, inadequate water services due to an increase in demand, inadequate infrastructure and sanitation and inefficient Government services for school education and health care, as well as an increase in unemployment.[35]

Table 7 illustrates that municipal solid waste generation amounted to 3,879,863 tonnes per year in 2020, while municipalities' solid waste collection covered only 80 per cent of the waste – 90 per cent in urban areas and 70 per cent in rural areas.[36] Amman alone accounts for almost half of the total solid waste generated in the country.[37] This is an indication of disparity, with unequal and low-quality services being provided to the population living in the municipalities. Waste management for Palestinian refugees in the camps is undertaken by the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) through agreements concluded with the relevant municipalities.[38]

Table 7: Waste generated and collected by governorates in 2021[39] (tonnes)

	Population	Waste	
		Generated	Collected
Amman	4,642,000	1,666,697	1,500,027
Al-Baqa'a	569,500	204,477	143,134.12
Zarqa	1,581,000	567,653	454,123
Madaba	219,100	78,667	62,934
Irbid	2,050,300	736,154	515,307.96
Mafraq	637,000	228,713	160,099
Jerash	274,500	98,558	68,990.90
Ajloun	204,000	73,246	51,271.92
Karak	366,700	131,663	92,163.79
Tafilah	111,500	40,034	28,024
Ma'an	183,500	65,885	46,120
Aqaba	217,900	78,236	62,589
Total	11,057,000	3,969,984	3,184,783

Sources: Estimates based on 2014 figures (325.2 kg/ year) and 2% growth.

There is a significant inequality between the municipalities in terms of their share of revenues and the services that they provide, as well as their needs. This leads to a gap between the MAR and needs at the local level. According to the Local Administration Law No. 22 of 2021, however, municipalities are financially independent. Therefore, the MAR obligation applies to them in meeting their human rights obligations and mobilizing resources, including through taxation, within their geographical area. Most of the municipalities are de facto in debt, and their ability to mobilize more revenue is limited by the law, weak collection, exemptions and dependency on the central Government. Their spending on administrative wages and salaries represented around two-thirds (approximately 65 per cent) of their budgets in 2021.

This, in turn, results in low-quality services being provided to the population by the municipalities. As the revenues of the municipalities are under the control of the central Government, and given the lack of financial decentralization, the municipalities cannot adjust their fiscal policy to address these gaps.[40] Despite this lack of revenue for municipalities, exemptions from building and land tax are offered to all citizens.

The change to realize human rights

The recognition that domestic actions are needed to improve taxation received a boost with the adoption of the Addis Ababa Action Agenda,[41] which serves as the "global framework for financing sustainable development by aligning all financing flows and policies with economic, social and environmental priorities."[42] According to the Committee of Experts on International Cooperation in Tax Matters, tax revenues finance the delivery of basic public services and help achieve the Sustainable Development Goals (SDGs).[43] The 2030 Agenda for Sustainable Development itself acknowledged the role that public finance, both domestic and international, plays in providing essential services and public goods.[44] Target 17.1 of the SDGs calls on all stakeholders to "Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection."[45] Through its fiscal policy, the Government of Jordan is having a substantial impact on realizing human rights, including economic, social and cultural rights. According to the Special Rapporteur on extreme poverty and human rights, "[t]axation is a key tool when tackling inequality and for generating the resources necessary for poverty reduction and the realization of human rights, and can also be used to foster stronger governance, accountability and participation in public affairs."[46] Human rights are realized not only through investing in their realization, i.e. spending, but also through raising MAR based on the principles of equality and non-discrimination.[47]

The human rights-based analysis that follows addresses these questions:

1. Is Jordan raising enough revenue to cover SDG financing needs, and in pace with its economic growth?
2. To what extent does the tax system in Jordan fulfil the obligation of non-discrimination and address inequalities?
3. To what extent does the tax system fulfil human rights principles such as transparency, participation and accountability in terms of resource mobilization?
4. Is Jordan investing adequately in the realization of human rights?

Question 1: Is Jordan raising enough revenue to cover SDG financing needs, and in pace with its economic growth?

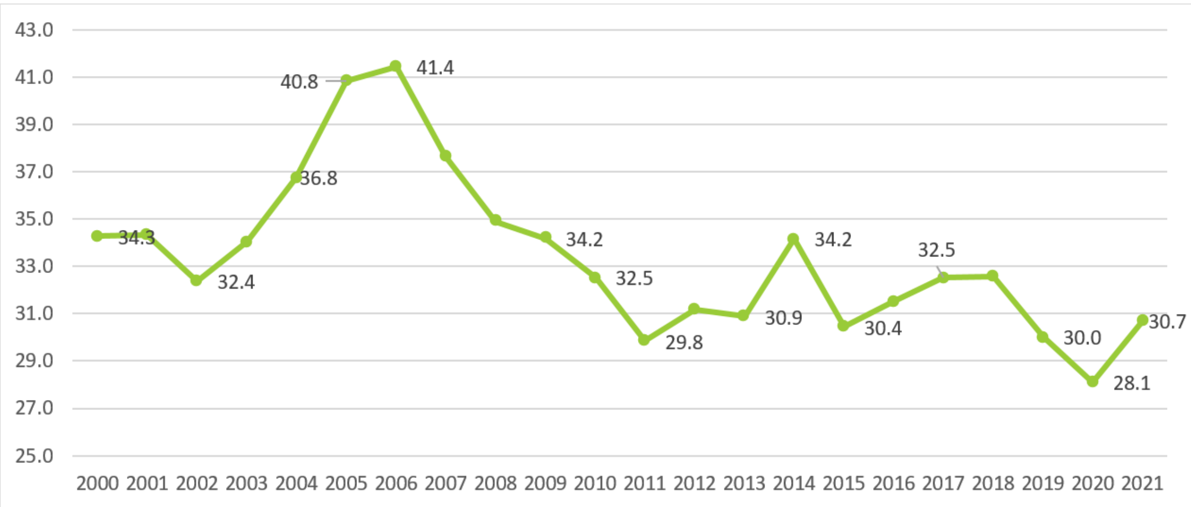
Using MAR requires widening the tax base and improving the efficiency of tax collection. The options for the Government to mobilize resources in general and for the realization of human rights include increasing tax revenues, aid and grants, eliminating illicit financial flows, borrowing or restructuring debt, and adopting more accommodative (e.g. countercyclical) macroeconomic policies. It is also critical for the Government to prioritize economic and social rights.

Generally, indirect taxes hurt the poor. At the same time, however, direct taxes have a positive effect on the redistribution of income, reducing inequality, investing in public services and providing social protection. Therefore, implementing progressive tax policies is crucial in order to redistribute income and protect human rights. Various international treaties and obligations refer to the use of fiscal policy to achieve human rights objectives.[48]

As stated in the introduction, the Ministry of Finance of Jordan published its General Government Finance Bulletin in November 2022 for the country's public finance statistics for the first ten months of 2022.[49] Domestic revenues had significantly increased from 19.9 per cent in 2020 to 23.7 per cent in the first ten months of 2022 as a share of GDP, compared with the same period of 2021. Foreign grants declined from JD 573.7 million in the first ten months of 2021 to JD 128.5 million in the same period of 2022. On the expenditure side, the imbalance between current and capital expenditures continued and, as shares of GDP, they reached 26.3 per cent and 4.2 per cent respectively in the first ten months of 2022. The overall budget deficit (excluding grants) in the first ten months of 2022 increased in level (by JD 51 million) but as a ratio of GDP decreased from 7.1 per cent in the first ten months of 2021 to 6.8 per cent in the same period of 2022 due to the austerity measures that were implemented through the IMF programme. The debt stock gradually increased to 110.7 per cent in the first ten months of 2022 as a share of GDP, compared to 110.2 per cent in 2021. However, debt stock-GDP ratio has increased by 16.5 per centage points in October 2022 when it is compared with its level in 2019.

Figure 5 depicts the development of domestic revenues as a share of GDP. The Government collected revenues of around JD 9,969.6 million in 2021, or 30.7 per cent of GDP. Over the last two decades (2000–2021), revenues have averaged 33.4 per cent of GDP, ranging from 28.1 per cent to 41.4 per cent. Revenue as a share of GDP was the lowest in 2020 compared with previous years. This drop is due to the contraction of economic activity during the COVID-19 pandemic in 2020.

Figure 5: Domestic revenues (% of GDP; current prices)



Source: General Government Finance Bulletin, various issues.

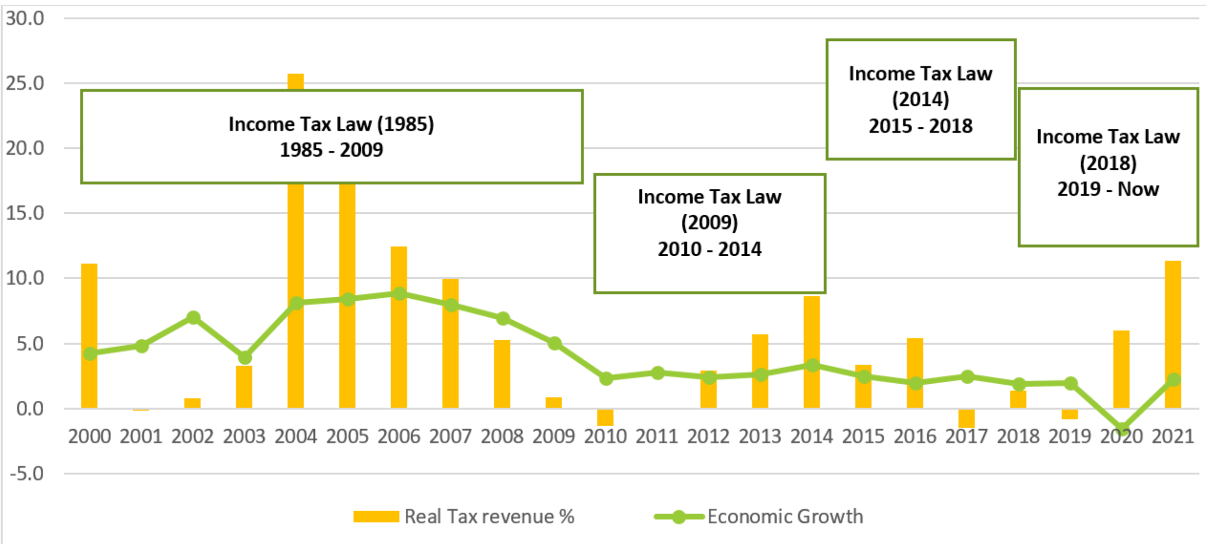
During the period from 2000 to 2021, Jordan engaged with IMF in reforming the economy and the tax system.[50] The general sales tax was changed nine times, and the law on income tax was changed four times.[51] Each time, both the tax base and tax rates were changed to mobilize more revenue to finance Government spending. By influencing the tax base and tax rates, taxes can affect economic agents including households and the private sector. Reducing marginal tax rates on wages and salaries, for instance, can induce people to work more and improve their well-being. Reducing marginal tax rates on business income can cause some companies to invest domestically rather than abroad. However, constraints on expanding private sector investment have been linked to Government decisions and actions related to tax rates and administration, corruption, political stability and electricity outages.[52]

From 2000 to 2019, taxes kept pace with economic growth, except in 2001, 2002, 2003, 2008 and 2009. The most remarkable period of high economic growth was associated with high tax revenue collection. On average, tax revenues grew by 16.7 per cent and economic performance grew by 8.4 per cent from 2004 to 2007. In other years, tax revenue collection witnessed fluctuations and was not associated with economic growth. In 2001, 2002, 2003, 2008, 2009, 2010, 2011, 2017, 2018 and 2019, economic growth was higher than tax revenue growth. In the other years between 2000 and 2019, tax revenues were higher than economic growth.

In addition to the changes in the tax base and tax rates, other factors affect tax revenue collection even more than economic growth. For example, external shocks such as the Iraq war in 2003, the global financial crisis in 2008, the Arab Spring and, more recently, the COVID-19 pandemic led to an adverse impact on the economy through the deterioration of economic activity, and tax collection in Jordan's open economy has been affected in turn by these shocks (see **figure 6**).

Analysis by IMF of two decades of tax reforms suggests that changing the top marginal tax rate on income tax from 50 per cent (1985–2009) to 14 per cent (2010), to 20 per cent (2014) and then to 30 per cent (2018), along with increasing GST rates from 13 per cent to 16 per cent, led the tax system to be less progressive and more regressive, apart from the top marginal rate increase in 2018. Historically, tax collection has kept pace with the evolution of the top marginal rate. The higher the top marginal rate, the higher the tax collection, except in some exceptional cases. GST is known to have regressive effects on poor and vulnerable groups more than on the rich. Official data shows that the poverty rate increased from 14.4 per cent in 2008 to 15.7 per cent in 2018, and it is expected to be higher after the COVID-19 pandemic. **Figure 6** shows that growth in tax revenues did not respond to changes in GDP growth.

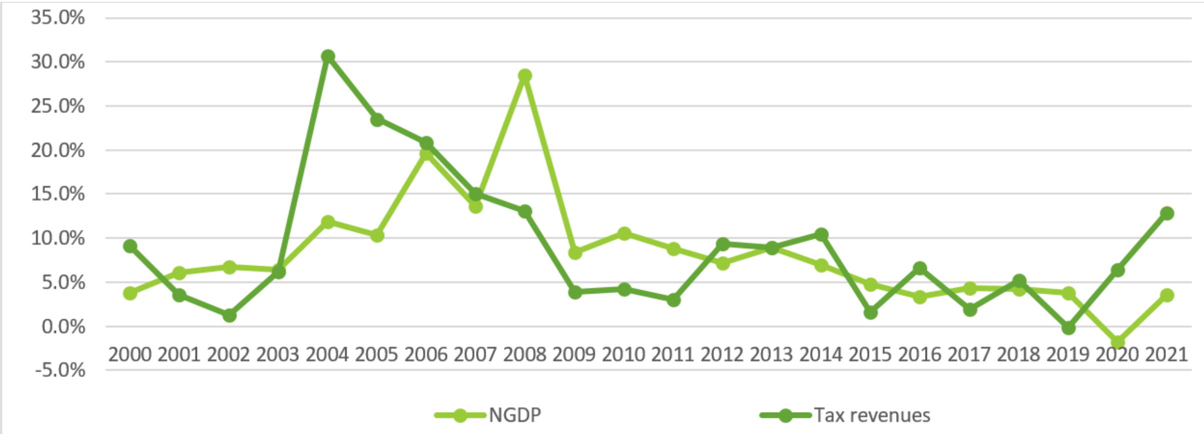
Figure 6: Real tax revenue and real GDP growth (%)



Source: Ministry of Finance, General Government Finance Bulletin, various issues.

Moreover, when examining the relationship between GDP in current prices (NGDP) and the growth in tax revenues from 2000 to 2021, we can conclude that growth in tax revenues did not respond to changes in GDP growth, thus indicating tax inelasticity. In most years during that period, growth in tax revenues was associated with declines in the growth of GDP in current prices, indicating an uncorrelated relationship. **Figure 7** shows the evolution of tax revenue and economic growth (2000–2021). The correlation coefficient between growth in tax revenue and GDP in current prices is positive and modest, at about 0.48.

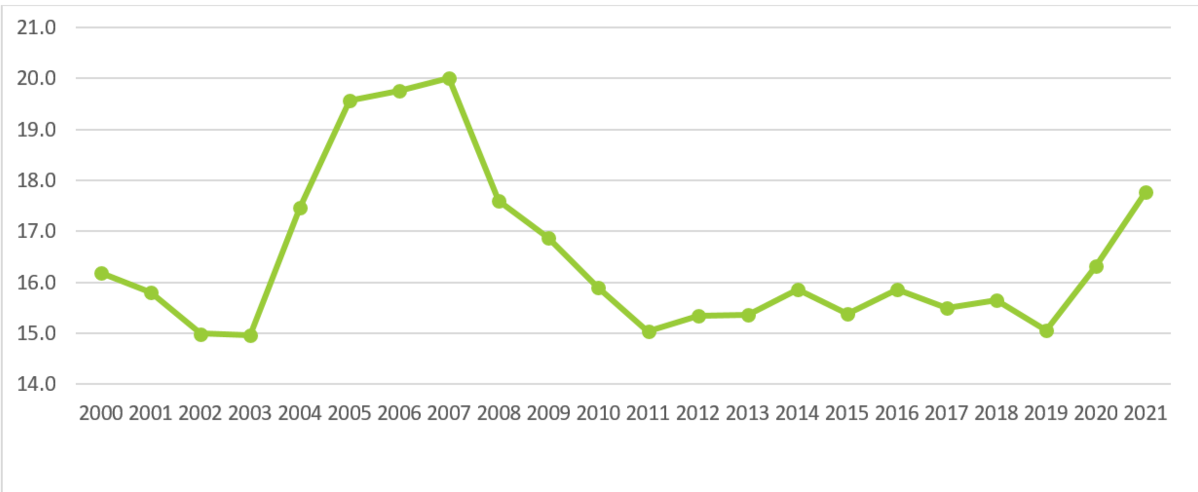
Figure 7: Tax revenue and GDP growth (%; current prices)



Source: Ministry of Finance, General Government Finance Bulletin, various issues.

Figure 8 shows that, on average, tax revenue as a share of GDP was around 16.5 per cent from 2000 to 2021.

Figure 8: Tax revenues (% of GDP; current prices)



Source: Ministry of Finance, General Government Finance Bulletin, various issues.

From a human rights perspective, measuring **tax buoyancy/elasticity** is important, as this represents the capacity of the Government to raise tax revenue at least at the same pace as GDP, hence mobilizing maximum resources from economic growth: as GDP increases, there is potential to increase revenue more.

A tax elasticity of less than one indicates that GDP is growing at a rate equal to or greater than tax revenues. As a result, the Government must design new taxes to keep revenue growth aligned with economic growth to enable the maximization of available resources and the provision of the required public services for the population. An inelastic tax system, on the other hand, indicates weakness and structural drawbacks related to inefficiency of tax collection, corruption, tax abuse, exemptions and administrative weakness, combined with external shocks that affect the economy and reduce economic growth, resource availability and mobilization.

To measure tax elasticity, two common approaches are employed. The first approach is related to dividing the percentage change in tax revenues by the percentage change in GDP, broken down into sub-periods based on changes in tax laws and/or between 2000–2010 and 2011–2021 to capture other effects.

Tax buoyancy (TB) = % change in tax revenue / % change in GDP.

According to this approach, average tax buoyancy was more than one from 2001 to 2014. From 2015 to 2018, tax buoyancy was equal to one, indicating the need for more measures by the Government to increase revenues. From 2019 to 2021, tax buoyancy was greater than one in absolute value. The data in table 8 reveal that, on average, the tax buoyancy from 2000 to 2021 was 1.4 according to the first approach, with variation from -3.86 to 5.05.

Table 8: Tax buoyancy

	2000 - 2009	2010 - 2014	2015 - 2018	2019 - 2021	Average 2000 - 2021
% change in tax revenue	8.5%	3.2%	2.2%	6.2%	5.7%
% change in GDP	6.8%	2.7%	2.2%	0.86%	4.1%
Tax buoyancy	1.3	1.2	1.0	6.3	1.4

Source: Author calculations.

The second approach is to use the equation *LogTt =A+βLogYt*, where T represents the value of tax revenues, Y is GDP and β is the internal tax coefficient of taxes. Since the equation is in log form, it provides an estimate of tax buoyancy/elasticity; it also measures the percentage response in tax revenue for a 1 per cent change in GDP. It uses the ordinary least squares method for the period from 2000 to 2021.

The results of the regression are as follows:

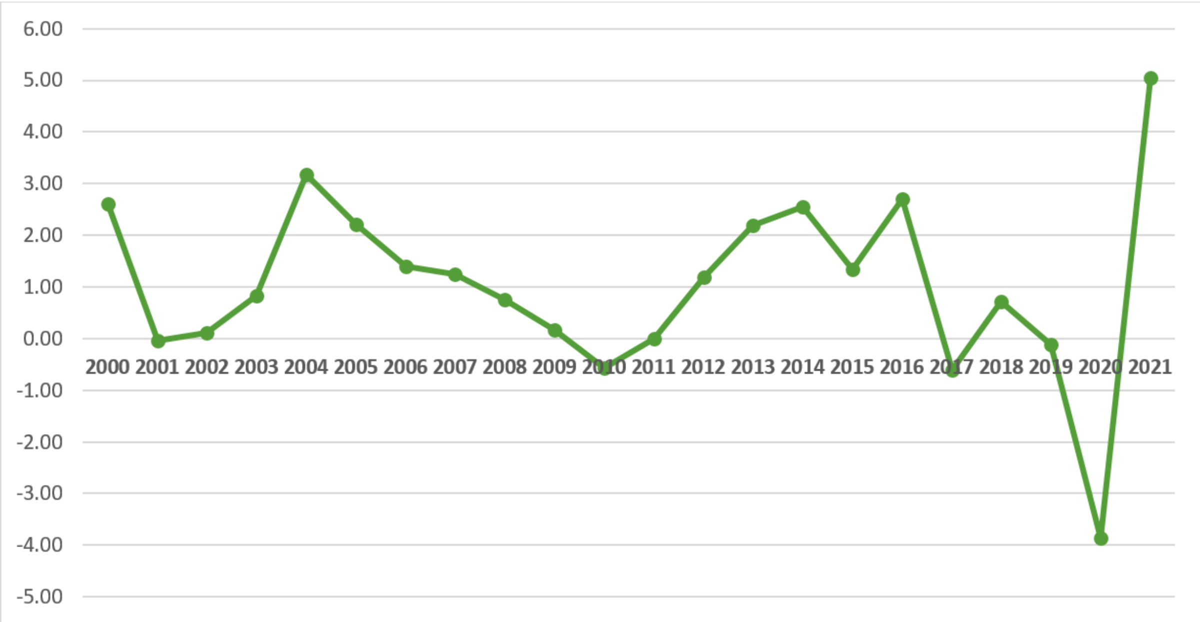
$$Ln(Tax\ Revenues) = -4.523 + 1.268\ Ln\ (GDP)$$

$$P=0.000 \qquad p=0.000 \qquad R^2=0.968$$

Using this second approach, tax buoyancy estimates for each of the major individual taxes were obtained through the ordinary least squares estimation for the period from 2000 to 2021. The buoyancies given by the elasticity coefficients were all significantly different from zero at the 0.99 confidence level. The results reveal that some individual taxes were found to be less than one (0.85 for personal income tax, 0.84 for property tax and -0.55 for trade tax). GST on domestic goods, imports and fees was found to be near one. Other taxes, including corporate income tax (1.78), GST on services (1.7), taxes in the commercial sector (5.7) and social contributions (1.94), were found to be elastic and greater than one. Overall, the tax elasticity was 1.27 for the period from 2000 to 2021.

These results show that both approaches are consistent in terms of calculating elasticity, that GDP growth does not lead to balanced growth in tax revenues overall and that tax elasticity is subject to significant variation from year to year.

Figure 9: Tax buoyancy

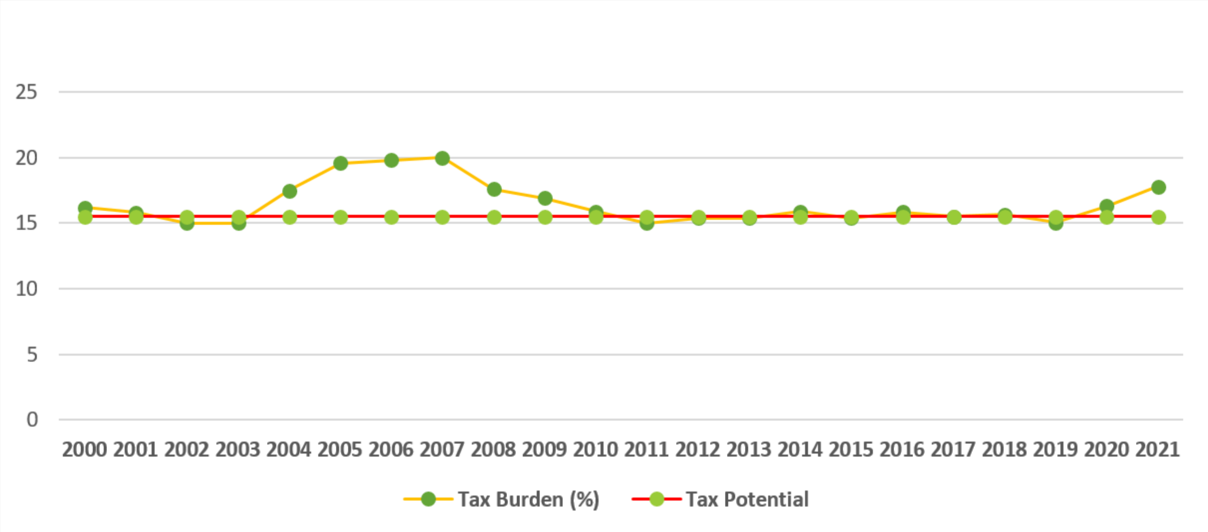


Source: Author calculations.

Tax potential is considered an important tool to reflect and assess the Government's ability to raise enough revenue to spend on SDG financing needs and to realize human rights, especially economic, social and cultural rights, in pace with economic growth. Tax potential is defined as the maximum level of tax revenue that a given country can achieve. It is a measurement of the optimal basic tax burden that balances the Government's need for revenues to cover spending and the ability of taxpayers to pay. Many studies refer to tax potential as an indicator of a given economy's ability to bear a given tax burden. In other words, the Government needs to employ all available resources in the country to achieve the necessary level of tax revenues to fulfil human rights obligations.

The results of these calculations show that the tax potential of the economy of Jordan averaged 15.5 per cent between 1992 and 2017.[53] This level of taxes collected by the Government is considered the point at which the Government is fulfilling its obligations without burdening the population. We can see that, with a basic tax incidence of 15.5 per cent and a tax potential of 15.5 per cent, the tax incidence attained an acceptable level in 2017 and 2018.[54]

Figure 10: Tax burden and tax potential (% of GDP; current prices)



Source: Ministry of Finance.

According to a study conducted by Freijat and Adeinat from 2000 to 2017, the estimated tax capacity for Jordan is 16.1 per cent. This indicates that the tax burden in 2021 (17.8 per cent) is higher than the tax capacity, which means there is tax fatigue[55] – which in turn implies that Jordan exceeds the limits of tax exhaustion.

When analysing the **decentralized structure of public revenues**, a major inequality can be observed between the municipalities in terms of their share of revenues and the services that they provide to citizens. More specifically, the revenue collected from Aqaba, Petra and Greater Amman municipalities exceeded the revenue collected from the 100 other municipalities by 37.2 per cent on average between 2016 and 2021. The population in these three municipalities represents 44 per cent of the country's total population, with the other municipalities accounting for 56 per cent. This leads to a gap between the available resources and needs at the local level.

According to the Audit Bureau's annual report for 2019, various laws and agreements, including the Customs Law, the Income Tax Law, the Investment Law, bilateral and multilateral agreements and decisions of the Prime Ministry, offered **exemptions** on imported goods amounting to JD 575.4 million in 2019. Moreover, the report indicates an inefficient follow-up system for the exemptions offered to investors, projects, developments and free trade zones, and there are insufficient guarantees for the exemptions offered to projects and investors. In 2019, evasion from income tax and customs duties amounted to around JD 589.6 million and JD 255.4 million respectively. Jordan faces a high debt-to-GDP ratio of 110.2 per cent (including debt held by the Social Security Investment Fund) and chronic budget deficits, which stood at JD 2,533.9 million (excluding grants) in 2021.[56]

Revenues need to be collected efficiently and effectively, with maximum efforts made to fight corruption and curb **tax evasion**. There is agreement that Jordan faces challenges concerning the efficiency of its tax collection.[57] Around JD 2.4 billion of accumulated unpaid taxes[58] have not been collected dating many years back (around JD 1.1 billion of unpaid income tax and about JD 1.3 billion of unpaid sales tax), which equalled 7.6 per cent of GDP in 2019, or 27.5 per cent of domestic revenues.[59] This affects the Government's capacity to provide and maintain high-quality public and social services, creating inequalities between people and among governorates in access to services.

Moreover, this affects the Government's capacity to reduce the budget deficit, which stood at JD 2,533.9 million (7.8 per cent of GDP) in 2021, and the public debt stock (including debt held by Social Security Investment Fund), which stood at 110.2 per cent of GDP – and this in turn leads to increased taxes.[60] This inequality between taxpayers as to the final amounts paid in taxes runs counter to the MAR obligation. The collection of tax revenues is required to be proportionate and progressive.

The size of the **informal sector** is estimated to range between 25 and 30 per cent of GDP,[61] which has placed workers outside of the protections of national labor laws in terms of minimum wage and protection. Usually, the most marginalized groups of the populations are most impacted by this. It also increased the tax burden on registered taxpayers. At the same time, people in the informal sector still pay regressive indirect taxes.

Foreign assistance and grants to Jordan from the international community are unpredictable, not necessarily sustainable, and in some cases inconsistent and insecure. Foreign assistance in the form of grants or loans with conditionalities can, in some cases, contribute to non-compliance with human rights obligations. For instance, foreign assistance in the form of concessional loans results in increased debt stock, even though the interest payments are lower than those on traditional or standard loans. Rising debt accumulation results in a higher burden of interest payments on public expenditure and less available resources in the budget for basic needs such as education and health. Foreign assistance and grants need to adhere to the principles articulated in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, ensuring that aid agreements are consistent with international human rights law and that they align aid priorities with national policy frameworks and priorities such as realizing the rights to education, health or water and sanitation.

The current tax system does not support fiscal policy in generating adequate revenues to finance Government spending. In 2021, tax expenditure reached JD 3,015.4 million, which is about 9.3 per cent of GDP.[62, 63] This amount is equal to 53.6 per cent of tax revenue collected in 2021. Growth in tax revenues did not respond to changes in GDP growth, indicating tax inelasticity. More specifically, the current tax system can be characterized as regressive due to **(i)** its complexity, **(ii)** the multiplicity of tax rates, **(iii)** the high tax burden, **(iv)** unequal provision of exemptions and incentives, **(v)** the size of the informal economy, **(vi)** weakness of the tax collection and (vii) exemptions offered to investors and projects.

Progress towards establishing the most appropriate tax system that achieves equality and social justice and supports fiscal policy through generating adequate revenues to finance Government spending continues to be inadequate and is not keeping pace with the growth of wealth produced as measured by GDP. The ability of the Government to provide public services to the population has been constrained by the limited revenue generated through taxes.

Question 2: To what extent does the tax system in Jordan fulfil the obligation of non-discrimination and address inequalities?

A tax system aimed at maximizing revenue without considering the tax incidence may lead to an increased burden on specific groups of people. Tax incidence, defined as the ratio of the taxes collected in a particular year against GDP, is commonly used to determine the effect of fiscal and tax policies on a country's socioeconomic structure.[64] The main factor that leads to an increase in the tax burden is the Government's fiscal requirement to finance its spending. In some cases, however, an increase in the tax burden is not accompanied by an increase in the services offered by the Government to the population. For example, increasing Government spending in the short term will impose a financial burden on the public sector (i.e. more interest payments) in both the medium term and the long term; this will mean an increase in tax rates and thus in the tax burden.[65]

There now follows an assessment of the impact of the tax system on socioeconomic indicators and of the tax incidence. According to the above method for calculating tax incidence, it is estimated that, excluding the tax wedge[66] (i.e. the social contribution), the tax incidence was about 17.8 per cent of GDP in 2021. However, when adding the tax wedge (i.e. the social security contribution and the Government pension fund), the tax incidence increased to 23.6 per cent. Adding fees and licences collected by the Government for services provided to the population, the total tax incidence, including tax revenues, social contribution, fees and licences, increases to 26.7 per cent for 2021. On average the total tax incidence was about 26.0 per cent over the period from 2000 to 2021 (**table 9**).

Table 9: Tax burden including social contributions, fees and licences (current prices)

Year	Tax Revenues	GDP	Social Contribution	Social Contribution (% of GDP)	Fees & Licinces (% of GDP)	Tax incidence (%)	Tax Burden with Social Contribution	Total Tax Incidence (% of GDP)
2000	1000.9	6186	187.4	3.0	4.8	16.2	19.2	24.0
2001	1036.7	6562	213.8	3.3	5.1	15.8	19.1	24.2
2002	1050.2	7006	252.5	3.6	4.9	15.0	18.6	23.5
2003	1115.6	7454	265.4	3.6	4.9	15.0	18.5	23.4
2004	1457.4	8343	292.2	3.5	5.8	17.5	21.0	26.8
2005	1800.1	9204	343.6	3.7	6.5	19.6	23.3	29.8
2006	2174.6	11009	402.6	3.7	7.2	19.8	23.4	30.6
2007	2501.9	12510	454.8	3.6	6.3	20.0	23.6	29.9
2008	2828.6	16080	553.2	3.4	5.6	17.6	21.0	26.6
2009	2938.5	17422	676.5	3.9	4.8	16.9	20.7	25.5
2010	3061.0	19265	734.4	3.8	6.9	15.9	19.7	26.6
2011	3153.6	20962	824.6	3.9	6.6	15.0	19.0	25.5
2012	3447.9	22461	946.2	4.2	6.9	15.4	19.6	26.4
2013	3756.4	24463	1034.0	4.2	6.8	15.4	19.6	26.3
2014	4147.8	26162	1178.2	4.5	7.4	15.9	20.4	27.8
2015	4212.7	27397	1272.2	4.6	4.0	15.4	20.0	24.0

Year	Tax Revenues	GDP	Social Contribution	Social Contribution (% of GDP)	Fees & Licinces (% of GDP)	Tax incidence (%)	Tax Burden with Social Contribution	Total Tax Incidence (% of GDP)
2016	4493.4	28324	1427.6	5.0	6.8	15.9	20.9	27.8
2017	4580.6	29542	1589.6	5.4	4.1	15.5	20.9	25.0
2018	4818.3	30793	1688.1	5.5	3.6	15.6	21.1	24.8
2019	4810.6	31946	1775.5	5.6	2.8	15.1	20.6	23.4
2020	5118.2	31369	1786.2	5.7	2.2	16.3	22.0	24.2
2021	5773.8	32478	1902.3	5.9	3.1	17.8	23.6	26.7

Source: Ministry of Finance, General Government Finance Bulletin.

Note: The average total tax incidence over the period 2000–2021 is calculated using the data in the last column of the table.

Besides assessing the tax incidence, compliance with the right to non-discrimination and equality may, according to the Special Rapporteur on extreme poverty and human rights, require a Government "to set up a progressive tax system with real redistributive capacity that preserves, and progressively increases, the income of poorer households. It also implies that affirmative action measures aimed at assisting the most disadvantaged individuals and groups that have suffered from historical or persistent discrimination, such as well-designed subsidies, would not be discriminatory. In contrast, a flat tax whereby all people are required to pay an equal proportion of their income would not be conducive to achieving substantive equality, as this would limit the redistributive function of taxation."[67]

The first responsibility of a good tax system is to raise revenue with as little distortion of economic activity as possible and with redistributive effects that benefit vulnerable groups and poorer households. Tax policy can thus contribute, along with other social and economic policies, to achieving social justice and tax equality. Public spending is important for the alleviation of poverty, the reduction of inequality, the progressive realization of economic, social and cultural rights, the attainment of the SDGs and the pursuit of fairness; it is not taxation alone that matters.[68]

Tax regressivity can have a discriminatory effect and can negatively impact on the enjoyment of human rights.[69] When a tax system puts more burden on labour than on capital, it is regressive. When indirect taxes predominate in the tax system, using consumption as their main tax base, they are regressive. A progressive tax system, on the other hand, concentrates taxation on income and capital.[70] Personal income tax marginally decreases inequality (by 0.1 points), while indirect taxes (GST and special sales tax) increase inequality (by 0.5 points).[71]

In article 111, the Constitution of Jordan states that taxes shall be progressive, leading to the attainment of equality and social justice for citizens, that taxation shall exceed neither the capacity of taxpayers to pay nor the State's requirements for funds, and that taxation is governed by rule of law. Similarly, article 7 (1) of the Declaration on the Right to Development states that the collection of adequate tax revenue is essential to ensure that States undertake "all necessary measures for the realization of the right to development and ... ensure, inter alia, equality of opportunity for all in their access to basic resources, education, health services, food, housing, employment and the fair distribution of income."

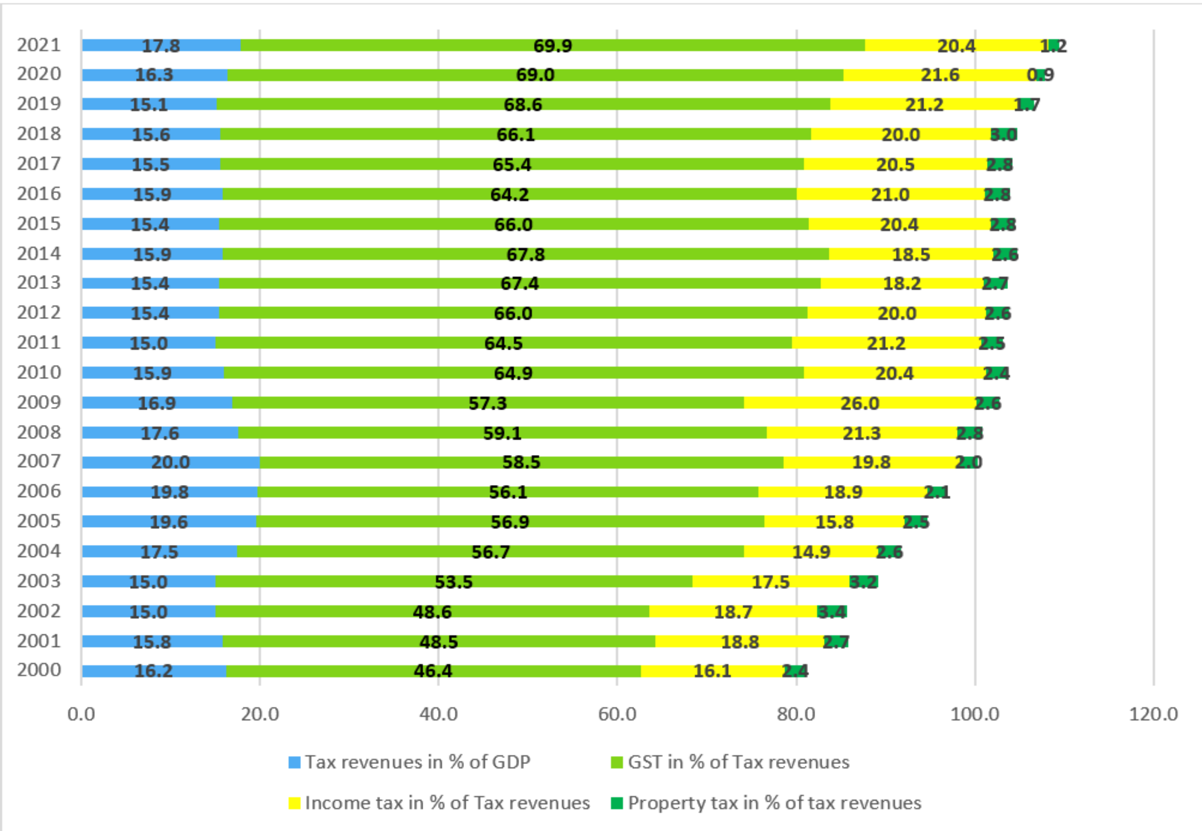
Consumption taxes affecting the poor

Figure 11 shows that the tax system relies heavily on consumption, with tax (GST) as an indication of the regressiveness of the system. In 2021, the Government collected approximately 69.9 per cent of tax revenue from consumption taxes (GST). **GST puts a greater burden on poor and low-income groups, in that they spend a greater proportion of their income on consuming the same items that are bought by those with higher incomes**. In this manner, a significant amount of their limited resources is allocated to paying GST, which thus hinders the ability of poor and low-income groups to access their rights to housing, food, health and education.[72]

Overall, according to the World Inequality Report 2022, the Middle East and North Africa region is the most unequal region in the world, where the income shares of the top 10 per cent is around 58 per cent. In the case of Jordan, estimates from the World Inequality Database show that the income share of the top 10 per cent is around 50 per cent, whereas the income shares of the bottom 50 per cent is only 14 per cent.[73]

Although **income tax** is gradually becoming more progressive, the predominance of GST obliges poor and vulnerable groups to pay a greater proportion of their income as taxes compared with the proportion of income paid by the richest.

Figure 11: Characteristics of tax revenues (current prices)



Source: Ministry of Finance, General Government Finance Bulletin, various issues.

In comparing consumption taxes as a share of total revenues in various countries in the region, table 10 indicates that GST or taxes on goods and services account for the highest share of revenues in Jordan in comparison with other countries. Moreover, about 16.8 per cent of total tax revenues are paid by the corporate sector in Jordan. If the tax system affects certain groups more than others and if those groups become comparatively worse off after taxation, then the tax system is not following the human rights principle of non-discrimination.

Table 10: Comparison of taxes in Jordan with taxes in other countries (%; current prices)

	Year	Tax revenue (% of GDP)	Taxes on income, profits and capital gains (% of revenue)	Taxes on goods and services (% of revenue)
Morocco	2020	20.0	30.8	38.8
Malta	2020	23.7	34.4	30.9
Lebanon	2020	8.9	29.8	23.7
Jordan	2021	17.8	20.4	69.9
Egypt	2015	12.5	24.1	26.1
Türkiye	2020	17.6	18.1	36.3
Tunisia	2012	20.1	26.7	30.5

Source: World Bank and General Government Finance Bulletin.

The above comparison shows that the tax system deepens inequality through the regressive GST on goods and services. To addresses inequalities, the World Bank suggests reforming GST and electricity tariffs as well as the social protection programme. According to the World Bank, these reforms would reduce poverty and inequality in the country by 1.7 and 1.3 percentage points respectively. It is suggested that all GST preferential rates and exemptions on various goods and services should be removed. As for electricity, it is proposed to set a flat tariff covering cost-of-service delivery, while tariffs for the rest of the population remain unchanged.[74] The current reforms of electricity tariff rates and the significant increases in prices are especially affecting the poor, people living in vulnerable situations and non-Jordanians.

In addition, abolishing exemptions on some goods that poorer households and people living in vulnerable situations consume more may lead to the tax burden increasing further for these groups. The tax system has a disproportionate effect on the poor and on people living in vulnerable situations as a result of the regressive GST.

Any small change in the GST rate or changes by which goods and services are exempted can lead to a change in the cost of living for all households. For example, goods and services that are exempted from GST are considered as an indirect "tax" paid by consumers, as producers cannot recover GST paid on the inputs used to produce them, the cost of which is passed on to consumers. By contrast, a sales tax rate of 0 per cent on goods means that no GST is charged, but producers can claim back GST on inputs.[75] GST accounted for around 12.4 per cent of GDP in 2021. Figure 12 shows the development of GST as a share of GDP from 2000 to 2021.

Figure 12: Goods and services tax revenue (% of GDP; current prices)

Source: General Government Finance Bulletin, various issues.

In general, with its multiple tax rates, the GST tax system has a cascading effect, which is referred to as a tax on tax. **This cascading effect is obvious on low-income groups and poor segments of society, as excise and sales taxes are typically levied on both final and intermediate goods**. For example, the excise tax on petroleum products used for transportation and production will lead to higher prices and costs that are passed on via consumer prices.[76]

Formal versus informal sector

Moreover, the GST threshold and the size that a business needs to be to register as part of the GST system raises the issue of the Government's obligation on non-discrimination. The **threshold rule excludes small and medium-sized businesses (SMEs) and informal businesses from benefiting from tax credits and returns, which particularly affects businesses owned by women**. For example, General Sales Tax Law No. 6 of 1994, as amended, sets annual registration thresholds of JD 30,000 for the service sector and JD 75,000 for the trade and industrial sectors.[77] **Given that SMEs account for more than 90 per cent of the total number of businesses and around 60 per cent of total employment, together with 14 per cent of the labour force participation rate, it seems difficult for women to benefit from these thresholds**.[78]

To date, taxes have been used to mobilize revenue rather than to establish the most appropriate tax system that achieves equality and social justice. The current tax system disincentivizes taxpayers and incentivizes others who do not pay taxes while at the same time placing workers outside of the protections of national labour laws in terms of minimum wage or protection. Direct taxes, mainly income tax, are imposed on individuals and employees in the formal sector of the economy. This is also true for corporate taxes, due to the informality in the business sector. According to IMF, the informal sector represented around 26 per cent of GDP in Jordan in 2011.[79] Other estimates by the Department of Statistics indicate that informal workers comprise more than 40 per cent of all workers. In a recent estimate, the Ministry of Finance estimated the size of the informal economy to be between 25 and 30 per cent of GDP. This implies an unequal distribution of the tax burden on individuals and employees as well as on corporate entities.

Higher taxes on domestic goods than on imported goods

An examination of the composition of sales tax revenue during the COVID-19 period revealed a greater increase in tax revenue from domestically produced goods than from other components of sales tax.

During the COVID-19 pandemic in 2020, the Government offered sales tax exemptions on various goods and reductions in social security contributions, in the sales tax payable at restaurants and in services tax. The Government is also offering cash subsidies to the poor and to households in a vulnerable situation. These supportive schemes have been provided temporarily, and they will not deliver a sustained reduction in poverty and unemployment. In other words, the implemented policies need to focus on structural issues and permanent factors rather than temporary solutions.

Looking at longer term measures, luxury goods could be disincentivized by using tax policies to support access to basic commodities for people living in vulnerable situations and to limit imported consumption goods. This could also support the current account balance in the economy.

In conclusion, progressive taxation implies that high-income groups need to pay a greater percentage of tax on their income than low-income groups. The tax system in Jordan can be described as depending primarily on indirect taxes and fees and is thereby regressive.

Question 3: To what extent does the tax system fulfil human rights principles such as transparency, participation and accountability in terms of resource mobilization?

Whether taxes in Jordan are just or present an unfair burden on taxpayers is a matter of ongoing public debate.[80] They are a cause of exclusion, social tensions and conflict in the country.[81, 82] The absence of social justice and tax equality were some of the reasons for social unrest in Jordan in response to proposed tax reforms in 2018,[83] reportedly leading to what was one of Jordan's largest protests in years.[84] The amendments to the Income Tax Law of 2018 aimed to increase tax rates, broaden the tax base and remove exemptions, but they came at a time of high unemployment, high prices, high poverty rates and widespread dissatisfaction about taxpayers' money being used inefficiently and about inadequate public services. During the 2000–2021 period, austerity measures led to a rise in inequality of opportunities, including in access to education, justice and services as well as in the exploitation of resources.[85] The feeling of injustice is linked with the social and economic conditions that citizens face and with differences in standards of living related to unemployment, poverty and unequal education and health opportunities.

The importance of reforming the tax system in a participatory, transparent manner, responding to the needs and concerns of the people in the current national context, is thus highlighted. The obligation of the Government to apply MAR involves ensuring that sufficient resources are mobilized and allocated to realize human rights. Linking revenue collection on public goods with increased service delivery, making increased public investments in education, health, water and sanitation, food security and in climate mitigation measures and raising awareness about such expenditures will enhance the willingness of the public to pay taxes. Increasing transparency and accountability in revenue collection by providing a disaggregated composition of revenues that are linked to human rights, e.g., showing the amount of collected revenues invested in education, health, transportation, environmental issues will also increase a positive public perception and has already been initiated for budgetary expenses on climate change, children and women.

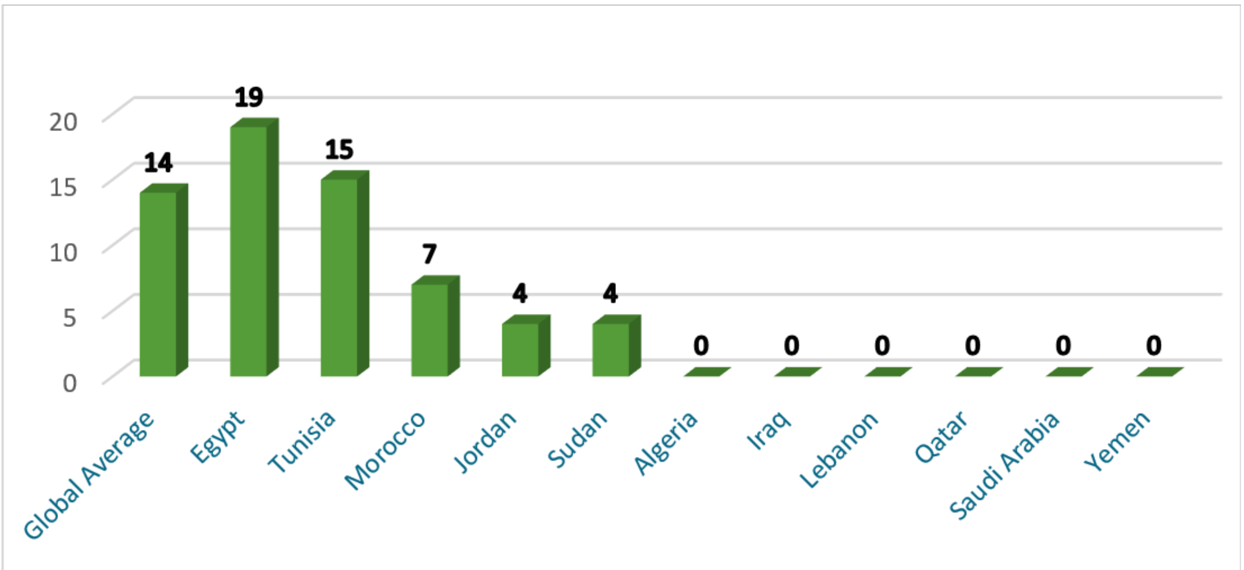
Incentivizing inclusive business approaches by the private sector will support human rights realization especially also in rural areas. Improving accountability will also strengthen the trust between the Government and citizens. By applying the human rights principles of participation, transparency and accountability, macroeconomic management of economic policies will be more responsive and adaptive to the citizens needs which will significantly contribute to achieving the goals of the Economic Modernization Vision 2022-2033.

These human rights principles should be applied throughout the budget cycle, and the public should be able to participate at all stages of the budget cycle: preparation, approval, execution and monitoring and evaluation. Governmental budget decisions about what taxes to impose, what public services to provide and how much debt to take on affect the well-being of people, who should be engaged in decisions that affect their lives (in the context of their specific socioeconomic realities) through electoral and non-electoral processes. The "Fifth National Action Plan 2021–2025 Under the Open Government" includes among its priorities "Engaging Local Stakeholders Throughout the Different Stages of Government Capital/Investment Projects to Support the Alignment and Responsiveness of these Projects to the Needs of Communities and to Improve Public Services".

Currently, formal opportunities for the **public to participate** in the national budget process are limited. However, the Parliament has now established public hearings related to the approval of the annual budget. In addition, the Ministry of Finance is publishing material to support informed public debate on the budget. The Parliament provides limited oversight during the planning and implementation stages of the budget cycle.

According to the "Open Budget Survey 2021", Jordan has a public participation score of 4 out of 100. This score shows that the country could drastically improve public participation throughout the budget cycle.

Figure 13: Public participation in Jordan compared with other countries (2021)



Source: International budget review

To improve public participation in the budget process, the Ministry of Finance could engage the public during the formulation of the budget and the monitoring of its implementation. In particular, the Ministry needs to engage with people living in a vulnerable situation and with members of underrepresented communities, directly or through civil society organizations representing them.

Transparency is an important human rights principle that supports efficiency, especially concerning the design and greater disclosure of information on taxes, and in particular on tax incentives. The Law on the Right to Access Information of 2007 regulates the public's access to information. According to that law, the State is not obliged to provide information in a voluntary and public manner, making access easier for the citizenry; instead, the rules oblige individuals to request access to information. To allow the public to examine the budget, the Ministry of Finance published material to support informed public debate on the budget after the preparation phase.

According to the "Open Budget Survey 2021", Jordan has a transparency score of 61 out of 100. A transparency score of 61 or above indicates that a country is likely publishing enough material to support informed public debate on the budget.

Nevertheless, transparency can be further enhanced by publishing the mid-year review consistently and in a timely manner, with information in the year-end report on the outcomes of macroeconomic forecasts and on non-financial indicators, and by improving the comprehensiveness of the pre-budget statement.

Accountability refers to monitoring, reviewing and ensuring oversight over what the Government is doing in the country. Uncollected taxes limit the available resources that can be dedicated to fulfilling human rights obligations, including through addressing poverty. This ultimately goes against both the principle of equality and the MAR obligation, as tax evaders pay less tax. In general, the uncollected tax in a country violates the equality principle of taxation, distorts income distribution, creates inefficiencies in the tax system, erodes the MAR obligation and violates human rights principles. The amount of uncollected taxes can determine the degree of deterioration in the overall tax system. Furthermore, informal sectors do not have any tax liability, because the authorities do not control these sectors. The presence of the informal sector and the practice of tax evasion increase the tax burden on registered taxpayers over the long term. This affects a Government's capacity to provide and maintain public and social services, creating inequalities in access to services between the population and among governorates. A Government that does not take solid measures to combat tax abuse is not allocating the maximum available resources to the realization of economic, social and cultural rights. Moreover, this affects the Government's capacity to reduce the budget deficit, which stood at JD 2,533.9 million in 2021 (7.8 per cent of GDP), and public debt, which stood at 110.2 per cent of GDP – which in turn leads to increased taxes.[86]

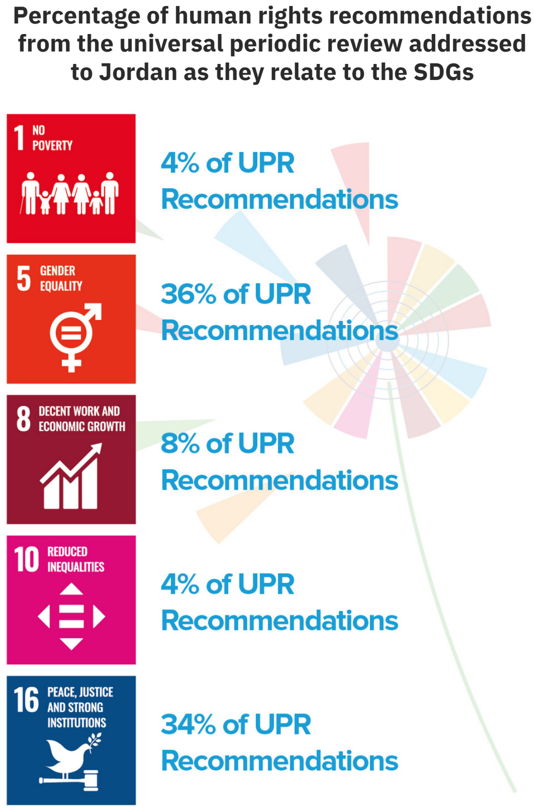
The legislature and the Supreme Audit Institute (the Audit Bureau) provide limited budget oversight during the budget process. According to the "Open Budget Survey 2021", which assesses the role of budget oversight institutions such as the legislature and the auditor in the budget process, the budget oversight score was 39 out of 100.[87]

In November 2022, in the fifth review under Jordan's extended fund facility arrangement, IMF advised that the Government will still need to implement more reforms to close tax loopholes, broaden the tax base, tackle tax evasion and avoidance[88], and strengthen its tax administration capacity, as well as increasing the efficiency and transparency of public finances.[89]

Question 4: Is Jordan investing adequately in the realization of human rights?

Jordan has ratified seven out of the nine core human rights treaties, as well as two optional protocols.[90] In the context of the 2018 Universal Periodic Review (UPR) and through different reviews by the expert committees that monitor the implementation of these treaties, Jordan has received numerous recommendations to advance its realization of human rights for all people living in Jordan, including some recommendations that explicitly call for appropriate budgetary allocations.[91]

The recommendations include strengthening a number of Governmental institutions (such as the Jordanian National Commission for Women,[92] labour inspectorates, so that they can monitor and sanction discriminatory employment practices,[93] and public prosecutors, for the effective investigation of allegations of torture[94]) and independent institutions such as the National Centre for Human Rights.[95]



Other recommendations suggest allocating the necessary resources to protect the rights of certain groups, such as:

- **Women** (for example, to effectively implement the National Strategy for Women and its national action plan; to allocate sufficient financial resources to the women, peace and security agenda; and to provide unmarried mothers with support to enable them to take care of their children);[96]

- **Persons with disabilities** (for example, to implement the Rights of Persons with Disabilities Act; to ensure the provision of individual support and reasonable accommodation to enable children with disabilities, including intellectual disabilities, to receive high-quality inclusive education in all curricula; to allow persons with disabilities to live independently and be included in the family and community; to provide funding for housing and adaptation; and to allow persons with disabilities to acquire high-quality and affordable mobility aids and assistive devices, technologies and services necessary for their unrestricted personal mobility);[97]

- **Children** (for example, to provide alternative care centres and relevant child protection services);[98]

- **Persons deprived of liberty** (for example, to develop and renovate the infrastructure of prisons and other detention facilities; and to take effective measures to improve sanitation, the quality of food, and the health services and facilities available to inmates and prisoners).[99]

During the past two decades, the unemployment rate increased from 13.7 per cent in 2000 to 22.6 per cent in 2022.[100] The poverty rate of Jordanians living below the poverty line was 14.4 per cent in 2010, which increased to 15.7 per cent in 2018.[101] In 2016, the poverty rate stood at 20 per cent.[102] As for health and education, the social progress index for 2020 shows that Jordan is performing within the expected range in access to basic knowledge and advanced knowledge, while it is surpassing requirements in health and wellness.[103] For nutrition and basic medical care, Jordan is performing within the expected range.[104] However, at a micro level, the picture is different. For example, at a municipal level, public services provided to citizens are inefficient and of low quality.[105]

Revenues collected (excluding grants) covered around 74.3 per cent of total expenditure in 2021, compared with 67.7 per cent in 2020.[106] About 87.5 per cent of domestic revenue goes to the compensation of employees (24.2 per cent), social benefits (25.8 per cent), and military spending (37.5 per cent). The distribution of central Government expenditure according to functional classification shows disparities in spending related to the health, education and environment sectors.

Social spending per capita on health, education and social protection amounted to JD 89.7, 109.2 and 172.8 respectively in 2021, compared with JD 79.8, 105.1 and 185.7 in 2020.[107] Social spending on those three sectors represented around 72.1 per cent of the tax revenue collected by the Government and about 12.5 per cent of GDP in 2021.[108]

According to the Addis Ababa Action Agenda of the Third International Conference on Financing for Development in 2015, domestic tax revenue is the main source for financing the SDGs, and appropriate fiscal policies can play an important role in reducing inequalities and in promoting positive sustainable development patterns.[109]

> *Rebuilding fairer economy and social life requires reversing long-standing practices of inequality, poverty and strengthening the implementation of the Sustainable Development Goals. Economic and social rights are not ordinary services, but essential to building more peaceful and equal societies.*
>
> **Prof. M. Shteiwi**
> President of the Economic and Social Council of Jordan

Recommendations

Despite all the structural fiscal reforms that have been implemented over the past 20 years, the economy is still facing significant challenges such as increasing inequality, with both unemployment[110] and poverty remaining high.[111] Moreover, external shocks, as well as regional crises in Iraq and the Syrian Arab Republic, contributed to prolonging the challenges affecting the economy of Jordan, through a widening trade deficit and weaker investor confidence. The tax system could play a central role in maximizing domestic revenues to finance the SDG and the realization of human rights, while at the same time reducing income inequalities. This can be done by relying less on regressive taxes, improving the progressivity of income taxes and considering the introduction of measures such as an environmental tax.

> *The United Nations in Jordan stands ready to collaborate with Jordan, working together, hand-in-hand, to build social justice, to maintain social cohesion, and to grant equal opportunities building a stronger economy while leaving no one behind.*
>
> **Sheri Ritsema-Anderson**
> United Nations Resident Coordinator in Jordan

A good tax system should be progressive and have a positive, non-discriminatory distributional effect. It should be aligned with domestic and international investment decisions that promote inclusiveness, that encourage good governance and that match society's views on appropriate income and wealth distribution. It is not just a question of raising revenue through changing laws and by-laws to mobilize revenues, but one of longer-term reforms to achieve social justice.

Jordan should mobilize revenues to cover SDG financing needs at pace with economic growth and the realization of human rights.

According to the MAR obligation, a fair tax system should be progressive, with real redistributive capacity, and it should ensure equality and non-discrimination. Moreover, a robust tax system is characterized by **(1)** economic efficiency, **(2)** simplicity, **(3)** flexibility, **(4)** political responsibility and **(5)** fairness.[112] Economic efficiency refers to a tax system that does not interfere with the efficient allocation of resources. Simplicity means that the tax system is easy and relatively inexpensive to administer. Flexibility indicates that the tax system is able to respond to change in economic business cycles and shocks. Responsibility denotes that a tax system can be designed so that individuals can ascertain what they are paying and evaluate how accurately the system reflects their preferences. Lastly, fairness refers to a tax system that is fair in its relative treatment of different individuals.

The Government of Jordan may take into account the following recommendations in future reforms of the tax system and in line with its economic, political and public sector reforms in order to improve its MAR obligation:

- Take human rights principles (the right to participation in public affairs, the right to equality and non-discrimination and the principles of transparency and accountability) into account when designing and implementing taxes and budgets. A tax system that is desirable and considered a just system can strengthen trust between the Government and its people;

- Conduct human rights impact assessments on planned reforms, reviewing the links with socioeconomic development, the effects on living standards and income inequality in the country, and analysing who might be left behind, especially women and children, but also persons living in vulnerable situations, in order to mitigate negative effects;

- Review and examine the implementation of fiscal legislation, policy or practices for their impact on the enjoyment of human rights in Jordan and ensure transparency and meaningful participation in implementation processes;

- Link revenue collection on public goods with increased service delivery by the Government, increased public investments in education, health, water and sanitation, food security and climate mitigation measures and raise awareness about such expenditures - all of which will enhance the willingness of the public to pay taxes;

- Increase accountability and transparency in revenue collection by providing a disaggregated composition of revenues linked to expenditures to realize human rights, e.g. for education, health, transportation, environmental issues, etc., which is already initiated for budgetary expenses on climate change, children and women;

- Publish a mid-year review consistently and in a timely manner, with information in the year-end report on the outcomes of macroeconomic forecasts and on non-financial indicators, and by improving the comprehensiveness of the pre-budget statement;

- Incentivize inclusive business approaches by the private sector to support human rights realization especially also in rural areas;

- Undertake stronger efforts to address tax evasion and empower authorities to target it;

- Construct a tax-credit system,[113] covering both companies and citizens, that would support the tax system to be more progressive;

- Formalize the economy through the registration of citizens working in informal sectors. Most would pay limited amounts of tax since their income levels are comparatively low, but they would benefit from being part of the tax-credit system, including for social protection;

- Consider reforming GST and the social protection programme to mobilize resources while securing lower GST rates on goods and services that are specifically consumed by vulnerable groups;

- Consider increasing the burden on specific groups of people, particularly the high-income group, to maximize revenues, without a disproportionate negative impact on people living in a vulnerable situation;

- Review existing tax rates and tax agreements especially those on luxury goods;

- Consider transferring some amounts of tax revenues to decrease income inequality. In Organisation for Economic Co-operation and Development (OECD) countries, direct taxes and transfers contribute to an average 30 per cent reduction in income inequality;

- Undertake a new incidence analysis using the most recent, improved data, which would consider taxes and social protection spending jointly. The incidence analysis could be performed using tax-benefit microsimulation models.[114]

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49. Central Government Budget, Ministry of Finance Bulletin, November 2022.

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51. General Sales Tax Law No. 6 of 1994, as amended, and Income Tax Law No. 34 of 2018, as amended.

52. World Bank, Jordan – Enterprise Survey 2019.

53. Metri FayezMdanat, trans. Jonathan Stupple, Towards a New Taxation Philosophy in Jordan (Amman, Al Quds Center for Political Studies, 2019).

54. GDP was directly impacted by COVID-19 in 2020. We therefore we use the level of GDP in 2017 and 2018. As GDP decreased in 2020, the ratio increased without reaching a tax fatigue.

55. Saleh YahyaAl-Freijat and Mohammad Khalil Adeinat, "Determinants of tax effort and tax capacity in Jordan during the period (2000-2017)", International Journal of Business and Economics Research, vol. 9, No. 1 (January 2020), pp. 1–10.

56. IMF database and General Government Finance Bulletin, November 2022.

57. OECD, Deauville Partnership and Compact for Economic Governance, Stocktaking Report: Jordan.

58. “Unpaid taxes” refers to the amount of taxes that are owed to the Income and Sales Tax Department but have not been collected.

59. Income and Sales Tax Department, annual report, 2019.

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61. Ministry of Finance, budget speech, 2022.

62. Budget Department. See Table 9 https://gbd.gov.jo/Uploads/Files/gbd/draft-min/2023/ar/2.pdf

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88. The Government has imposed legislative and administrative reforms to reduce tax evasion with the IMF program and has increased revenues especially in the second half of 2022.

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90. See United Nations in Jordan background document, "United Nations human rights mechanisms: Jordan's engagement". The treaties are the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the International Covenant on Civil and Political Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the International Convention on the Elimination of All Forms of Racial Discrimination, the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, the Convention on the Rights of the Child and the Convention on the Rights of Persons with Disabilities. The two optional protocols are the Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict and the Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography. See https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/Treaty.aspx?CountryID=88&Lang=EN.

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