



# Investment in Mongolia

KPMG in Mongolia

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2022 Edition



# CONTENTS

<b>1 COUNTRY OUTLINE</b>	<b>6</b>
1.1 Introduction	5
1.2 Geography and climate	5
1.3 History	5
1.4 Political system	6
1.5 Population, language and religion	6
1.6 Currency	7
1.7 Public holidays	7
<b>2 BUSINESS ENVIRONMENT</b>	<b>10</b>
2.1 Mongolian economy overview	10
2.2 Economic trading partners	11
Exports	11
Imports	12
Trade deficit	12
2.3 Business culture	12
2.4 Free trade zones	12
2.5 Foreign exchange controls	13
<b>3 INVESTMENT CLIMATE FOR FOREIGN DIRECT INVESTMENT</b>	<b>15</b>
3.1 Foreign investment opportunities	15
3.2 Foreign investment legislation	15
3.3 Commencing business in Mongolia	16
Practical considerations	16
Registration	16
Mergers, acquisitions and restructurings	17
Exit strategy	17
3.4 Financing	18
3.5 Intellectual property	18
Copyright	18
Trademarks and trade names	19
Patents	19
<b>4 REPORTING, AUDITING AND THE REGULATORY ENVIRONMENT</b>	<b>21</b>
4.1 Financial reporting	21
4.2 Auditing	22
4.3 Regulatory environment	23

Competition law	23
Corporate governance	23
Land ownership and use	24
Anti-corruption law	24
Anti-money laundering and combating the financing of the terrorism law	24
Arbitration	24
<b>5 TAXATION</b>	<b>26</b>
<b>5.1 General tax law</b>	<b>26</b>
The statute of limitations	27
Tax audits	27
Debt collection	27
Penalty	27
<b>5.2 Corporate income tax</b>	<b>28</b>
Residence	28
Taxable income	28
Revenue recognition	28
Expenses	29
CIT returns and payments	29
Losses	30
Permanent Establishment (PE)	30
Foreign tax credit	30
Ring fencing rule	30
CFC Rules	30
Thin Capitalization	30
Earnings Stripping	31
General Anti-Avoidance Rule (GAAR)	31
<b>5.3 Indirect Transfer Rules</b>	<b>31</b>
<b>5.4 Transfer pricing</b>	<b>31</b>
TP documentations	32
<b>5.5 Double tax agreements</b>	<b>32</b>
<b>5.6 Incentives</b>	<b>32</b>
<b>5.7 VAT</b>	<b>33</b>
Taxation basis	33
VAT rate	33
Zero Rated VAT application	33
Exemptions	33
Withholding VAT for non-residents	33
Registration threshold	33
VAT refund	34
VAT returns and payment	34

<b>5.8 Immovable property tax</b>	<b>34</b>
<b>5.9 Excise taxes</b>	<b>34</b>
<b>5.10 Customs duty</b>	<b>34</b>
Imports	34
Exports	35
Import VAT	35
<b>5.11 Mining royalties</b>	<b>35</b>
<b>5.12 Capital city tax</b>	<b>35</b>
<b>5.13 Personal income tax</b>	<b>36</b>
Residency	36
Basis of taxation	36
PIT rate	36
PIT returns and payments	36
<b>6 IMMIGRATION AND EMPLOYMENT</b>	<b>38</b>
<b>6.1 Immigration</b>	<b>38</b>
Visas	38
Residence permits	38
Work permits	38
Fees and quotas for employing foreign workers	38
<b>6.2 Employment regulations</b>	<b>39</b>
Labour contracts	39
Severance pay	39
Working hours	39
Salary	40
Paid vacation	40
Maternity leave	40
<b>6.3 Social security</b>	<b>40</b>
Rates	40
Social security benefits	40
<b>APPENDIX 1: Tax Information Exchange Agreements</b>	<b>41</b>
<b>APPENDIX 2: Double Tax Agreements</b>	<b>43</b>
<b>APPENDIX 3: GLOSSARY</b>	<b>44</b>
<b>CONTACT US</b>	<b>45</b>



# COUNTRY OUTLINE

# 1 COUNTRY OUTLINE

## 1.1 Introduction

After experiencing an economic downturn in 2015-2016, the Mongolian economy has been on a strong recovery between 2017-2019. The strong recovery was severely impacted by the COVID-19 pandemic as tight border restrictions and strict lockdown measures resulted in decreased output from all major economic sectors including mining, service, and retail industries.

Landlocked between Russia and China, Mongolia is a country of extremes. Despite having the coldest capital city in the world<sup>1</sup>, summer temperatures can exceed plus forty degrees Celsius. The climate is arid, but when it does rain, it can be torrential. Although very thinly populated, with just over three million people in an area the size of Western Europe<sup>2</sup>, city housing stock is in short supply and the cosmopolitan atmosphere of central Ulaanbaatar contrasts with the remote existences of smaller communities.

## 1.2 Geography and climate

Bordered on the north by Russia and on the east, south and west by China, Mongolia has a total area of one point five million square kilometers, making it the nineteenth largest country in the world and the second largest landlocked country.<sup>3</sup> For administrative purposes, the territory is divided into three cities and twenty-one provinces (aimags). The most significant population centre is the capital Ulaanbaatar, home to approximately 1.5 million people.<sup>4</sup>

Mongolia is situated on a plateau far from any oceans, with average elevation of one and a half kilometers.<sup>5</sup> This gives it an extreme continental climate which varies considerably across the country and between the seasons. Broadly speaking, elevation is lowest in the east of the country, rising to the Altai mountain range in the west. Mongolia's highest point is a mountain peak marking the western border between Mongolia, Russia and China. Travelling from north to south, one would go from Siberian forests and lakes, pass through open steppe grassland and mountains, and ultimately reach the Gobi desert.

The country has long cold winters and short warm summers. Winters are dry and summer rainfall rarely exceeds three hundred and eighty millimeters in the mountains and is less than fifty millimeters in the desert areas.<sup>6</sup> Temperatures in Ulaanbaatar can regularly exceed thirty degrees Celsius from mid-June to mid-August but are also often below minus thirty degrees Celsius in winter. Spring and autumn are unpredictable and snow can be seen in early June or late August. However, spells of warm weather also occur as early as April and as late as October.

## 1.3 History

The concept of the Mongolian state was founded by Genghis Khan (Chinggis Khaan) when he unified disparate nomadic tribes in 1206. By the time he died, the Mongol Empire stretched from Manchuria to the Caspian Sea. His descendants continued to rule the empire and extended the territory to create the largest land empire ever to exist. Gradually this fragmented until in the seventeenth century, the power of the Mongolian kings was weakened and became vulnerable to invasion. In 1636, Inner Mongolia came under the power of the Qing (*Manchu's*), followed by Outer Mongolia in 1691.

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<sup>1</sup> World Atlas

<sup>2</sup> CIA, World Factbook

<sup>3</sup> CIA, World Factbook

<sup>4</sup> National Statistic Office of Mongolia, <http://www.1212.mn>

<sup>5</sup> National Geographic, Mongolia Facts

<sup>6</sup> S. Chuluunkhuyag, The Impact of Climate Change and Human Activity on Mongolian Water Resources

When China was experiencing political turmoil in the early twentieth century, Mongolian nationalists took the opportunity to ally themselves with the Soviet Union. In 1924, Outer Mongolia formally announced full independence as the Mongolian People's Republic (MPR), the world's second Communist state. The MPR was effectively a client state of the Soviet Union, which heavily influenced internal politics. This included negative impacts such as religious purges in the 1930s and forced collectivization. However, with investment from the Soviet Union, significant infrastructure was put in place and levels of education, healthcare and the economic growth improved. Inner Mongolia remains a province of China today.

Mongolia underwent a peaceful transition to democracy, electing the first democratic parliament members in July 1990. The new constitution was established in 1992 and the first president elected in 1993.

## 1.4 Political system

Mongolia is a parliamentary democracy, with key positions held by the President, Prime Minister and Government Ministers. The main chamber of parliament, consisting of 76 members elected on a first-past-the-post system, is called the State Great Khural. Parliamentary elections are held every four years while the presidential election takes place every six years.

Since the early 1990s, the main government parties have been the Mongolian People's Party (MPP) and the Democratic Party (DP). The MPP was formerly called the Mongolian People's Revolutionary Party (MPRP) and was the ruling party throughout the socialist era. The party now calling itself the MPRP is a splinter group, created after the original party changed its name in 2010.

Parliamentary election was held on 24 June 2020 and 73.7 percent of Mongolian voters participated in the election nationwide. Mongolians have elected 62 members from the MPP, showing continued support of the MPP after electing 65 members from the MPP during the 2016 election.

On 27 January 2021 the Mongolian parliament elected Oyunerdene Luvsannamsrai of the MPP as Prime Minister, in replacement of now-president Khurelsukh Ukhnaa. Khurelsukh and his cabinet resigned amid protests caused by inhumane treatment of a woman and her newborn baby while transferring them to a COVID-19 quarantine facility.

The most recent presidential election was held on 9 June 2021 and resulted in a landslide victory for Khurelsukh Ukhnaa, member of the MPP and former prime minister of Mongolia. Khurelsukh received 72.0% of the total votes, once again reflecting the confidence of the Mongolian population in the MPP. The MPP has complete control over the government and parliament, which indicates a stable political outlook until the next political election.

## 1.5 Population, language and religion

According to the National Statistics Office, Mongolia's total population was 3.35 million people at the end of 2020<sup>7</sup>. Around 45% of the population lives in Ulaanbaatar. The rest of the population lives in smaller towns and villages or are nomadic/semi-nomadic. Mongolians belong predominantly to the Khalkh ethnic group (83.8% of the population) and there is a significant Kazakh minority of approximately 3.8% of the population<sup>8</sup>, with a very distinct language and culture. The remaining ethnic groups are mostly quite closely related to the Khalkh.

The official language of Mongolia and first language of the vast majority of Mongolian nationals is Khalkh Mongolian (written in the Russian Cyrillic alphabet). However, there are other languages and dialects spoken by minority groups, most notably in the province of Bayan-Ulgii, where the Kazakhs are in the majority, and Tuvans also form a significant group. During the socialist period, the first foreign language taught was Russian. However, English is now widely taught and often a requirement

<sup>7</sup> National Statistic Office of Mongolia, <http://www.1212.mn>

<sup>8</sup> CIA, Factbook

to work for international companies. Chinese, Korean, Japanese and German are also popular languages.

It should be noted that Mongolians rarely use their family names, identifying themselves instead by a given name and a patronymic. In Mongolian, the patronymic precedes the given name and is often shown only as an initial – thus Batbold's son Tumor would be called Batboldin Tumor or B. Tumor. However, many Mongolians working in international environments now put their given name first on English language business cards (i.e. Tumor Batbold). The convention is identical for men and women, and women do not change their names on marriage.

Shamanism is the oldest religious tradition in Mongolia and was replaced by Buddhism from the sixteenth century onwards. Under Communism, all religion was suppressed and most temples and monasteries were destroyed. The majority of the population now identifies as Buddhist, with small Shamanist, Christian and Muslim minorities.

## 1.6 Currency

The official currency of Mongolia is the Mongolian tugrik or tögrög (MNT). During the three year period from January 2019 to January 2022, the exchange rate fluctuated from 2,629 to 2,850 MNT:USD<sup>9</sup> and 3,451 to 3,829 MNT:GBP.<sup>10</sup>

Currency is issued by the Central Bank of Mongolia, and the official daily foreign exchange rates can be found at: <https://www.mongolbank.mn/eng/dblistofficialdailyrate.aspx>

## 1.7 Public holidays

There are seven celebrations in Mongolia for which public holidays are observed. Holidays are generally observed on the actual date but if a holiday falls on the weekend, the government may at its discretion declare an additional day off. Similarly, where there is only one day between a public holiday and a weekend, there have been instances where a Saturday has been turned into a working day in lieu of Monday or Friday, allowing employees to take a longer holiday. Typically, those decisions are taken at very short notice, so as an employer or business visitor, one should be aware that working hours around holidays may change as little as a week prior.

Public holidays may also be granted for events such as general elections.

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<sup>9</sup> Bank of Mongolia

<sup>10</sup> Bank of Mongolia

Figure 1: Public holidays observed in Mongolia

Public Holidays in Mongolia	
Holiday observed	Date observed
New Year's Day	1 January
Tsagaan Sar (Lunar New Year)	Three days in late January/early February
International Women's Day	8 March
Children's Day	1 June
Naadam	11 – 15 July
Chinggis Khaan's birth date	On the first day of first month of winter according to Lunisolar Calendar (around 8 November)
Mongolian People's Republic day	26 November
Reclaimed independence and National Freedom Day	29 December

# BUSINESS ENVIRONMENT



## 2 BUSINESS ENVIRONMENT

### 2.1 Mongolian economy overview

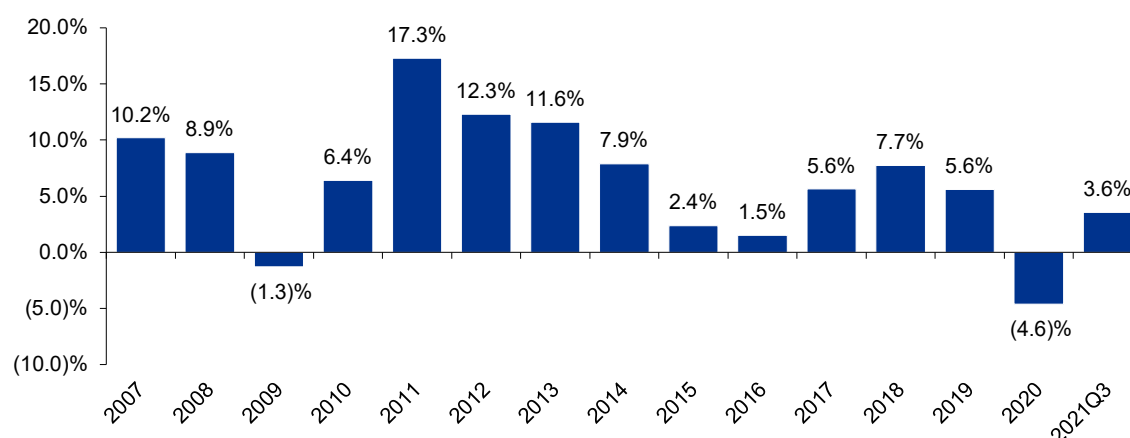
The Mongolian economy has been growing since 2007, apart from the slowdown in 2009, as a result of the global financial crisis. In 2011, Mongolia had the fastest growing gross domestic product (GDP) in the world at 17.3%.

By April 2017, Mongolia was on the verge of default on its international debts, with its public debt approaching 100 percent of GDP. Yields on government debt were nearly 20 percent, central bank reserves equated to 2 months of imports and the currency had depreciated over 20 percent.

Mongolian government sought funding from the International Monetary Fund (IMF) and the IMF approved a three-year extended fund facility program (EFF) on 24 May 2017 for US\$ 434 million to support the Government's Economic Recovery Plan, which aims to "stabilize the economy, reduce the fiscal deficit and debt, rebuild foreign exchange reserves, introduce measures to mitigate the boom-bust cycle and promote sustainable and inclusive growth."<sup>11</sup> This amount was part of a broader US\$ 5.5 billion IMF-led financing package, also supported by the ADB, the World Bank, the Government of Korea, Japan International Cooperation Agency (JICA), and the People's Bank of China. The EFF imposes restrictions on the government's activities and sets quantitative performance criteria (QPC), or quantitative targets, that must be met. The meeting of QPCs obligate the Mongolian government to cut expenditure and implement structural reforms to improve the economic growth prospects going forward.

Due to the COVID-19 pandemic, the Mongolian economy slowed down in 2020, with a decline of 4.6% in real GDP growth. The decline was led by a decrease in mining sector output, strict border restrictions and lockdown measures taken by the government. As at Q3 of 2021, real GDP grew by 3.6%, indicating a recovering economy after the pandemic. According to ADB projections, Mongolian economy is forecasted to grow by 4.6% and 6.0% in 2021 and 2022 respectively.

Figure 2: Mongolia's Real GDP growth (percentage) from 2007 – 2021 Q3



Source: National Statistics Office (NSO) of Mongolia

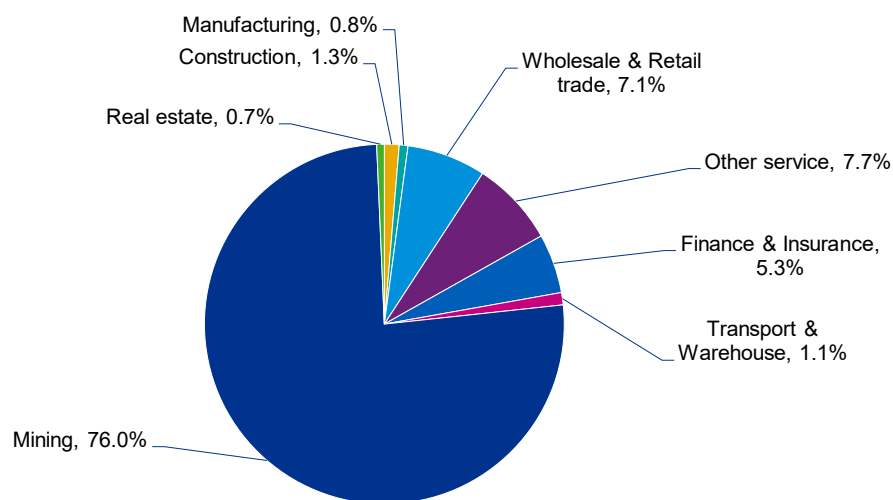
<sup>11</sup> IMF, Staff Report for the Third Review Under the Extended Fund Facility (Apr 2018)

Historically, economic growth in Mongolia has been driven by the mining sector output and services surrounding the sector. Mongolian GDP is heavily concentrated in the mining, industrial, agriculture and service sectors and these sectors made up 72.5% of the total GDP in 2020.

On January 25, 2022, the Mongolian government and Rio Tinto reached an agreement over the Oyu Tolgoi underground mine, which ended a long-running dispute over the USD 6.93 billion underground expansion project. As part of the new agreement, Rio Tinto will waive the USD 2.4 billion debt owed to it by the Mongolian government<sup>12</sup>.

Foreign direct investment into Mongolia has been increasing significantly up until 2011 when it reached its highest level, amounting to USD 5.7 billion. However, FDI flow into Mongolia has decreased drastically since 2011, falling from USD 5.2 billion in 2012 to USD 1.4 billion in 2015. FDI has been slowly recovering since 2015 as a result of a settled dispute with a large investor and IMF involvement through the EFF and reached USD 3.1 billion in 2019. FDI has been decreasing over the past two years due to the economic inactivity caused by the COVID-19 pandemic but the agreement between Rio Tinto and the Mongolian government on the Oyu Tolgoi underground mine is expected to accelerate FDI into the country.

Figure 3: Mongolia's FDI by industry in 2021 Q3



Source: Bank of Mongolia<sup>13</sup>

## 2.2 Economic trading partners

Mongolia is heavily dependent on trade with its immediate neighbors, for both imports and exports.

### Exports

In 2021, Mongolia's main export products (as percent of total exports) were copper concentrate (31%), coal (30%), gold (11%), iron ore (10%), crude oil (3%), and cashmere (3%).

According to the NSO, 83% of total exports in 2021 were to China, versus just 1% to Russia and the remaining 16% to other countries. This has swung considerably from the situation in 1990, when 81% of the exports were to Russia and only 0.7% to China, which resulted from the altered political landscape.<sup>14</sup>

<sup>12</sup> Reuters, "Rio Tinto and Mongolia settle feud over Oyu Tolgoi copper mine"

<sup>13</sup> Bank of Mongolia, External Sector Review, 2021Q3

<sup>14</sup> National Statistics Office (NSO), External Trade data

## Imports

In 2021, Mongolia's main import products (as a percent of total imports) were industrial equipment (26%), fuel (17%), automobiles (7%), and electricity (2%). The remaining import products are more balanced and largely consist of medicine, communication equipment, food and consumer goods.

In 2021, 29% of total imports came from China and 25% came from Russia.<sup>15</sup> Mongolia's other main import partners are Japan, South Korea, the USA, and Germany.

## Trade deficit

During the period from 2011 to 2013, Mongolia's trade deficit averaged USD 2.1 billion. Since 2014 the country has been experiencing trade surplus, which grew from USD 538 million in 2014 to USD 2.4 billion in 2021.

## 2.3 Business culture

Mongolia has a very small population and business is overwhelmingly based in Ulaanbaatar. As such, Mongolia has a small business community in which everyone knows everyone, resulting in reputation and relationships being very important.

In recent years, as more foreign companies have established offices in Mongolia and Mongolians who have studied and worked overseas have been attracted back home, international business practices have begun to have more influence and a lot of meetings and work with international partners are conducted in English. However, you should be prepared for some translation to be required, particularly when dealing with older Mongolians for whom English was not part of their early education. Most companies have employees who are able to translate in meetings and professional translators can also be hired.

There is a strong demand for skilled employees with any international qualifications, experience or language skills. With significant opportunities for the better educated, as more international businesses enter the market and compete for staff, and little in the way of loyalty incentives such as pension plans, employee turnover in many businesses is high.

Dress tends to be smart and it is advisable to err on the side of being too smart rather than appearing too casual, as appearances are taken seriously. Punctuality is also generally expected, although attitudes vary. Meeting times may be changed at short notice. Business cards are exchanged at the start of meetings and it is a good idea to have plenty available, ideally in both English and Mongolian.

Getting to know each other informally over drinks or a meal is common practice and a good way to establish relationships. At celebrations, such as marking the conclusion of a business deal, vodka normally plays a role and you are very likely to be asked to join in with toasts. While it is appreciated if you participate fully, taking a sip is usually acceptable.

Standard business hours in most offices are 9am–6pm Monday-Friday, with an hour for lunch. Many government offices operate from 8am-5pm.

## 2.4 Free trade zones

The first legislation to create free trade zones on the Mongolian border was passed in 1996, with subsequent amendments also being made. However, implementation to provide the requisite infrastructure has stalled repeatedly. Currently, there are 3 free trade zones in Mongolia. The Law on free trade zones was revised in 2015 to enable and promote the cooperation between private and public enterprises.

Altanbulag free trade zone at the Russian border, which covers 500 hectares of land, officially became operational on 22 June 2014. The development of the Zamyn-Uud free trade zone project (by the main

<sup>15</sup> [National Statistics Office \(NSO\), External Trade data](#)

crossing on the Chinese border) started in Oct 2010 and became fully operational in Aug 2021. Tsagaannuur free trade zone is located in Bayan-Ulgii province (on the western border with Russia) covering 708.4 hectares. Certain infrastructure investments were made in Tsagaannuur free trade zone, however, it is not yet operational.

## 2.5 Foreign exchange controls

Legislation requires all prices for goods and services within Mongolia to be quoted in MNT and business transactions between Mongolian registered entities to be settled in MNT. It is not unusual for contract values to be quoted in other currencies (predominantly the USD), particularly in international trade and the tourism industry, although there are risks of having all the income earned from the contract to be seized by authorities as a result of quoting contract prices in foreign currencies.

Apart from the taxes discussed in section five of this guide, there are no restrictions on the repatriation of capital.



# INVESTMENT CLIMATE FOR FOREIGN DIRECT INVESTMENT

# 3 INVESTMENT CLIMATE FOR FOREIGN DIRECT INVESTMENT

## 3.1 Foreign investment opportunities

Foreign investment into Mongolia has fallen since its peak of USD 5.7 billion in 2011 to USD 1.9 billion in 2021. Drastic growth between 2010 and 2011 was overwhelmingly based on mining, although many other sectors also proved attractive, as demand grew for services which were directly and indirectly required to support the mining companies. Falling global coal and copper prices, unstable legislation towards foreign investment and costs of transporting coal to China, the country's largest export market, have discouraged foreign investors' interest in the country in the past.

However, recent developments made on major mining and transport infrastructure projects have been essential in regaining investors' confidence in the country. The railway connecting Tavan Tolgoi coal mine to the Chinese border and the underground expansion of the Oyu Tolgoi mine are expected to spur foreign investors' interest into Mongolia. In addition, the Government of Mongolia has announced that as part of the New Recovery Policy, the Foreign Investment and Foreign Trade Agency will be re-established with an aim to create an efficient, predictable, and friendly environment for foreign investors.

## 3.2 Foreign investment legislation

Another positive step towards stable investment climate is the "Investment Law of Mongolia 2013". The law replaced Foreign Investment Law (1993) and Law of Foreign Investment in Business entities in Strategic Sectors (2012). It also resolved certain problems encountered by investors which arose following the legislation on strategic sector investment passed in 2012.

Since the adoption of the new Investment Law, foreign investors have been given the same rights as domestic investors, and provided with a legal framework to protect their investments. To further encourage foreign investment, the Investment Law sets out tax stabilization incentives and other non-tax incentives to promote investment in Mongolia. The new Law also aims to simplify the registration process for setting up a business which only needs to be registered with the General Authority for State Registration (GASR). As a result, the length of time to open a business from entry to operation is shortened by 30 days.

The Law also includes a provision for a national agency responsible for investments (currently the 'National Development Agency') which will focus on promoting, supporting and regulating investment activities and is in charge of issuing stabilization certificates to the investors and monitoring whether such certificate holders are operating in compliance with Mongolian laws and regulations. The applicable rates of the following taxes, fees and duties can be stabilised under stabilisation certificates for period up to 18 years, and may be extended to 27 years for qualifying projects:

- a. Corporate income tax;
- b. Customs duty;
- c. Value added tax; and
- d. Minerals royalty

The definition of a foreign investment entity in Mongolia (as defined in the Investment Law) is an entity established under the laws of Mongolia of which not less than twenty-five percent of the equity is held by a foreign investor (including Mongolian citizens permanently residing overseas). A minimum initial investment of one hundred thousand US dollars (US\$ 100,000) is required for each foreign investor to register a foreign investment entity.

## 3.3 Commencing business in Mongolia

### Practical considerations

Business in Mongolia starts and ends in Ulaanbaatar, so any business which is serious about operating in the country needs permanent representation in the city.

Central office locations are convenient for many people, as the city center is compact, and most places are within walking distance. Although there is a corresponding cost premium attached to renting an office in the central area, the vacancy and availability of premium offices has increased. To reach the city center commuters will have to face traffic if not residing in the same area. Ulaanbaatar's traffic is increasingly getting worse due to the number of imported cars which grows without restriction and lately due to the road works that are being implemented to expand the city's road system. Other factors to consider are:

- Where your employees live and how they will commute to work (as public transport can be limited in some areas)
- Proximity to the airport
- Price and quality of hotel accommodation nearby
- Other amenities such as catering facilities

Most Mongolians eat at canteens for lunch, with some workplaces providing food for their employees. Likewise, some companies located out of town may provide free buses for their employees. When considering amenities and perks, it is also worth bearing in mind that many expatriates regard Mongolia as a hardship posting and anything that can be done to reduce this perception will help with recruitment and retention of valuable knowledge and experience.

Local knowledge is essential and professional business and legal advice should be a priority. Good contacts can also help you to find premises and staff as well as assist with administrative matters such as opening bank accounts. The large banks have English speaking staff in their major branches, and some branches are specifically dedicated to serving foreign individuals and commercial customers.

Recruitment in the private sector is becoming more transparent and open to newcomers with the establishment of recruitment agencies. These can be particularly helpful when seeking Mongolians with specific experience and qualifications. However, the continuing importance of personal contacts and recommendations should not be underestimated either.

### Registration

Mongolian Company Law (Company Law) defines a company as a legal entity whose capital is divided into shares, has its own separate property and has the primary purpose of making a profit. Two types of company structures are permitted under Company Law – Joint Stock Company and Limited Liability Company.

Figure 4: Key differences between the two types of company structures permitted in Mongolia

Mongolian Company Law		
	Joint Stock Company (JSC/XK)	Limited Liability Company (LLC/XXK)
Right to trade shares	Freely traded, unless otherwise agreed by its shareholders	Limited by Company Law and the company's charter
Number of shareholders	Unlimited	Maximum of 50 shareholders at foundation
Minimum equity at registration	No minimum requirement for local company	No minimum requirement for a local company

Establishing a legal entity in Mongolia will involve the following Government offices:

- General Authority for State Registration (GASR)
- National Development Agency (NDA)
- Mongolian Tax Authority (MTA)
- Ministry of Finance (MOF)

In terms of the process, permission must first be requested from the GASR for the proposed company name. Once obtained, proof of equity must be presented, after which an application (along with the required supporting documentation) is submitted to the GASR and a registration certificate is issued to the company. Then, the company should be registered at MTA and the corresponding affiliated agency of the MOF for tax compliance and submission of financial statements.

If foreign state-owned legal entities (FSLE), which hold 33 percentage or more interest in a Mongolian incorporated entity, operate in the following sectors they must go through an approval process at NDA:

- Mining;
- Banking and finance; and
- Media and telecommunications.

We note that a number of documents is required to support the application being made to the NDA including a business plan or feasibility study for each proposed business activity and details of investors. NDA makes the decision within 45 days of receipt of the application.

In addition, to establish any type of a foreign-invested entity in Mongolia, a minimum start-up investment of USD one-hundred thousand is required.

## **Mergers, acquisitions and restructurings**

The Company Law recognizes that a company may be established through reorganization of another entity, which may take the form of merger, consolidation, division, separation or transformation. We discuss the requirements for each type of restructuring below, however any such restructuring must be authorized through a shareholder meeting resolution and the reorganized company must then be registered with the relevant authorities. In addition, the company must inform its creditors (and others that it conducts business with) of the decision within fifteen days from the date of reorganization decision.

Consolidation refers to the termination of two or more companies and the transfer of the rights, obligations and liabilities of those companies to a newly established company, versus merger, which involves the termination of one company only. In either case, the consolidation or merger must be approved by the majority of the shareholder votes at the shareholder meetings.

Division involves the termination of the activities of a company in order to form two or more new companies, while separation refers to the divestment of some of the assets, rights and obligations of a company to a newly established company, without terminating the original company. Again, the approval of the majority of shareholder votes is required in both cases.

In contrast, transformation does not strictly involve the creation of a new company, as it is the transformation of a public company to a limited liability company or vice versa. Shareholder approval (by the majority) is also required.

## **Exit strategy**

A company may be liquidated with agreement of the shareholders or by a judgment in accordance with the Civil Code, Company Law and other related legislation. Grounds for compulsory liquidation include bankruptcy, inexistence of shareholders and other grounds as stated by law. With respect to

voluntary liquidation, the Board of Directors (or the Executive Team in the absence of the Board) must prepare a liquidation plan (to be approved by the shareholders) that includes the appointment of a liquidation committee, settlement of debts and liabilities and distribution of any remaining assets to the shareholders. Liquidation is a complex procedure and seeking professional advice is recommended.

## 3.4 Financing

Foreign invested companies are free to seek local financing, either by entering into a business jointly with Mongolian investors or directly from Mongolian financial institutions.

Since Mongolia's first private bank opened in 1990, the banking and financial services industry has developed rapidly and now offers a wide variety of products. Currently, there are eleven commercial banks, of which Khan Bank, Trade and Development Bank and Golomt Bank dominate in terms of lending. No foreign banks are currently fully licensed in Mongolia. Commercial interest rates are high, with commercial banks offering loans with a weighted average interest rate of 14.3% on MNT loans and 7.8% on USD loans.<sup>16</sup>

The Mongolian Stock Exchange (MSE) established a partnership with the London Stock Exchange Group (LSEG) in 2011, and the two exchanges continue to cooperate to build in the MSE's capabilities.

As of January 2022, MSE has a total of 181 member companies listed<sup>17</sup>. Below is the summary of total trading on the MSE that took place in 2021.

Total trading on the MSE				
Type of security		Trade volume (in million)	Trade value (in MNT billion)	Trade value (in USD million)
Shares	Primary market	167.9	74.7	26.2
	Secondary market	565.3	230.2	80.8
Corporate bonds	Primary market	6.2	720.1	252.7
	Secondary market	3.2	328.2	115.2
Investment fund	Primary market	47.5	47.5	16.7
	Secondary market	28.3	9.3	3.3
Asset backed securities	Primary market	0.0	4.0	1.4
	Secondary market	0.0	0.2	0.1
<b>Total</b>		<b>818.5</b>	<b>1,414.2</b>	<b>496.3</b>

Source: Mongolian Stock Exchange<sup>18</sup>

Note: Trade value in USD million estimated based on the Bank of Mongolia exchange rate as at 15 Feb 2022

## 3.5 Intellectual property

Mongolia is a member of the World Intellectual Property Organization (WIPO). The key laws protecting Intellectual Property (IP) in Mongolia are:

- Copyright Law
- Law of Mongolia on Trade Names and Trademarks (Trade Names and Trademarks Law)
- Patent Law

Intellectual property rights are registered with the GASR and the Intellectual Property Office of Mongolia (IPOM) is responsible for policy implementation.

### Copyright

Copyright Law in Mongolia encompasses "any scientific, literary or artistic works involving creative activity of authors", including "all types of scientific and literary works, musical works whether with

<sup>16</sup> Monthly Statistical Bulletin, Bank of Mongolia, December 2021

<sup>17</sup> Mongolian Stock Exchange (MSE)

<sup>18</sup> Mongolian Stock Exchange (MSE), Securities Trade Report (2021)

or without lyrics, works of fine art, architecture and sculptures, photographic works and works created by methods similar to photography”...etc. However, it does not protect such items as official texts of law, their translations, “any news or information with facts and figures for the purpose of reporting the current events and results thereof” and “any ideas, methods, procedures, scientific discoveries and mathematical concepts”.<sup>19</sup>

The author should register their work at the IPOM to ensure copyright protection from the date of creation until fifty years after the author’s death. Reproduction, publication, distribution, modification into derivative work and rental of work is permitted only with the author’s consent.

## Trademarks and trade names

Trademarks and trade names must be registered with the IPOM and will be protected from the date of registration under the Trade Names and Trademarks Law. Broadly, any trademark can be used as long as it is not offensive and does not closely resemble a common image, national symbol or another protected image or trademark. Trademarks must be written in Cyrillic alphabet but can be registered alongside in foreign languages.

In order to register a trade name, a copy of the State registration certificate for the entity is required. On acceptance, the IPOM enters the trade name or trademark into the State register, issues a certificate and stores the application form in the database of trademarks and trade names. Certificates are valid for ten years and can subsequently be extended by another 10 years.

To register a trademark, an application form and ten copies of a graphical representation of the trademark is required to be submitted to the IPOM.

## Patents

In order to be eligible for a patent, an invention must involve an “inventive step” which has technological advantages over the existing technology available as well as being industrially applicable. If granted by the IPOM, protection is valid from the date it is granted. The length of validity depends on the type of patent or certificate obtained.

Figure 5: Validity of patents

Patent Law	
Type of patent/certificate	Validity
Patent for invention	20 years
Patent for industrial design	10 years
Innovation certificate	5 years

<sup>19</sup> Law of Mongolia on Copyright and Related Rights



# REPORTING, AUDITING AND THE REGULATORY ENVIRONMENT

# 4 REPORTING, AUDITING AND THE REGULATORY ENVIRONMENT

## 4.1 Financial reporting

Mongolia has had to catch up rapidly in respect of its financial reporting requirements since making the transition to the market economy. Mongolia passed its first Accounting Law in 1997, with subsequent amendments in 2001, 2003, 2005, 2006, 2011 and 2012 and a full replacement in 2015. International Financial Reporting Standards (IFRS) or IFRS for Small and Medium Enterprises (SMEs) have been theoretically adopted for all private entities, although in practice, many enterprises do not comply due to the cost and difficulty of converting.

Listed companies, companies operating in exploration or mining, and companies classified as large by the Ministry of Finance are among those required to apply IFRS in full. On 4 February 2016, the Ministry of Finance issued a regulation stating that companies with total assets greater than MNT 0.5 billion or revenues over MNT 1.5 billion would be classified as large entities required to apply full IFRS for their reporting.

It should be noted that certain other provisions within the Accounting Law may create conflicts between IFRS and other legal requirements for some companies. In particular, the Accounting Law requires that all entities registered in Mongolia maintain their accounting records in Mongolian language and currency. For some entities, particularly those operating internationally, functional currency under IFRS may not be the MNT, a scenario which should be identified and dealt with at the earliest opportunity in order to mitigate against later complications with the authorities. In this regard, on 18 July 2017, the Ministry of Finance issued a regulation for procedures of determining, changing functional currency and presenting financial statements. However, the conditions and timing of change in functional currency differ from IFRS. According to this regulation, in order to change its functional currency the entity shall provide proof that:

- Whether it affects the sale price and more than 75 percent of total sales are in that currency;
- Whether it affects to determine the cost of sales, the purchase that comprises of operating costs and whether more than 75 percent of the total transactions are in that currency;
- Whether the currency is 90 percent of total funding;
- Identify and mention the other factors and circumstances that are used to determine functional currency.

A second requirement which deviates somewhat from IFRS is the requirement to consolidate. Under the 2015 Accounting Law, any entity with a subsidiary is required to prepare consolidated financial statements, unless it is itself included in a larger consolidation under a Mongolian parent company. Depending upon the group structure, this may differ from the requirement under IFRS and therefore should be assessed with care.

By law, the financial year is from 1 January to 31 December. Financial statements are required to be submitted to the Ministry of Finance, as outlined in Figure 6 below.

Figure 6: Financial reporting deadlines

Accounting Law		
Period	Applicable to	Submission date
Half-year ended 30 June	Companies applying IFRS	20 July
Year ended 31 December	All companies	10 February
Year ended 31 December (consolidated)	Parent companies with requirement to consolidate	1 March

Under Company Law, the financial statements required to be lodged include a balance sheet, income statement, cash flow statement, changes in equity statement, a detailed list of all conflict of interest transactions and notes to the accounts.

All the above-listed reports are now required to be submitted electronically through the Ministry of Finance's on-line system. Entities which require annual statutory audits shall report their contracted audit firm by selecting the audit firm name in the on-line system when submitting their reports. Accordingly, audit firm verifies their engaged clients in the on-line system. Upon verification, reports will be eligible for review and acceptance by Ministry of Finance. Paper filings are still accepted if a company chooses to make them in addition to electronic submissions, but are not mandatory and cannot be used to in place of an electronic version.

Any audit adjustments made to the half-year ended 30 June financial statements and year-ended 31 December financial statements shall be submitted electronically through the Ministry of Finance's on-line system by the end of the current year and 20 December of the following year, respectively.

## 4.2 Auditing

The 2015 Auditing Law, effective from 1 January 2016, lists six categories of entities which require annual statutory audits:

- All entities required under the Accounting Law to apply full IFRS to their financial statements (see above)
- Entities presenting consolidated financial statements
- Entities that are being restructured, liquidated or planning to sell all their assets at auction
- Entities with foreign investment
- Not-for-profit foundations operating for the public benefit, as defined under Article 36.2 of the Civil Code
- Any other entities or organizations required to be audited under an international treaty to which Mongolia is a party

The Auditing Law requires mandatory five-yearly rotation of auditors, with a minimum three year window before the previous auditor can be re-engaged. This has been increased in the new Law from the previous three-year rotation requirement. Audit and non-audit services cannot be obtained from the same provider at the same time, and in order for a statutory audit opinion to be recognized in Mongolia, the auditing firm must hold a local audit license.

Among private enterprises, the strictest audit deadlines apply for banks, insurance companies and non-banking financial institutions (NBFIs), which must have their annual financial statements audited and published by 31 March.

The Auditing Law states a deadline of 30 April for other private entities; however, interpretation advice from the Ministry of Finance to audit firms has been that in order to be consistent with the timeframe permitted for changes to tax filings, entities may instead submit unaudited financial statement by 30 April together with a 'progress letter' from the auditor stating that the auditor has been engaged and the audit is in progress. It is expected that audited financial statements will then be accepted until 31 December.

Other than the annual statutory audit, audited financial statements may also be required to comply with requirements for fundraising or restructuring activities. For example, prior to an initial public offering (IPO) or disposal of the business.

## 4.3 Regulatory environment

### Competition law

The Competition Law of Mongolia (Competition Law) is enforced through the Authority for Fair Competition and Consumer Protection (AFCCP). Its key provisions prohibit activities by any entity involving the dissemination of false information about its own products, concealing quality deficiencies and carrying out or encouraging activities harmful to competitors.

In addition, there is a specific provision within the legislation relating to activities of 'dominant entities' which are defined as any entity or group of entities, with a market share exceeding one-third. The provision covers matters such as price manipulation, abuse of a dominant position, cartels and unfair practices against competitors.

### Corporate governance

Company Law establishes the responsibilities and liabilities of governing persons of a company, who include the Board of Directors and the Executive Team. Corporate governance duties include:

- Acting in the best interests of the company
- Avoiding conflicts of interest
- Maintaining confidentiality

Governing persons can be held personally liable for damage arising from their failure for meeting these requirements.

The company charter sets out the powers of the shareholders and the Board of Directors where these are not dictated by law.

### Shareholders

Shareholders have the highest governing authority of a company, by voting on resolutions at the shareholder meeting. The shareholder meeting has exclusive authority over matters including:

- Amendments to the company charter
- Company restructuring such as mergers, consolidations, divisions and liquidations
- Equity transactions
- Board of Directors appointments and terminations
- Approval of Directors' reports with respect to annual performance and financial statements
- Signing a contract with the appointed external auditor

Shareholder meetings must be held annually by the Board of Directors and within four months of the financial year end. Further, Company Law prescribes the process to be followed in organizing the meeting.

Special shareholder meetings may be called for a range of circumstances and are required under certain situations, such as where the company is making significant losses or has substantial debt. Over fifty percent of the eligible voting shares must be represented for quorum to be met at a shareholder meeting. However, the company charter may set the threshold higher.

### Board of Directors

The role of the Board of Directors is to govern the company between shareholders' meetings. Joint Stock companies are required to have a Board of Directors. However, limited liability companies may opt out of this requirement. Public companies and joint stock companies must have a minimum of nine members on its Board of Directors and one-third of these must be independent.

The Board has authority over matters such as:

- Company activities and policies
- Issuance of securities and authorized shares
- Appointment of the external auditor
- Preparation of the annual report and financial statements
- Appointing the executive body to conduct the daily business of the company

By default, Board of Director meetings should be held monthly, unless otherwise stated in the company charter and minutes must be kept of all meetings.

### Land ownership and use

The right to own land in Mongolia is granted exclusively to citizens of Mongolia. If a piece of land is not owned by a Mongolian citizen, it is considered to be the property of the Government.

In accordance with the Law on Land, foreign business entities, organizations and nationals can use Mongolian land for a specific purpose, time and condition. A fee is payable for the use of Mongolian land which is determined and approved by the Government based on several factors, including size and location of the land. Special legislative provisions exist for regulating subsoil and mining activities.

### Anti-corruption law

The Anti-corruption Law of Mongolia (Anti-corruption Law) was ratified in 2006. To help prevent public officials from using their positions for personal gain, the Anti-corruption Law established an independent agency for preventing, detecting and investigating corruption cases. Further, business entities, organizations and private citizens have a legislative right to report corruption cases to the independent agency. Based on its review, the independent agency is responsible for taking appropriate further action, including opening formal inquiries and investigations.

### Anti-money laundering and combating the financing of the terrorism law

The Anti-money laundering and combating the financing of the terrorism law was issued initially approved in 2006 and fully revised in 2013 with subsequent amendments in recent years. The important elements of the anti-money laundering and terrorism financing framework is that banking and financial institutions are required to report on transactions above MNT 20 million to the Financial Intelligence Unit of Bank of Mongolia within 5 days after occurrence of such transactions; and legal and business consulting service providers are obliged to undertake a client identification procedure and to report transactions exceeding a certain threshold to the Financial Intelligence Unit of Bank of Mongolia.

### Arbitration

Legal persons or entities can agree to resolve civil disputes through arbitration, in accordance with the Arbitration Law of Mongolia. The decision made by an arbitrator is binding in nature and generally cannot be subjected to judicial review and/or appeal. It is noted that, although the legal framework for arbitration exists, the system is not widely used in Mongolia. Mongolia is a signatory of the Convention of New York of June 10, 1958 and as such, Mongolia recognizes and enforces foreign arbitration decisions. Similarly, arbitration decisions made in Mongolia should be recognized and enforced abroad.

# TAXATION



# 5 TAXATION

This section is intended to be a useful indication of the types of taxes and rates imposed on businesses operating in Mongolia. It should be noted that this information is not comprehensive and is subject to tax legislation change. Local advice should be obtained to ensure that your information is complete and current.

Please also note that Mongolia reformed its key tax laws (the General Tax Law, the Corporate Income Tax law, Personal Income Tax law) in 2019. International taxation concepts such as Transfer pricing (TP), General anti-avoidance rule (GAAR), Permanent establishment (PE), and Controlled Foreign Company rule (CFC) have been introduced in the new legislation.

## 5.1 General tax law

Mongolia operates on a self-assessment tax system. The tax year in Mongolia is calendar year from 1 January to 31 December.

All types of tax returns are submitted electronically in Mongolian language. There are no filing extension rules however tax return amendments are available until 31 December next year.

Amounts for Mongolian Corporate Income Tax returns are to be determined in Mongolian currency MNT (i.e. amounts expressed in a foreign currency must be converted into Mongolian currency). Mongolia has no rules to elect out of the Mongolian currency requirement for tax purposes.

The Mongolian tax system comprises of taxes, fees and payments as stated in Article 7 of the General tax Law:

1. Corporate income tax (CIT)
2. Customs duty
3. Value-added tax (VAT)
4. Excise tax
5. Tax on petroleum and diesel fuel
6. Mining Royalty
7. Fees for mineral exploration and mining licenses
8. Fee for air pollution
9. Payment on state stamp duty
10. Fee for water pollution
11. Tax on petroleum oil reserve usage
12. Fees for petroleum oil exploration and licenses
13. Personal income tax (PIT)
14. Immovable property tax
15. Livestock tax
16. Tax on auto and self-propelling vehicles
17. Payment on permit to use natural resources other than minerals
18. Land fees
19. Gun duty tax
20. Capital city tax
21. Tax on dogs
22. Tax on inheritance and gifts
23. Payment on waste services

24. Fees for usage of natural resources
25. Fees for usage of water resources
26. Fees for usage of mineral water resources
27. Fees for usage of forest resources
28. Fees for usage of wildlife resources
29. Fees on use of commonly occurring minerals

### The statute of limitations

There is a 4-year limitation period for the imposition of tax in arrears, fines and penalties. The statute of limitation period is also applicable for followings:

- Application for tax incentives or tax exemption;
- Carry forward of tax losses; and
- Verification of VAT imposition and payments.

### Tax audits

The MTA conducts a tax audit on a risk assessment basis. The frequency of the tax audit may differ depending on several factors, such as a special request from other authorities and third parties information.

A tax audit can be conducted in full or partial scope. Full scope tax audit is designed to audit all tax areas applicable to the taxpayer. A partial scope tax audit is designed to cover selected tax areas only for specific purposes.

### Debt collection

The tax legislation also prescribes tax registration and settlement, collection of overdue taxes and penalties for non-compliance. Essentially, the tax authority is responsible for registering all income and refunds due. Any late tax payments, penalties and fines are classified as 'tax debts' (which are required to be settled in a particular order). Fines are imposed on late tax payments, as well as overpayments made through the fault of the tax authorities. The penalty for late tax payment is currently 0.1% of the outstanding balance per day however such penalty shall not exceed 10% of the outstanding tax liability. In addition to the penalty, compensation for loss on the late payment is applicable at a rate of 0.045% per day (i.e. rate for 2021) which is renewed by the Government of Mongolia each year.

To settle 'tax debts' the tax authority may recover the amount owing from the taxpayer's bank account, deduct from the taxpayer's income or sell the taxpayer's assets (or use them as collateral). Tax Authority shall carry out tax collection activities in the following order:

- Tax levy notice
- Commencement of collection in non-dispute procedure
- Seize and levy the monetary assets up to the amount due (e.g. bank levy or cash levy)
- Tax liens covering all assets and receivables
- Seize and sell the assets

Under the new tax legislation, the tax authority has a right to exercise the tax collection activity without the courts.

### Penalty

The penalty for concealing taxable income through negligence or fraud (where criminal charges are not brought) is 30%-40% of the tax payable. For repeated offenses, the penalty increases to 50 percent of tax liability. Compensation for loss shall be also imposed on the delayed tax payments.

## 5.2 Corporate income tax

Taxpayers in Mongolia are separated into two classifications, resident, and non-resident taxpayers, each with different rates applying to various revenue streams.

### Residence

An entity shall be considered as a resident taxpayer in Mongolia for the following cases:

- 1) Incorporated in Mongolia; or
- 2) Headquartered in Mongolia while meeting three or more conditions stated below:
  - More than 50% of its shareholders or shareholders, who execute own rights and responsibilities through their direct or in-direct delegates, are residing in Mongolia;
  - Over 50% of the total shareholders' meetings are held in Mongolia in the four consecutive years preceding the tax year;
  - Accounting books and financial documents are kept in Mongolia;
  - More than 25% of the Board Directors or those who perform their Directors' rights and responsibilities directly or in-directly through its own delegates, are residing in Mongolia;
  - At least 60% of total sales revenue is earned from a sourced in Mongolia;

Resident taxpayers are subject to corporate income tax (CIT) on their worldwide income on a net basis (e.g. corporate income tax on their net income) at the progressive rates shown in the table below. We outline the applicable tax rates for taxpayers considered Mongolian tax residents below.

The payment date requirements vary depending on the type of income. Local advice should be sought to ensure that you comply with the various payment date requirements.

Figure 7: Taxpayer that resides in Mongolia on a permanent basis – tax rates for common income sources

Corporate income tax		
Type of income		Tax rate
General CIT rate	Annual taxable income between MNT 0 – 6 billion	10%
	Annual taxable income greater than MNT 6 billion	25%
Special CIT rate	Interest	10%
	Dividends	10%
	Royalties	10%
	Sale of rights	10%
	Sale of immovable property	2%

Non-resident entities are taxed at 20% only on Mongolian-sourced income on a gross basis (e.g. dividends, interest, royalties and other service income). These non-resident tax rates may be reduced if a double taxation agreement (DTA) is in place between Mongolia and the corresponding country. Further, non-residents are obliged to register for tax purposes within 10 working days before commencing business and project in Mongolia where the PE is created unless otherwise provided in relevant DTA.

### Taxable income

Taxable income is determined by subtracting deductible expenses and tax-exempt income from gross taxable income. Gross taxable income includes income from business activities, income from property, income from sale and transfer of assets and other income.

### Revenue recognition

Revenue shall be recognized for corporate income tax purposes in the following conditions:

- Goods: when shipped or loaded;
- Works: based on percentage of completion of works;

- Services: payment is received or conditions under relevant contracts are fulfilled;
- Other types of revenue, at the time:
  - when it is realized or
  - when such revenue is earned
- Exchange of goods and works and services: at the time when such items are received.

## Expenses

In general the following conditions should be met at the same time for tax deductions for resident taxpayers:

- Relevant for the reporting period;
- Incurred directly in connection with taxable revenue;
- Recognized, documented and recorded;
- Documented via electronic VAT system (e-barimt) or with customs declaration;
- Paid or reported;

However, following expenses are listed as non-deductible for tax purposes:

- Principle amount of a lease;
- Interest, penalty and compensation for loss on breach of an obligation of contract;
- Expenses for recreational activities and similar expenses;
- Loss on sale of property to related parties;
- Payment made by a Permanent Establishment to its Parent;
- Expenses incurred in connection with earning CIT tax exempt income;
- Capital city tax, VAT and withholding taxes;
- Unrealized foreign exchange loss;
- Incremental amount of inventory revaluation;
- Certain donations; and
- Expenses not supported with the source documents or electronic VAT slip

## CIT returns and payments

A corporate taxpayer must accurately determine and self-assess its income and tax due based on quarter-to-date and year-to-date tax statements prepared under accrual accounting and make payment to the tax authorities.

Figure 8: CIT lodgment deadline

CIT return lodgment	Filing frequency	Deadline
Taxpayers with annual taxable income higher than MNT 6 billion	Quarterly	By 20th of month following the quarter and annual submission within 10th February of the following year
Taxpayers with annual taxable income up to MNT 6 billion	Bi-annually	By 10th July and annual submission within 10th February of the following year
Nil return	Annually	By 10th February of the following year

Tax is generally paid in advance by the 25th of each month, and final tax payment deadline is the same as that for reporting (i.e. 10th February). The following are exceptions to CIT payment deadline:

- Tax imposed on income from the royalties, interest, dividend, sale of immovable property and income from lottery must be remitted within 10 working days of the sale by the withholder.
- All types of withholding taxes imposed on payments made to a non-resident should be remitted within 10 working days.

## Losses

Tax losses confirmed by the tax authority shall be carried forward and deducted from taxable income for the 4 consecutive years following the year in which the loss was incurred. However, the tax loss utilized may not exceed 50% of the total taxable income in that year.

If an entity is restructured by merging, acquiring or separating in accordance with the Civil Code, the Company Law and the Partnership Law, it shall result in forfeiture of tax losses.

## Permanent Establishment (PE)

Under the CIT law of Mongolia, business activities conducted by non-residents through a fixed place of business, through which the business of an enterprise is wholly or partly carried on, shall trigger a PE. Furthermore, PE shall be deemed to exist, where:

- A construction site or construction or installation object existing, or construction and supervision operations last for a period of 90 and more days within 12 consecutive months; and
- Technical, advisory, management, supervisory and other services last for a period of 183 and more days within 12 consecutive months provided by non-residents' own employees or other hired individuals to a resident taxpayer.

Persons who are involved in the following activities on behalf of a non-resident taxpayer shall also constitute a PE:

- Sale, distribution or storage of goods; and
- Concludes contract, or plays the principle role leading to the conclusion of contracts that are concluded without material modification by the non-resident.

Once a PE is triggered and registered at the MTA, the PE shall be treated as a Mongolian resident entity for accounting and tax purposes, and profits linked to its activities in Mongolia will be taxed.

## Foreign tax credit

A foreign tax credit is available with the Tax information exchange agreements in place between Mongolia and the foreign country where the income was earned and taxed. By the fourth quarter of every year MTA announces the list of jurisdictions where their competent authorities can exchange information with Mongolia on taxation matters. We provide this list in Appendix One.

Subject to the above condition, taxes paid abroad by a taxpayer shall be credited from taxes payable for the reporting period. Foreign taxes shall not be credited if:

- Entities are under the simplified tax regime;
- Taxes refundable in the country where the taxes were paid;
- Tax interest, fine and penalties;

Taxes are imposed on non-taxable income in accordance with the Mongolian tax legislation.

## Ring fencing rule

A business entity engaging in mineral, radioactive minerals, oil exploration and mining activities shall prepare and submit tax returns for each holding license in a tax year.

## Controlled Foreign Company (CFC) Rules

If Mongolian resident taxpayer company and/or Mongolian resident individual taxpayer directly or indirectly owns more than 50% of a foreign incorporated company, such company shall be regarded as a resident taxpayer of Mongolia.

## Thin Capitalization

There is also a thin capitalization requirement for investor loans provided the loan is advanced by an investor to a taxpayer entity. In particular, if the amount of a loan granted by an investor to a taxpayer entity exceeds three times the value of capital previously invested by the investor in the taxpayer, the

interest paid on the excess amount of the loan is non-deductible. Instead, it is deemed to be a dividend to the investor, subject to taxation.

### Earnings Stripping

The amount of total tax-deductible interest expense payable to related parties shall be capped at 30% of EBITDA determined for the CIT purpose (i.e. total sales revenue for the reporting period, minus expenses that meet the conditions and requirements specified in the CIT law, except for interest, depreciation and amortization).

### General Anti-Avoidance Rule (GAAR)

If there is a tax scheme that results in the taxpayer receiving a tax benefit (including a reduction of a tax base, a postponement of a liability to pay tax, any other advantage arising because of a delay in payment of tax, increase in an amount of gross revenue to be exempt income or otherwise not subject to tax and an amount that otherwise be subject to tax not to be taxed), the tax authority make a determination and reassess a tax liability as if the scheme had not been carried out and can make compensating adjustments.

## 5.3 Indirect Transfer Rules

Income arising from sale and transfer of mining, oil, radioactive minerals special license and land usage and possession rights (the rights) by way of full or partial transfer of shares or participation rights or voting rights held by the beneficial owner shall be regarded as right holder entity's income from sale or transfer of the rights issued by the Authorities. We refer to this rule as the "Indirect transfer rule" hereafter.

The indirect transfer rule shall see the share transfer transactions lead to a change in the amount or percentage of shares of "ultimate beneficial owner" (hereafter UBO) of a legal entity holding the rights and this would trigger a taxable event in Mongolia. UBO is defined as the person or entity who ultimately owns the legal entity which owns mineral mining, oil or radioactive minerals or land licenses through direct or indirect ownership of 30% or more of the shares, or voting rights, or ownership interest in that entity.

## 5.4 Transfer pricing

Mongolia has joined the Inclusive Framework on Base Erosion and Profit Shifting ("BEPS") in 2018 and as a member of the Framework, Mongolia has committed to the implementation of the four minimum BEPS standards, including transfer pricing reporting under Action 13 (Country-by-country ("CbC") report, Master file, and Local File). Considerable development is now introduced with regards to Transfer pricing reporting and the rules shall apply as of 1 January 2020.

Under the new General Tax Law, the definition of 'related party' has been broadened. If an entity has influence over economic outcome and terms of transaction conducted with other entity through its direct and indirect participation rights in such other entity's asset, control, and management activity, they shall be considered as related parties. Related parties would include the followings, but not limited to:

- Taxpayers' family members;
- Members of the group entities;
- Person or entity directly or indirectly holds 20% or more of the shares, participation rights and voting rights in other entities;
- Person or entity has the right to directly or indirectly receive 20% or more of the dividends or distributions;
- Branch and permanent establishments of related entities.

## TP documentations

Figure 9: Transfer pricing filing requirement in Mongolia

Filing requirement	General content	Reporting party
<b>Annual Transactional File (ATF)</b>	<ul style="list-style-type: none"> <li>- Gathers information about related parties</li> <li>- Information on all types of transactions conducted among the related parties</li> </ul>	<ul style="list-style-type: none"> <li>- All taxpayers who conducted related parties' transactions</li> </ul>
<b>Master File (MF)</b>	<ul style="list-style-type: none"> <li>- Overview of a MNE's global operation</li> <li>- Value drivers and supply chain model etc.</li> <li>- General TP policy</li> </ul>	<ul style="list-style-type: none"> <li>- Annual sales income higher than MNT 6 billion</li> <li>- Group's annual sales income higher than MNT 6 billion</li> <li>- Foreign invested companies</li> </ul>
<b>Local File (LF)</b>	<ul style="list-style-type: none"> <li>- Local information about the taxpayer</li> <li>- Economic and functional analysis of intercompany transactions</li> <li>- Analysis of group TP policy</li> </ul>	<ul style="list-style-type: none"> <li>- Annual sales income higher than MNT 6 billion</li> <li>- Group's annual sales income higher than MNT 6 billion</li> <li>- Foreign invested companies</li> </ul>
<b>Country by Country Report (CbCR)</b>	<ul style="list-style-type: none"> <li>- Gathers information about global allocation of profit, tax of the MNE throughout the world</li> <li>- Summary data and economic activity in each country including revenues, profits, taxes, number of employees, nature of business operation</li> </ul>	<ul style="list-style-type: none"> <li>- Ultimate parent entity, constituent entities</li> <li>- Surrogate Parent Entities - assigned persons for reporting (with consolidated financial statements with annual sales income higher than MNT 1.7 trillion)</li> </ul>

Taxpayers shall submit the above annual transactional report, local file, master file and CbC report (if required) along with the annual tax return to the relevant tax authority within 10 February of the following year.

## 5.5 Double tax agreements

Mongolia recognises double tax agreements (DTAs) with various jurisdictions, including its key trading partners; China and Russia. We provide a list of Mongolia's DTA partners in Appendix Two.

It should be noted that the Mongolian Government has been reconsidering its position with respect to a number of DTAs. Accordingly, anyone looking to place any reliance on the provisions of a DTA in assessing any investment decision would be advised to ensure that they seek the most up to date advice.

## 5.6 Incentives

The Investment Law allows stabilization of the tax environment and the possibility of entering into an investment agreement with the Government of Mongolia for qualifying projects. A tax stabilization certificate can be used to stabilize the percentage rates of corporate income tax, customs duty, value-added tax and royalties for up to 27 years. The term of Stabilization Certificate depends upon the amount and the geographic location of the investment.

For small and medium enterprises who have annual income less than MNT 1.5 billion and taxpayers operating in remote areas, certain tax credits may be available, if legal requirements are met. In addition to the above, simplified tax regime is also available for taxpayers with annual income up to MNT 50 million. Under the simplified tax regime taxpayer's gross taxable income shall be taxed at the rate of 1%.

There are some non-tax incentives for foreign investors and their family members including the availability of investor visas and the land rights to possess and use for up to 60 years and further extension for 40 years.

## 5.7 VAT

### Taxation basis

VAT is levied on:

- all types of goods sold in the territory of Mongolia;
- all types of goods exported from the territory of Mongolia for sale, use or consumption to foreign country;
- all types of goods imported from foreign country into the territory of Mongolia for sale, use or consumption;
- works performed and services rendered in the territory of Mongolia.

The taxable amount of VAT for goods produced and sold, works performed and services provided in Mongolia is usually the amount invoiced by the seller or service provider. However, where the tax authority believes that the price charged is unreasonably higher or lower than market value, the tax authority may re-assess the amount of VAT based on the fair market value.

### VAT rate

The standard rate for VAT in Mongolia is 10% of the taxable value. The timing of imposition is determined as taking place at the earlier of:

- The day when the seller receives payment for the sale of the goods, work or services;
- The day in which the seller issues an invoice
- The day the buyer purchases the goods, work or services Exceptions: certain goods and services are zero-rated (e.g. exports) or exempt (e.g. domestically grown food staples).

### Zero Rated VAT application

Zero rated supplies include exports of goods and services; international transport services; services related to international air travel; services provided in a foreign country (including tax-exempt services); services provided to foreign citizen not residing in Mongolia during provision of services (including tax-exempt services); and mining final products exported.

### Exemptions

Certain goods and services are exempt from the VAT regime in Mongolia including sale of gold to BOM and commercial banks with permission, certain food products produced domestically, education services, medical services and specific financial services. As such, local advice should be sought on which items will be VAT exempt.

### Withholding VAT for non-residents

When a person or legal entity of Mongolia purchases goods, work, or services not declared at the customs, from an entity that does not reside or stay in Mongolia, a person or legal entity in Mongolia shall impose and withhold VAT on value of the goods, work, or services and make payment to the Authority. Please note the withholding VAT is not creditable for the Mongolian entity receiving service or goods.

### Registration threshold

A VAT withholding agent is any of the following:

- An entity or individual that produces or sells goods, performs work or provides services in Mongolia
- An entity that imports or exports goods
- A permanent establishment of a foreign company with sales revenue (of goods sold, work performed or services provided) of 50 million MNT or more

The VAT registration threshold is 50 million MNT. Revenue from sales of fixed assets should not be counted when determining whether the threshold has been breached. This should help to reduce the compliance obligations for some smaller organizations. If an entity or individual exceeds the threshold (as reported in their income tax returns), a registration request must be submitted to the tax authority within ten working days of exceeding the threshold and the tax authority will issue a VAT certificate

to the entity or individual confirming VAT registration. Tax is imposed from the day the tax authority issues the VAT certificate.

An entity or individual may voluntarily register for VAT when sales revenue from primary production, work or provision of services exceeds 10 million MNT. Group VAT registration is not available.

### **VAT refund**

Registered end-users may receive a 20% VAT refund where certain conditions are met (goods, works, or services are purchased from VAT withholding agents, purchases are registered with the tax authorities, purchases are registered with a registration device, etc.). These end-users may also receive a reward under a lottery arrangement on regular basis.

Registered VAT withholding agents are eligible for a VAT refund. A taxpayer who has overpaid VAT shall submit a written request for refund or credit against payments of other taxes to the MTA upon the submission of tax report. (i.e. by the 10th of the following month).

### **VAT returns and payment**

VAT returns are required to be submitted to the tax authority on a monthly basis and the tax report submitted by the VAT payer must observe the approved standard format. Payment is due the same day as the VAT return.

## **5.8 Immovable property tax**

Immovable property tax is levied annually at a rate of 0.6% to 1% of the value of the immovable property. The rate varies depending on the location, size, and supply and demand of the property. Companies must pay immovable property tax in 4 equal installments by the 15th day of the last month of each quarter. Annual immovable property tax returns must be filed by the 10th of February the following year.

Individual taxpayers must pay immovable property tax by the 15th of February each year. Exemptions apply for property used by the state, for agriculture, or as residential and public buildings. Exemptions may also be available for entities operating in industrial parks.

## **5.9 Excise taxes**

Excise taxes in Mongolia are imposed on:

- Alcohol
- Tobacco
- Petroleum products
- Passenger vehicles
- Secondary products from petroleum production (e.g. kerosin)

Key exemptions apply for goods produced domestically for export, duty-free alcohol and tobacco, and snuff tobacco. The excise duty for hybrid vehicles is 50% of the normal excise duty imposed on imported cars (effective 1 July 2017). Excise duties are set at a flat rate in MNT per unit of product.

## **5.10 Customs duty**

### **Imports**

The Customs Authority is responsible for administering import laws and regulations. The majority of imports do not require a special license or approval however, these are required to be declared to the Customs Authority, along with a description and value of goods imported.

As stipulated in the law of Mongolia on Customs tariffs and duties, Customs value shall be determined by the declarant based on the documents required for specific customs clearance procedure and be declared to the Customs. The declarant is obliged to provide the valuation method chosen to the Customs and furnish documentary evidences for support of the determination of Customs value.

The transaction value is the most common method used for customs valuation. Alternative valuation methods include:

- Transaction value for identical merchandise;
- Transaction value for similar merchandise;
- The deductive method; and
- The computed method.

Based on this information, the Customs Authority will determine the amount of tariff to be paid on the import. Tariff rates are established and approved by the Government. A regular tariff rate of 5% applies for the most import goods.

## Exports

Generally, most exports are not subject to tax. In theory, an export tax exists but it is applied to a limited number of products only. Most exports do not require a special license or approval, however exporting the following items is restricted (amongst others):

- Uranium
- Firearms
- Certain dangerous and poisonous chemicals

## Import VAT

Under the VAT law, the taxable amount of value-added tax for imported goods shall be determined by adding customs duty, excise tax, and other taxes to customs value determined in conformity with the Customs Tariff Law of Mongolia. Import VAT rate is 10%. For the purpose of computing import VAT to be paid at the customs, the following formula will apply:

Import VAT =

[Customs Value + Customs duty (5% of Customs Value) + excise tax + other taxes] x 10%

## 5.11 Mining royalties

Under the Mongolian Mineral Law, royalties are payable on the sale of minerals both within Mongolia and to abroad. The amount of royalty is based on standard flat-rates and may also include a surtax royalty with percentages applied depending upon the type of commodity and the market price. The Ministry of Mineral Resources and Energy is responsible for determining the reference price to be applied.

Standard royalty rate for extracted coal used for internal usage, domestically sold or shipped for sale shall be 2.5% of the sales value. Royalty rate applicable for gold sold to the Bank of Mongolia and other authorized commercial banks shall be 5% and surtax royalty shall not be applicable. Standard royalty rate for mining products other than above shall be 5% of the sales value of the products.

Under the Mongolian Petroleum Law, the amount of royalties for petroleum and natural gas is 5% to 15% of the crude oil or natural gas extracted (the exact rate will be set under the Product Sharing Agreement based on the negotiation with the Mongolian Government).

## 5.12 Capital city tax

There is a capital city tax that applies to entities in the service industry. The tax rate varies between 0% and 1.0% of sales amount or market price on certain types of services (i.e. hotels, hospitality services, restaurants and bars) and goods sold (i.e. alcohol and tobacco). The tax rate varies depending on the location of the service provided and goods sold, and the density of the population in that location.

## 5.13 Personal income tax

Personal income tax is regulated by the Personal Income Tax Law of Mongolia.

### Residency

A taxpayer is qualified as a resident if they meet any of the following criteria:

- Resided in Mongolia for more than 183 days within a consecutive 12 months;
- 50% or more of gross taxable income is derived from Mongolia or from Mongolian sourced income.
- A civil servant of Mongolia working abroad on assignment is also qualified as a resident taxpayer. Foreign citizens working in foreign diplomatic missions and consulates, UN are qualified as non-residents regardless of residency criteria.

### Basis of taxation

A resident taxpayer is required to pay taxes in Mongolia on both their taxable income earned in Mongolia and overseas income (i.e. their worldwide income). Non-resident taxpayers are only required to pay taxes on taxable income earned in Mongolia.

### PIT rate

The Personal Income Tax Law defines the different types of personal income subject to the tax and establishes the tax rate applicable for each income type. Personal Income Tax (PIT) rate on employment and personal investment income for resident taxpayer is flat 10%.

Tax rate on Mongolian-sourced income (i.e. including employment income, fringe benefits, property income, dividend, business income and interest income) for non-residents is flat 20%.

### PIT returns and payments

Personal income tax returns are filed on quarterly basis within 20th of month following the quarter and annual PIT return should be submitted by 15th February of the following year.

Where employers fulfilled their withholding obligation and the employee has no personal investment income other than employment income, then personal income tax return filing is not required.



# IMMIGRATION AND EMPLOYMENT

# 6 IMMIGRATION AND EMPLOYMENT

## 6.1 Immigration

Immigration is a key issue for any business operating in Mongolia that will be employing expatriates, as well as individuals coming to Mongolia to invest. The Law of Mongolia on the Legal Status of Foreign Nationals (the Foreign Nationals Law) is the basis of the regulation relating to the entry and naturalization of foreign nationals.

### Visas

Generally, foreigners are required to have a Mongolian visa to enter the country.

Foreigners visiting Mongolia for more than 30 days are required to register electronically with their local Office of Immigration, Naturalization and Foreigners Registration (Immigration Office) within 48 hours of arrival. Failure to register may result in fines or penalties. If a foreigner is invited to visit Mongolia, the citizen, business entity or organization inviting the foreigner is responsible for registering them with the Immigration Office.

### Residence permits

Foreigners who wish to reside in Mongolia may apply for a residence permit. Residence permits are valid for work permit period and can be extended for an additional year depending on the work permit and employment contract. Residence permits are granted for the following purposes and valid period may vary depending on the visa types:

- Work
- Family reasons
- Immigration
- Investment
- Study, internship, scientific research and other private matters

Applications for residence permit, for the purpose of work are required to be requested by the foreigner's employer.

### Work permits

A business entity, organization or citizen can employ workers and specialists from abroad for occupations and professions requiring high professional skills. Prior to employing workers and specialists from abroad, a work permit is required to be obtained by the employer from the Labour and Social Implementation Agency (Labour and Social Agency). Requests for work permits must be made in writing and include the following documents, among others:

- Business case for hiring a foreign national
- Employment contract between the two parties
- Diploma, certification and passport of the foreigner

Work permits are granted for up to one year and can be extended based on a written request from the employer. In considering an extension, the Labour and Social Agency takes into account the business case for continued employment and the results of work performed thus far.

### Fees and quotas for employing foreign workers

An organization employing workers and specialists from abroad is required to pay a fee for employing a foreigner. Unless otherwise noted in trade agreements with specific countries, the fee must be paid on a monthly basis and is currently set to MNT 840,000.<sup>20</sup> The fee is linked to a minimum compensation amount that is periodically updated and approved by the Government. The revenue generated from this fee is used to fund government programs designed to combat unemployment in Mongolia.

<sup>20</sup> [Legal Information Mongolia](#)

Quotas have been established for the number of foreign workers that can be hired in a given year. Depending on the economic sector and the size of the organization hiring the foreigner, foreigners can comprise as much as 60% or as little as 10% of the total workforce of an organization. Generally, organizations operating in the mining and construction industries can hire a higher percentage of foreign employees. Quotas are updated and approved on an annual basis by the Government.

A limited number of cheaper 'investor' visas are also permitted to each foreign invested company employer.

## 6.2 Employment regulations

Labour relations in Mongolia are regulated by the provisions established in the Labour Law of Mongolia (the Labour Law) which is revised in 2021 and the new law is effective from 1 January 2022. The Labour Law provides general rules related to labour contracts, working conditions, labour disputes and other matters related to labour relations. The general provisions articulated in the Labour Law apply to all foreign and domestic parties entering into labour contracts within the territory of Mongolia, unless otherwise noted in subsequent articles and/or trade agreements with specific jurisdictions.

Within the new Labour Law, types of the employment relations are broadened such as work from home, remote job, apprenticeship, long shift/roster job and triangular employment. More detailed provisions are introduced with respect to non-discrimination, bullying, and harassment at workplace, child labour prohibition, as well as prohibition of forced labour which is not regulated in the previous form of legislation.

### Labour contracts

The Labour Law provides that all employment contracts must be in writing and must contain the following information:

- Name or title of the position of employment
- Duties and work to be performed
- Amount of compensation
- Work conditions (e.g. any conditions that may impact an employee's safety or ability to perform work)

If the basic requirements listed above are not agreed upon during the course of a negotiation, the employment contract can be considered void. Additional terms and conditions may be agreed upon by the parties to be included in the contract, provided that the additional terms and conditions are compliant with existing laws and regulations of Mongolia.

Employment contracts can be for a fixed-term or permanent. The Labour Law establishes that fixed-term employment contracts shall be applicable for following conditions only where the employment contract may be lawfully terminated, before the end date of the contract:

- Apprenticeship and probationary period;
- One-time seasonal work;
- Temporary employment (to replace an employee whose position is being retained); and
- Work/service under a contract with special conditions only

However, the permanent positions should have an open-ended employment contracts.

### Severance pay

If an employment contract is lawfully terminated (in accordance with the Labour Law) or if an employee is required to partake in active military service, the employee is eligible for a severance payment depending on the number of service years.

### Working hours

The standard work week in Mongolia consists of a 40 hour week, typically treated as eight hours per day from Monday to Friday with Saturdays and Sundays treated as public days of rest. In addition, the Labour Law defines a work day as eight hours of work and requires at least 12 hours of uninterrupted rest between two work days. If an employee works beyond the standard eight-hour day at the initiative of their employer, the additional work performed by the employee is considered overtime

and should be compensated by either time in lieu or overtime pay. Standard work hours cannot exceed 56 hours per week.

The employer is further restricted in the circumstances in which they can impose overtime on public holidays and weekends.

### Salary

Employees are typically paid twice a month or more frequently if stipulated by the employment contract. Compensation consists of base compensation, extra pay, awards and bonuses. The minimum compensation level is established by law and is currently set at MNT 420,000 per month.

Employers are required to provide extra pay in certain circumstances, including:

- Overtime, which must be at a rate at least 50% greater than regular pay
- Work performed over a public holiday, which must be double the amount of regular pay
- Night shift work, which must be at a rate established in the employment contract

### Paid vacation

Annual paid vacation for employees in Mongolia is mandatory. As per the Labour law, first time employees become entitled to an annual vacation after 6 months of service, with vacation periods ranging from 15 days to 33 days, depending on the number of years served and the type of work performed. Annual paid vacation can be exchanged for payment at rate 50% greater than regular pay if employees were unable to take their annual vacation.

### Maternity leave

Under the Labour Law, new mothers are entitled to 120 days of maternity leave, during which state benefits are paid. State benefits are capped at ten times national minimum wage. This is typically taken for two months on either side of the expected delivery date. Additional days can be taken if there were any complications during delivery. In addition to taking days off, mothers with an infant of up to twelve months old are entitled to extra one or two hours of rest during a work day.

## 6.3 Social security

The Mongolian Social Security System (Social Security) provides pension, health, disability and unemployment, amongst others. Participation in Social Security is mandatory for all Mongolian nationals, foreigners and stateless persons who are employed within the territory of Mongolia.

### Rates

Both employers and employees are required to pay social security contributions, at rates which are established by the Social Insurance Law of Mongolia. In 2022, employer contribution rates vary from 12.5% to 14.5%, depending on the industry.

Employee contribution rates are 11.5% (from salary and similar income). However, employee monthly contributions are capped at 11.5% of 4,200,000 (ten times minimum wage of MNT 420,000) which is currently MNT 483,000. Employers are responsible for withholding social security contributions and transferring them to relevant authorities on a monthly basis.

### Social security benefits

Workers who have contributed to Social Security are eligible for social security benefits. Pension benefits are paid to a worker or the worker's family upon their retirement, disability or death. Similarly, aid benefits are paid to a worker or the worker's family upon disability, pregnancy or death.

The amount of benefit paid to a beneficiary can depend on a variety of factors, including the salary of a worker and the number of years he or she contributed to Social Security. Health benefits are paid in case of a worker's illness. To access healthcare at a state hospital, employees need to provide evidence of their contributions.

# APPENDIX 1: Tax Information Exchange Agreements

According to the [Decree #A90 approved by Head of MTA](#) on 30 September 2021, Mongolia has Tax Information Exchange Agreements (TIEA) with following countries.

## Jurisdictions with TIEA:

- |  |                                    |
|--|------------------------------------|
| 1. Commonwealth of Australia                             | 31. Kingdom of Denmark             |
| 2. Republic of Austria                                   | 32. Commonwealth of Dominica       |
| 3. Republic of Azerbaijan                                | 33. Dominican Republic             |
| 4. Republic of Albania                                   | 34. State of Israel                |
| 5. United States of America                              | 35. Republic of Indonesia          |
| 6. Principality of Andorra                               | 36. Ireland                        |
| 7. Antigua and Barbuda                                   | 37. Republic of Iceland            |
| 8. Argentine Republic                                    | 38. Kingdom of Spain               |
| 9. Republic of Armenia                                   | 39. Republic of Italy              |
| 10. Barbados   | 40. Hashemite Kingdom of Jordan    |
| 11. Commonwealth of the Bahamas                          | 41. Republic of Cabo Verde         |
| 12. Kingdom of Bahrain                                   | 42. Republic of Kazakhstan         |
| 13. Belize   | 43. Republic of Cameroon           |
| 14. Kingdom of Belgium                                   | 44. Canada                         |
| 15. Republic of Benin                                    | 45. State of Qatar                 |
| 16. Republic of Bulgaria                                 | 46. Republic of Kenya              |
| 17. Bosnia and Herzegovina                               | 47. The Republic of Cyprus         |
| 18. Republic of Botswana                                 | 48. Republic of Colombia           |
| 19. Federative Republic of Brazil                        | 49. Republic of Costa Rica         |
| 20. United Kingdom of Great Britain and Northern Ireland | 50. State of Kuwait                |
| 21. Brunei Darussalam                                    | 51. The Cook Islands               |
| 22. Burkina Faso   | 52. Republic of Latvia             |
| 23. The Republic of Vanuatu                              | 53. Republic of Liberia            |
| 24. Gabonese Republic                                    | 54. The Republic of Lebanon        |
| 25. Republic of Ghana                                    | 55. Republic of Lithuania          |
| 26. Republic of Guatemala                                | 56. Liechtenstein                  |
| 27. Federal Republic of Germany                          | 57. Grand Duchy of Luxembourg      |
| 28. Hellenic Greece                                      | 58. Islamic Republic of Mauritania |
| 29. Grenada  | 59. Republic of Mauritius          |
| 30. Georgia  | 60. Malaysia                       |
|  | 61. Republic of Maldives           |

- |   |  |
|---|--|
| 62. Republic of Malta                         | 97. Slovak Republic                        |
| 63. Kingdom of Morocco                        | 98. Republic of Slovenia                   |
| 64. Republic of the Marshall Islands          | 99. Republic of Korea                      |
| 65. United Mexican States                     | 100. Kingdom of Thailand                   |
| 66. Republic of Moldova                       | 101. Togolese Republic                     |
| 67. Principality of Monaco                    | 102. Republic of Tunisia                   |
| 68. Montenegro                                | 103. Republic of Turkey                    |
| 69. Republic of Namibia                       | 104. Republic of Uganda                    |
| 70. Republic of Nauru                         | 105. Ukraine                               |
| 71. Federal Republic of Nigeria               | 106. Republic of North Macedonia           |
| 72. Kingdom of the Netherlands                | 107. Hungary                               |
| 73. Niue Island country                       | 108. Eastern Republic of Uruguay           |
| 74. Kingdom of Norway                         | 109. Republic of the Philippines           |
| 75. Sultanate of Oman                         | 110. Republic of Finland                   |
| 76. Russian Federation                        | 111. French Republic                       |
| 77. Republic of South Africa                  | 112. Republic of Croatia                   |
| 78. Islamic Republic of Pakistan              | 113. People's Republic of China            |
| 79. Republic of Panama                        | 114. Czech Republic                        |
| 80. State of Papua New Guinea                 | 115. Republic of Chile                     |
| 81. Republic of Paraguay                      | 116. Kingdom of Sweden                     |
| 82. Republic of Peru                          | 117. Swiss Confederation                   |
| 83. Republic of Poland                        | 118. New Zealand                           |
| 84. Portuguese Republic                       | 119. Republic of Ecuador                   |
| 85. Republic of Rwanda                        | 120. Republic of El Salvador               |
| 86. Romania                                   | 121. United Arab Emirates                  |
| 87. Independent State of Samoa                | 122. Republic of India                     |
| 88. Republic of San Marino                    | 123. Kingdom of Eswatini                   |
| 89. Kingdom of Saudi Arabia                   | 124. Republic of Estonia                   |
| 90. Republic of Seychelles                    | 125. Jamaica                               |
| 91. Republic of Senegal                       | 126. Japan                                 |
| 92. Saint Vincent and the Grenadines          | 127. Democratic People's Republic of Korea |
| 93. Federation of Saint Christopher and Nevis | 128. Socialist Republic of Viet Nam        |
| 94. Saint Lucia                               | 129. Republic of Belarus                   |
| 95. Republic of Serbia                        | 130. Kyrgyz Republic                       |
| 96. Republic of Singapore                     |  |

## APPENDIX 2: DOUBLE TAX AGREEMENTS

The following countries have concluded agreements with the Government of Mongolia on the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital<sup>21</sup>.

### Currently in force:

1. Austria
2. Belarus
3. Belgium
4. Bulgaria
5. Canada
6. Czech Republic
7. Democratic People's Republic of Korea
8. France
9. Germany
10. Hungary
11. India
12. Indonesia
13. Kazakhstan
14. Kyrgyzstan
15. Malaysia
16. People's Republic of China
17. Poland
18. Republic of Korea
19. Russia
20. Singapore
21. Switzerland
22. Turkey
23. Ukraine
24. United Kingdom
25. Vietnam
26. Italy

### Signed but not yet in force at the time of writing:

- Thailand
- Egypt
- Latvia
- Romania
- Uzbekistan

<sup>21</sup> The Mongolian Government has been reconsidering its position with respect to a number of DTAs. Accordingly, anyone looking to place any reliance on the provisions of a DTA in assessing any investment decision would be advised to ensure that they seek the most up to date advice.

## APPENDIX 3: GLOSSARY

<b>AFCCP</b>	Authority for Fair Competition and Consumer Protection
<b>Anti-corruption Law</b>	The Anti-corruption Law of Mongolia
<b>Company Law</b>	Mongolian Company Law
<b>Competition Law</b>	The Competition Law of Mongolia
<b>DTA</b>	Double Tax Agreement
<b>FDI</b>	Foreign Direct Investment
<b>GBP</b>	British Pound
<b>GDP</b>	Gross Domestic Product
<b>IFRS</b>	International Finance Reporting Standards
<b>IMA</b>	Invest Mongolia Agency
<b>Immigration Office</b>	The Office of Immigration, Naturalization and Foreigners Registration
<b>IP</b>	Intellectual Property
<b>IPO</b>	Initial Public Offering
<b>IPOM</b>	Intellectual Property Office of Mongolia
<b>IPSRO</b>	The Intellectual Property and State Registration Office
<b>Labour and Social Agency</b>	The Labour and Social Implementation Agency
<b>LSEG</b>	London Stock Exchange Group
<b>MNT</b>	Mongolian Tugrik
<b>MTA</b>	Mongolian Tax Authority
<b>MPP</b>	Mongolian People's Party
<b>MPR</b>	Mongolian People's Republic
<b>MPRP</b>	Mongolian People's Revolutionary Party
<b>MSE</b>	Mongolian Stock Exchange
<b>NSO</b>	National Statistical Office
<b>SMEs</b>	Small and Medium Enterprises
<b>Social Security</b>	The Mongolian Social Security System
<b>Stamp Duty</b>	Stamp Duty Law of Mongolia
<b>The Foreign Nationals Law</b>	The Law of Mongolia on the Legal Status of Foreign Nationals
<b>The Labour Law</b>	The Labour Law of Mongolia
<b>The Personal Tax Law</b>	The Personal Income Tax Law of Mongolia
<b>The Tax Law</b>	The General Tax Law
<b>Trade Names and Trademarks Law</b>	Law of Mongolia on Trade Names and Trademarks
<b>USD</b>	United States Dollar
<b>VAT</b>	Value Added Tax

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