

GMS Flash Alert

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Mongolia - Tax and Social Security Undergo Further Changes

This GMS *Flash Alert* highlights recent tax and social security changes in Mongolia that have been approved by the country's parliament and represent a reversal, in some cases, of previous decisions made.

WHY THIS MATTERS

The changes and reversals, which we discuss further below, have created some confusion and uncertainty for individual taxpayers and their employers. Affected parties should consult with their qualified tax professionals before taking any decisions.

In cases of assignments to Mongolia where assignees are subject to Mongolian taxation, and for assignees working outside Mongolia but still subject to Mongolian taxation, international assignment cost projections and budgeting should reflect the changes described in this newsletter once they come into effect. Where appropriate, adjustments to gross-up packages and withholding taxes need to be considered.

Personal Income Tax (PIT)

The PIT rate on employment income for resident taxpayers (i.e., those who stay more than 183 days in Mongolia in the tax year) will revert back to a flat 10-percent rate, reversing the previously-approved marginal tax rates of 15 percent, 20 percent, and 25 percent, which represented an effort to make the tax system more progressive and boost yields to the country's treasury. (For prior coverage of earlier moves to amend the country's tax system, see GMS [Flash Alert 2017-077](#), 26 April 2017.)

The tax rate on Mongolian-sourced income (including fringe benefits, property income, dividends, business income, and interest income) for nonresidents will remain at the newly-introduced flat 20-percent tax rate. Prior to 1 January

2018, the same income tax rate had been applicable to both resident and nonresident taxpayers.

The annual PIT credit of MNT 120,000 has also been revised as shown below – this also represents a reversal of the higher credit that had previously been agreed. For monthly payroll purposes, we illustrate this on a monthly basis. Based on the newly approved law¹, where income is above MNT 36 million per annum (approx. USD 14,000), there will no longer be a PIT credit available.

<i>Monthly taxable employment income (MNT)</i>	<i>2017 credit</i>	<i>2018 credit previous change</i>	<i>2018 credit new change</i>	<i>2019 onwards</i>
Up to 500,000	7,000	10,000	13,333	20,000
500,001 – 1,000,000	7,000	10,000	11,667	18,333
1,000,001 – 1,500,000	7,000	10,000	10,000	16,667
1,500,001 – 2,000,000	7,000	10,000	8,333	15,000
2,000,001 – 2,500,000	7,000	10,000	6,667	13,333
2,500,001 – 3,000,000	7,000	10,000	5,000	11,667
Over 3,000,000	7,000	10,000	-	-

Source: KPMG Tax TMZ LLC, Mongolia

KPMG NOTE

Further details on the mechanism for the refund / credit in relation to any overpaid PIT from January payroll have not yet been made available by the tax authorities.

Social Health Insurance and Retirement Age

The Social Health Insurance rate increases will be incremental over the next three years.² The increased rates which are applicable from 1 January 2018, are as below:

Contribution	2017 rate	New rate 2018
Employee	10% (capped)	11% (capped -- current cap of MNT 264,000 per month)
Employer	11%-13% (depends on industry)	12%-14% (depends on industry)

Source: KPMG Tax TMZ LLC, Mongolia

Another change approved by Parliament very recently was in relation to the retirement age which will remain the same as it was before the April 2017 changes.

Retirement age	Prior to April 2017	April 2017-February 2018	15 February 2018 onwards
Men	60	60 in 2017 61 in 2019 62 in 2021 63 in 2023 64 in 2025 65 in 2027	Full retirement age is 60, however beginning with people born in 1957 or later, that age gradually increases until it reaches 65 for people born after 1977.
Women	55	55 in 2017 56 in 2019 57 in 2021 58 in 2023 59 in 2025 60 in 2027 65 in 2037	Full retirement age is 55 beginning with people born in 1962 or later, that age gradually increases until it reaches 65 for people born after 2002.

Source: KPMG Tax TMZ LLC, Mongolia

In Force Dates

The new law took effect on 2 February 2018, with the new rules applying as of 1 January 2018.

FOOTNOTES:

- 1 Personal Income Tax Law of Mongolia (<http://www.legalinfo.mn/law/details/538?lawid=538>) .
- 2 Social Health Insurance Law of Mongolia (<http://www.legalinfo.mn/law/details/390?lawid=390>) .

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MNT 1 = EUR 0.00034
MNT 1 = USD 0.000418
MNT 1 = GBP 0.000299
MNT 1 = CNY 0.00265

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Mongolia:



Nicole Woodcock
Global Mobility Services Country Lead
KPMG Tax TMZ LLC
Tel. +976-9934-1307
nnicole@kpmg.com

The information contained in this newsletter was submitted by the KPMG International member firm in Mongolia.

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