



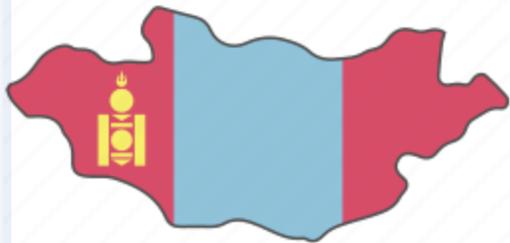
MINISTRY OF  
FINANCE  
MONGOLIA

# TAX TRENDS IN ASIA: MONGOLIA



# THE RAPIDLY SHIFTING ECONOMIC CONDITIONS IN MONGOLIA MADE IT **IMPERATIVE TO REFORM THE TAX SYSTEM**

## Covered tax laws:



GENERAL TAX LAW

CORPORATE INCOME TAX LAW

PERSONAL INCOME TAX LAW

Approved: **22 March 2019**  
Effective from: **01 January 2020**



## MAIN PURPOSE



CREATING FAVORABLE TAX ENVIRONMENT FOR SMES



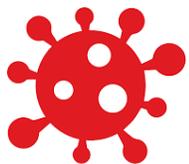
DIGITALIZATION OF TAX SERVICES



IMPLEMENTATION OF INTERNATIONAL BEST PRACTICES AGAINST TAX AVOIDANCE



TRADE FACILITATION



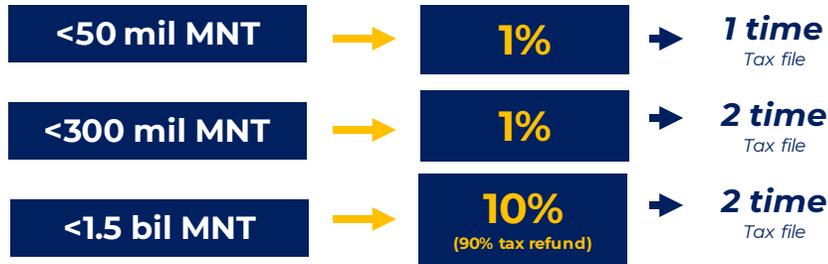
Delay in the implementation of the tax reform due to **Covid-19 pandemic and lockdowns.**



# CREATING FAVORABLE TAX ENVIRONMENT FOR SMES AND SIMPLIFYING TAX SERVICES TO **REDUCE TAX COMPLIANCE BURDEN**

## 1 REDUCED TAX RATES, SIMPLIFIED TAX RETURN

ANNUAL  
TOTAL  
INCOME:



## 2 PROMOTION OF INVESTMENT

DEPRECIATION FOR FIXED ASSETS	<b>45 years</b>	→	<b>25 years</b> ▼
LOSS CARRY FORWARD	<b>2 years</b>	→	<b>4 years</b> ▲
TRANSFER OF MINING LICENSE OR LAND RIGHTS	<b>30%</b>	→	<b>10%</b> ▼

## 3 TO ACTIVATE THE FINANCIAL MARKET



- ✓ Tax on interest income of bonds or other financial instruments by domestic banks
- ✓ Tax on dividends and interest income of the investors /individual or company/ from Mongolian public companies /shares traded at foreign or domestic stock market/

## 4 OTHER BENEFITS

✓ TAX GRACE PERIOD	<b>2 months</b>	→	<b>2 years</b> ▲
✓ STATUTE OF LIMITATION	<b>5 years</b>	→	<b>4 years</b> ▼
✓ MORE TAX DEDUCTIBLES			
✓ ABILITY TO CORRECT TAX RETURNS			<b>1 year</b> ▲



## ACTIONS IMPLEMENTED THROUGH DOMESTIC TAX LAWS

- ✓ **ACTION 3** - Controlled foreign company
- ✓ **ACTION 4** - Limitation on Interest deduction
- ✓ **ACTION 5** - Harmful tax practices
- ✓ **ACTION 8-10** - Transfer pricing
- ✓ **ACTION 13** - Country by country Reporting



## ACTIONS RELATED TO TAX TREATY

- ✓ **ACTION 6** - Prevention of tax treaty abuse
- ✓ **ACTION 7** - Permanent establishment status
- ✓ **ACTION 14** - Mutual Agreement procedure
- ✓ **ACTION 15** - Multilateral instrument /MLI/

## OTHER ACTIONS

- ✓ **ACTION 1** - Tax Challenges Arising from Digitalization
- ✓ **ACTION 2** - Neutralizing the effect of hybrid mismatch arrangements
- ✓ **ACTION 11** - BEPS data analysis
- ✓ **ACTION 12** - Mandatory Disclosure Rules



## TAX POLICY TO PROMOTE DECENTRALIZATION

### 1 BUSINESS INCOME TAX CREDIT



TAXPAYERS WHO HAS HEADQUARTERS IN REMOTE REGIONS AND OPERATES LOCALLY



500km away from capital – 50% ITC  
1000km away from capital – 90% ITC

### 2 EMPLOYMENT IN REMOTE REGIONS

✓ Company operates its main business activities outside of the Ulaanbaatar

✓ Employed local individual from **Labor**  
**Stock exchange**

✗ **Mining sector excluded**

#### SUPER DEDUCTION

Salary of that particular Employee can be deducted at **120%** for tax purposes

### 3 TO PROMOTE INFRASTRUCTURE DEVELOPMENT:



HEAT AND ENERGY PROJECTS /after 2023/



First 3 years – 90%  
Second 3 years – 50%

#### NEW CONSTRUCTION IN LOCAL AREA:



Non mining company



**Linear depreciation for 15 years for fixed assets**

#### MOVING OPERATIONS TO LOCAL AREA:



NON-MINING COMPANY

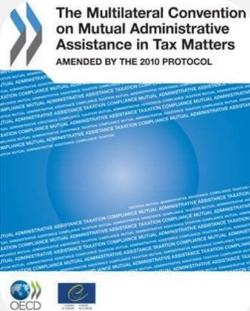


MOVING COST SUPERDEDUCTED AT 50%



## RATIFICATION OF THE CONVENTION ON MUTUAL ADMINISTRATIVE ASSISTANCE IN TAX MATTERS

*/January 3, 2020/*



MONGOLIA WHEN DEPOSITING ITS INSTRUMENT OF RATIFICATION OF THE CONVENTION, DECLARED THAT IT **RESERVES NOT TO IMPLEMENT SOME ELEMENTS OF IT**

### RESULT

- 1 Exchange of information for tax purposes
- 2 Joint tax examinations with foreign tax authorities
- 3 Ensure transparency

## 1 EXCHANGE OF INFORMATION FOR TAX PURPOSES

- ✓ EXCHANGE OF INFORMATION ON REQUEST
- ✓ SPONTANEOUS EXCHANGE OF INFORMATION
- ✓ **AUTOMATIC EXCHANGE OF INFORMATION**
- ✓ SIMLTANEOUS TAX EXAMINATIONS
- ✓ TAX EXAMINATIONS ABROAD

## 2 ASSISTANCE IN RECOVERY

- ✗ RECOVERY OF TAX CLAIMS

## 3 SERVICE OF DOCUMENTS

- ✗ SERVICE OF DOCUMENTS



**GENDER  
RESPONSIVE  
TAXATION**



**CARBON  
TAX**

**BEPS ACTION 1  
PILLAR 1&2  
STTR MLC**



MINISTRY OF  
FINANCE  
MONGOLIA

**THANK YOU FOR YOUR  
ATTENTION**