



MINISTRY OF FINANCE MONGOLIA



# SECOND PHASE TAX REFORM

**The 5th IMF-Japan High-Level Tax Conference for Asian Countries  
April 21-23, 2014**

# Tax reform Phase 1

- Tax reforms 2007

1. Value added tax rate reduced from 15% to ↓ **10%**.
2. Personal income tax reduced to ↓ **10%** flat rate from 3 stage of progressive taxation of 10,20,30%  
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3. CIT rate reduced from 15% to ↓ **10%** and from 30% to 25% for corporations whose yearly income is above 3 billion tugrugs.
4. Social security tax reduced by ↓ **10%** from 29% to 19%.
5. Institutional change.

- Tax reforms

1. Became one of the lowest tax rate country in the world.
2. Reduced tax burden by 30%.
3. Increasing the tax base and increase tax revenue for each type of tax.

# Summary of Current tax system :

- **Tax legislation:**

- ✓ Tax rate remained stable after 4 10% principle.
- ✓ Tax exemption increasing constantly.
- ✓ Tax dispute increasing constantly

- **Infrastructure environment:**

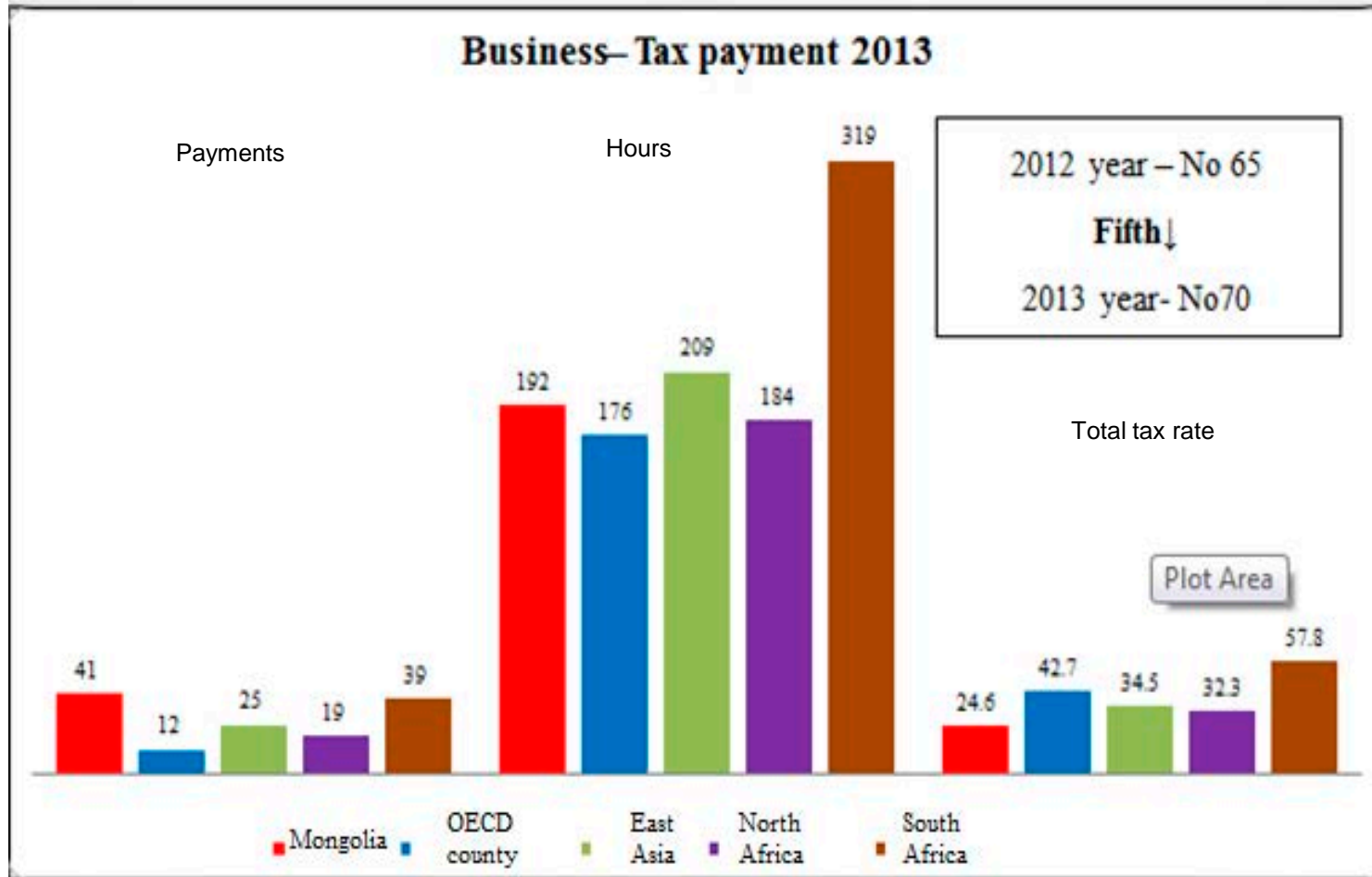
- ✓ Taxpayer spending too much time to pay their taxes
- ✓ First phase of institution change was made

# Rating of Tax

Country	How easy to pay tax (total index)			Tax payment by numbers			Tax by time			Average tax by percentage		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Armenia	153	159	153	152	156	120	179	169	160	69	94	100
Azerbaijan	108	103	77	76	60	63	151	128	96	89	95	91
Belarus	183	183	156	181	181	63	177	178	172	177	173	157
China	125	114	121	9	9	11	165	154	155	160	158	166
Estonia	38	30	47	30	9	17	16	14	16	131	134	154
Georgia	64	61	39	59	60	4	154	152	152	9	10	14
Kazakhstan	52	39	17	21	24	11	114	115	68	66	38	41
Kirghizia	156	150	162	178	152	163	79	77	83	153	152	171
Latvia	45	59	62	9	9	11	121	125	128	54	81	86
Lithuania	51	44	57	37	35	40	63	62	61	99	83	115
Moldavia	101	106	109	150	152	158	93	95	98	42	44	47
<b>Mongolia</b>	<b>69</b>	<b>66</b>	<b>65</b>	<b>141</b>	<b>140</b>	<b>138</b>	<b>70</b>	<b>67</b>	<b>69</b>	<b>20</b>	<b>21</b>	<b>25</b>
Russia	103	105	102	35	35	29	131	132	128	129	123	132
Uzbekistan	178	154	157	180	142	138	145	78	79	176	176	178

Information from: *Paying taxes, World bank*

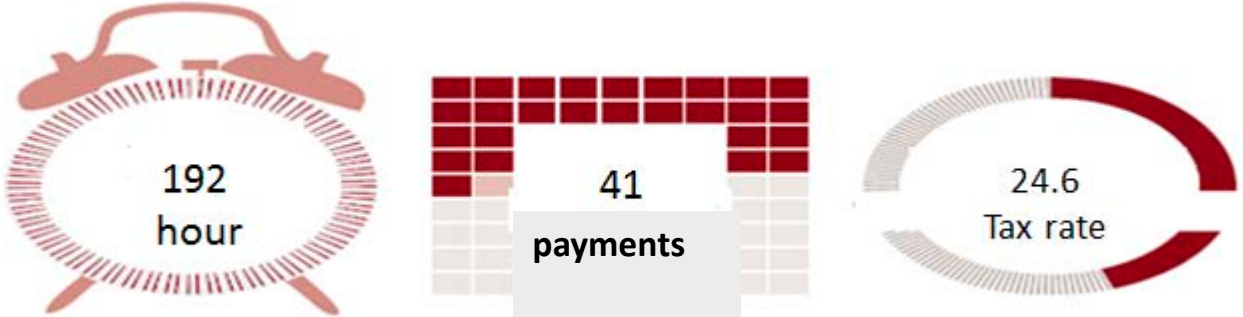
# Business organizations tax payment by indicators



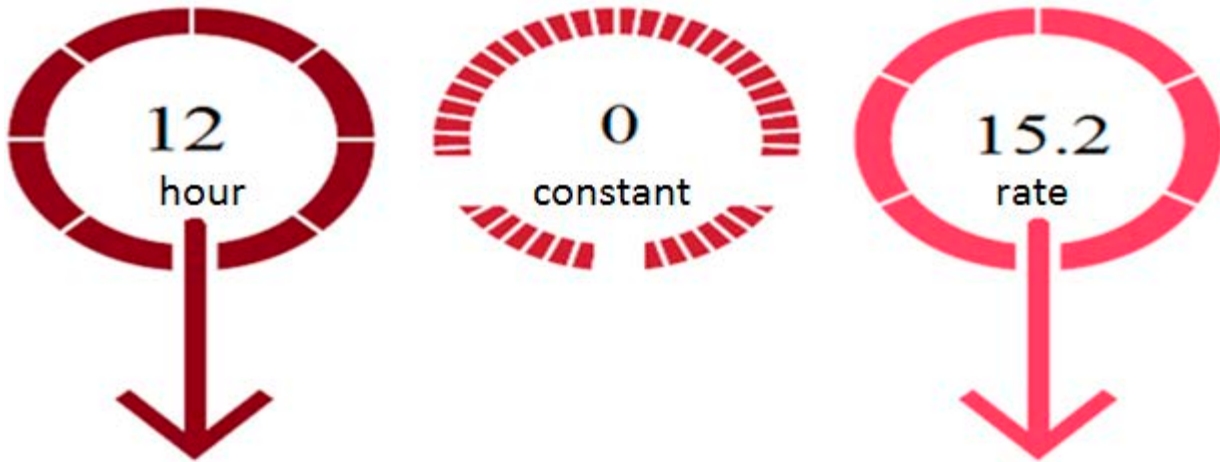
# Mongolian tax rating



2013 year



2006 year



# Tax dispute



# Second phase tax reform

- **We kept several achievements from first reform:**
  - ✓ Principle of four 10% tax rate;
  - ✓ Continue institutional change /Risk management system/
- **With second phase of tax reform we are aiming for simple, stable and fair tax system which would allow us to supports economic growth.**



# Within the framework of tax reform :



**Improve tax legislation**



**Support investment and employment**



**Reduce shadow economy**

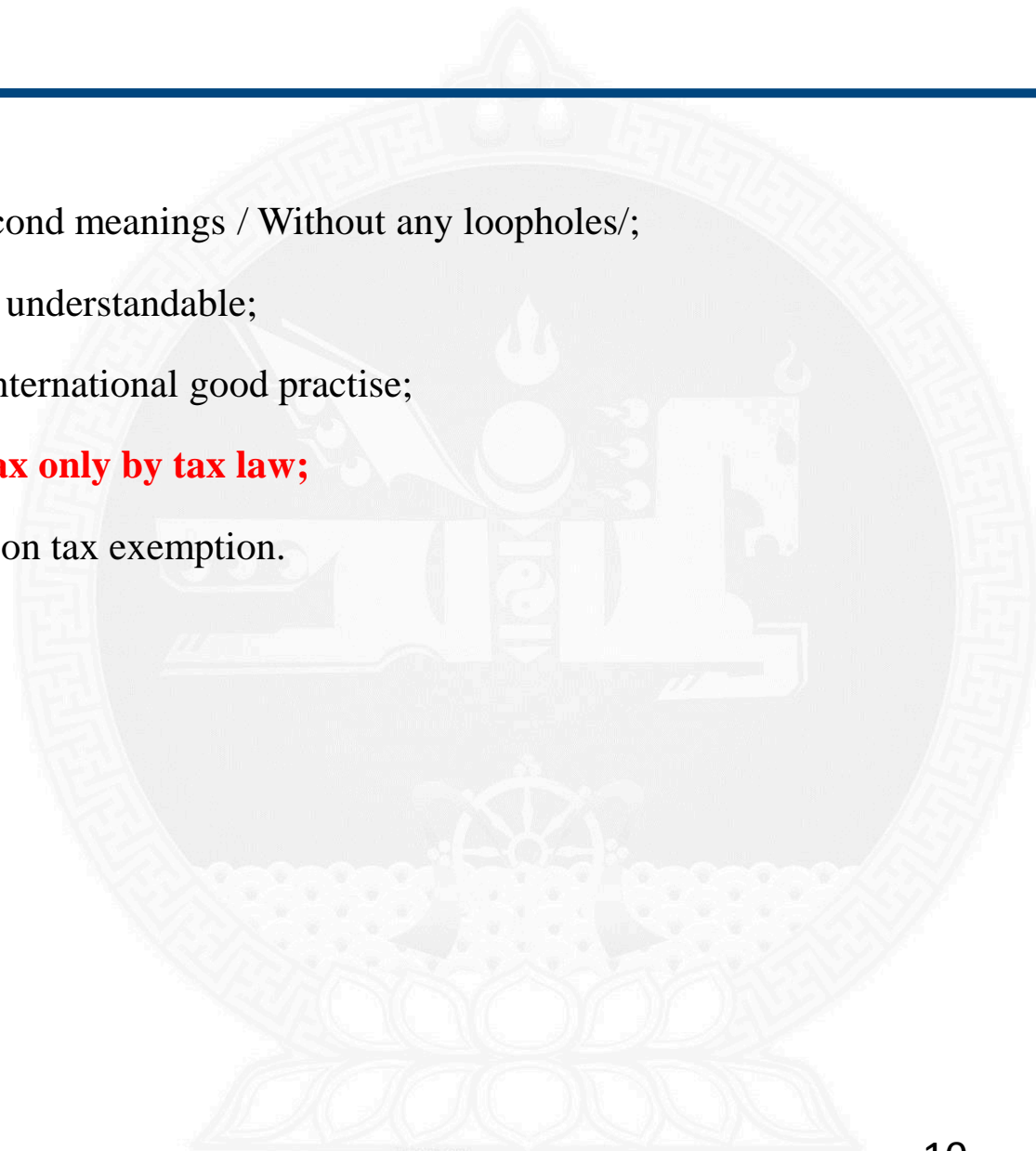


**Implement e-tax service**

# 1. Tax law and legislation reform

## Main policy:

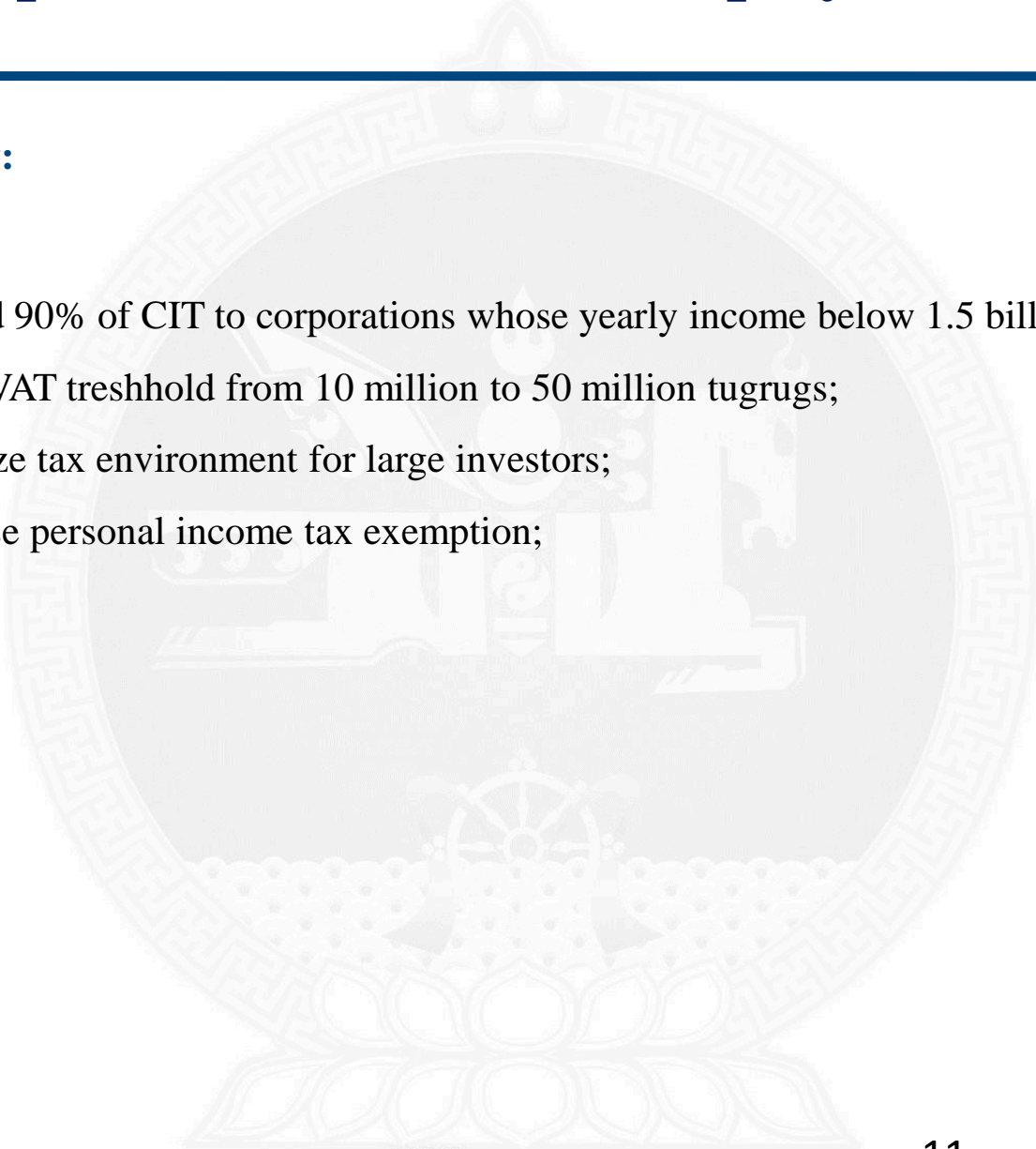
- Without second meanings / Without any loopholes/;
- Simple and understandable;
- Introduce international good practise;
- **Regulate tax only by tax law;**
- One policy on tax exemption.



## 2. Support investment and employment

### Main policy:

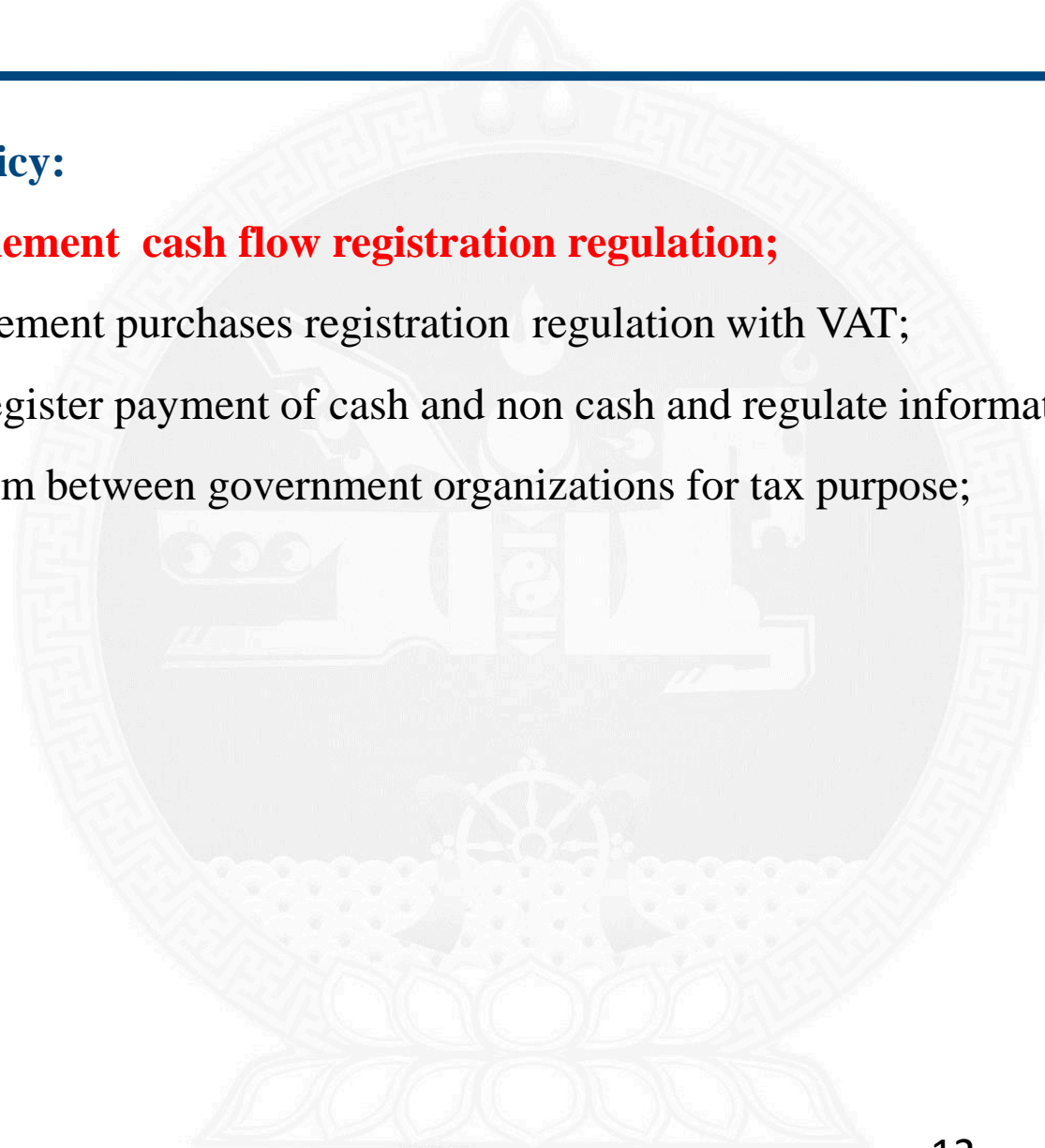
- Refund 90% of CIT to corporations whose yearly income below 1.5 billion tugrugs ;
- Raise VAT treshhold from 10 million to 50 million tugrugs;
- Stabilize tax environment for large investors;
- Increase personal income tax exemption;



# 3. Reduce shadow economy

## Main policy:

- **Implement cash flow registration regulation;**
- Implement purchases registration regulation with VAT;
- To register payment of cash and non cash and regulate information exchange system between government organizations for tax purpose;



## 4. Implement e-tax service

### Main policy:

- To create main and external tax payer information database  
(tax+ customs+registration = complex information database)
- To create registration and monitoring system of non cash and cash payment
- Implement e-report and e-payment system for tax
  - Pay taxes online;
  - Report taxes online;
  - E-invoice system on VAT;



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**Thank you for your attention**

