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LIQUIDATION OF THE LEGAL ENTITY

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Liquidation process of Legal entity

According to the October statistics of the State Registration Office of Mongolia, total of 67 legal entities were liquidated in October 2021.

Registration of Legal entities	2020.1-X	2021.1-X	2021.X
Legal entities that have been liquidated and deregistered from the state registration.	726	337	67 ¹

A legal entity is liquidated on the following grounds:

- a. A decision issued by the owner or its authorized representative, or a body authorized by the founding documents of the legal entity;
- b. A court decision on liquidation on the grounds of bankruptcy, repeated or serious breaches of laws, or other grounds stipulated in laws;
- c. A decision on discontinuing its activities due to expiration of the term or completion of its business purpose;
- d. A decision by the competent founder of the legal entity;
- e. Other grounds provided by law.

The decision on voluntary liquidation of a legal entity by its owner or the authorized body or in the cases of (a), (c), and (d) described above, the liquidation process can take place as follows:

Business entities and organizations going through liquidation are required to procure auditing of their financial statements one month before the start of the liquidation process.

¹ <https://burtgel.gov.mn/post/59241>

II

The body that made a decision to liquidate shall appoint a liquidation commission. Upon appointment of the Liquidation Commission, the authority of the executive body of such legal entity shall terminate and be transferred to the Liquidation Commission.

III

The competent body that has made a decision to liquidate the legal entity shall notify the State Registration Office in writing within 15 working days and attach the original copy of the decision on liquidation to the notification.

Further, the Liquidation Commission shall notify the relevant Tax Department and the Social Insurance Department (if necessary, the Customs General Administration).

IV

The Liquidation Commission shall publish the announcement on the liquidation of the legal entity in a daily newspaper and inform the public.

V

The liquidation commission shall notify the Clients in writing of the liquidation, and the procedures and timeline for filing of claims, and shall accept their claims. As well it shall resolve the matters regarding the claims and liabilities.

After satisfying the claims by the Clients, any remaining property shall be transferred to the legitimate owners or to authorized persons, if provided by law.

VI

If the available cash of the legal entity is insufficient to satisfy the amounts owing to the Clients, then the Liquidation Commission may sell other assets and satisfy the claims in accordance with the procedure under the law.

Claims against the legal entity in liquidation shall be satisfied in the following order, unless otherwise provided by the law:

- Compensation for damages caused to the life and health of others, tax debts, and other payments under a decision by the Court;
 - Operational expenses incurred by the trustee or the Liquidation Commission, or other similar persons thereto within their competence;
 - Claims arising out of contracts and transactions concluded in the process of re-capitalization of the legal entity during its bankruptcy;
 - Reimbursement of compulsory deposit insurance;
 - Monetary assets of the holder of the savings;
 - Salary and wage for workers under labor contracts;
 - Payables to other persons in accordance with laws.
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In the course of satisfaction of debts, the first payable shall be fully satisfied on priority before the next one is paid.

VII

The liquidation commission shall submit a request for deregistration as a taxpayer to the Tax Administration electronically or in paper form. The Tax Administration shall carry out the following activities:

- Calculate tax risk of the taxpayer, in case of risk, conduct tax audit;
- Settle Tax debts and surpluses in accordance with the legislation;
- Collect and keep the decision on liquidation by competent person/body or member, or by court, audit and risk calculation documents, information on closing of bank accounts, and final balance sheet in the legal entity's file;
- Record a "Taxpayer Deregistration Card", review and approve the decision, and submit it to the state administrative organization in charge of state registration (the State Registration Office).
- Notify the taxpayer of the deregistration as a taxpayer.

The "Taxpayer Deregistration Card" shall not be issued, if the above mentioned activities are not carried out and tax obligations are not fulfilled.

The State Registration Office shall deregister the legal entity based on the "Taxpayer Deregistration Card".

VIII

A liquidation balance sheet shall be prepared and approved by the shareholder(s) and his/her representative.

IX

Once the claims are satisfied, the liquidation commission will prepare a final balance sheet and submit it for audit.

X

The final balance sheet shall be stamped and certified by the Finance and Treasury Office of the respective district.

The following documents shall be attached to the application:

- The final balance sheet;
- Audit report;
- Taxpayer deregistration card; and
- A copy of the State Registration Certificate.

XI

Bank accounts of the legal entity shall be closed.

XII

The following documents shall be submitted to a archiving company:

- Charter, founding resolution, state registration certificate, licenses;
- Shareholder(s)' resolution, minutes of shareholders meetings;
- Financial statements and auditor's reports;
- Primary accounting documents;
- HR documents.

XIII

Obtain a reference letter on debts and liabilities from the Court Decision Enforcement Agency.

The following documents shall be attached to the application for the reference:

- A copy of the State Registration Certification of the legal entity;
- Reference fee- 10,000 MNT /3.5 USD/.

XIV

Stamp or seal of the legal entity shall be confiscated to the State Registration Office.

V

The liquidation commission shall submit the following documents to the State Registration Authority:

- Application UB-03;
- Receipt of state stamp duty payment (State stamp duty- /10,000 MNT /3.5 USD/ Legal entity with foreign investment- 40,000 MNT /14 USD/)
- The original copy of the State Registration Certificate;
- The daily newspaper in which the liquidation is announced;
- Shareholders decision /resolution/, if the company has a parent company, decisions of its shareholders /resolution/ 1 original copy/;
- Final balance sheet;
- Taxpayer deregistration card;
- Receipt of Confiscation of stamp or seals;
- Reference letter from the Court Decision Enforcement Agency.

Once the State Registration Office receives the above documents and make entry to the state registration database within 5 working days, the legal entity shall be considered as deregistered from the state registration and the liquidation shall be completed. The State Registration Office shall announce the deregistration of the legal entity from state registration to public through its website.

Order of the actions in the liquidation process may be changed and other necessary actions may need to be undertaken. Depending on the activities of the legal entity, its assets and liabilities, the liquidation process may be delayed or postponed for an indefinite period. Generally it takes 6 months to one year or more time.

Sources:

<https://legalinfo.mn/mn/detail/299> - The Civil Code

<https://legalinfo.mn/mn/detail/310> - The Law on Company

<https://legalinfo.mn/mn/detail/14403> - The General Law on Taxation

<https://legalinfo.mn/mn/detail/11192> - The Law on Auditing

<https://legalinfo.mn/mn/detail/13591> - The Law on State Registration of Legal entities

<https://legalinfo.mn/mn/detail/15197/2/210825> - The Taxpayer registration procedure

<https://legalinfo.mn/mn/detail/13807/2/208819> - The procedure for supervising of stamp manufacturing and and issuing of reference

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