



**GRATA**  
INTERNATIONAL

# GRATA International

---

2022

Prepared by Namuun Ganbileg

Junior Associate of GRATA International Mongolia LLP



# CONTENT

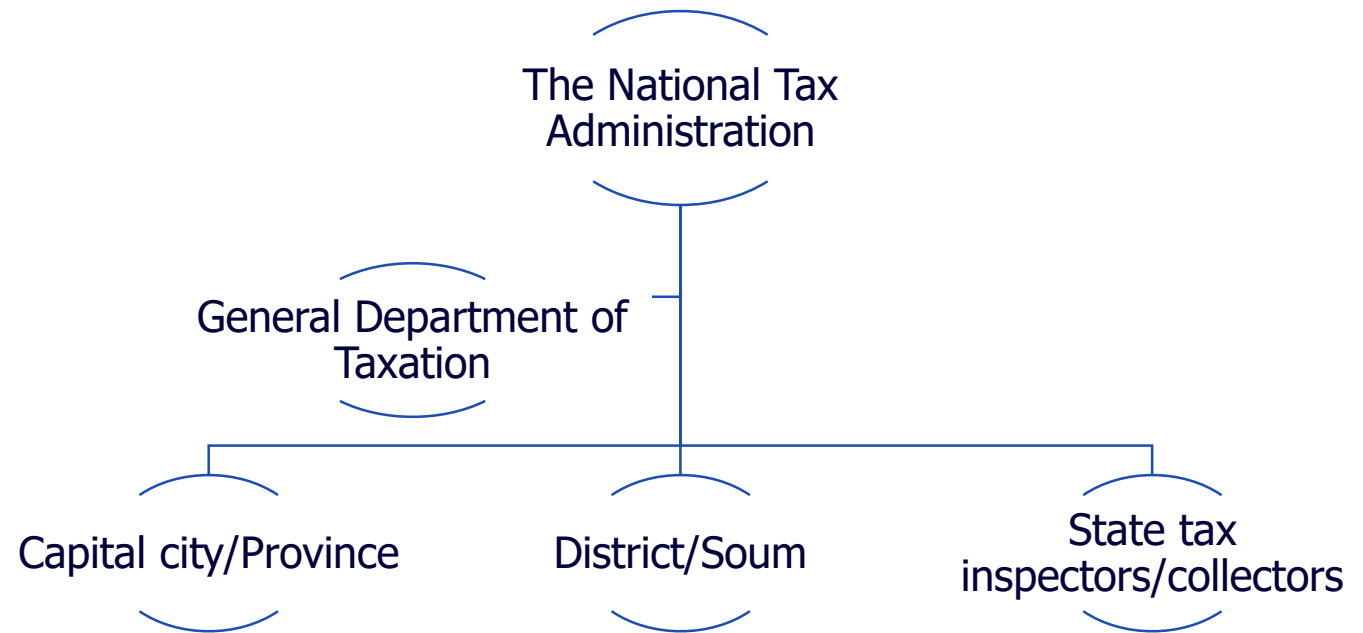
---

- Tax system
- Non-resident taxpayer
- Corporate income tax
- Personal income tax
- Double Taxation Treaties

# Tax System

## Tax legislation:

- ❑ General tax law;
- ❑ Law on Corporate Income Tax;
- ❑ Law on Personal Income Tax;
- ❑ Law on Customs Tariffs and Customs Duties, etc.



*\*Reform of key tax laws to bring the Mongolian tax law in line with the international tax concepts – GAAR, TP rules – 2019, effective from 2020*

# Mongolia one of the lowest taxation rate among Emerging Economics

Countries	VAT	Corporate Income Tax	Income tax	Dividend	interest	Royalty
Mongolia	10%	10%/25%	10%	10%	10%	5%
China	17%	25%	3%-45%	10%	10%	10%
Russia	18%	20%	13%	15%	20%	20%
Turkey	18%	20%	15%-35%	15%	10%	20%
Korea	10%	10%/20%/2 2%	6%-38%	20%	15,4%/20%	20%

# Taxpayer

## 1. Resident - individual, legal entities

Foreign employees of diplomatic representatives, diplomatic consulates, or the United Nations and its various branch organizations, and their family members will not be considered residents of Mongolia.

2. Non-resident - A foreign business entity that conducts its business activities in Mongolia under its permanent establishment

- Branch (unit and section)
- Plant
- Trade and service provider

**Mongolian nationals, foreign nationals, and stateless persons who are residing in Mongolia subject to pay taxes are taxpayers by law whether they receive taxable incomes or not in a given fiscal year.**

## Resident taxpayer

- A person who owns a residence and is physically present in Mongolia for more than 183 days is called a permanent resident taxpayer.

## Non-resident taxpayer

- A person who does not own residence in Mongolia and is not physically present in Mongolia for 183 or more days is a non-resident taxpayer.

# Non-resident taxpayer

---

**The income that a non-resident earns in the territory of Mongolia in a given fiscal year is subject to tax payment.**

**The taxable income of a non-resident taxpayer is determined by the total income that is earned in the territory of Mongolia.**

**The income provider of the non-resident taxpayer is responsible to become a tax withholder. The income provider shall calculate and withhold the taxable income.**



# Corporate Income Tax

## TAX RATES

**10%**

Annual taxable income = **Up to 6 billion MNT**

**600 million MNT + 25% on annual income exceeding 6 billion MNT**

Annual taxable income = **More than 6 billion MNT**

**1%**

Annual taxable income = **Up to 300 million MNT**

*\*Non applicable to taxpayers operate in mining, petroleum, alcoholic beverage, and tobacco industries.*

### Annual taxable income include:

- ✓ Income from activities;
- ✓ Income from letting use and rental of movable and immovable properties;
- ✓ Interest, fines and penalties, and compensation from defaulting party;
- ✓ Foreign exchange gain;
- ✓ Income from sales and transfer of shares, securities, and other financial instruments;
- ✓ Sales revenue of intangible assets and movable properties.

# Corporate Income Tax

## TAX RATES

<b>Other Income Taxable at Different Rates</b>	<b>Percentage</b>
Dividends	<b>10%</b>
Royalties	
Interest	
Insurance reimbursement	
Refund of deposits accrued for the purpose of environmental restoration and mine closure from an escrow account	
Income from sale and transfer of rights granted by State Authorities / <b>sale of shares → UBO changes</b> /	
Income from sale and transfer of immovable property	<b>2%</b>
Income from gambling, betting games and lotteries	<b>40%</b>
Profits transferred from a permanent establishment to its head entity in the taxable year	<b>20%</b>
Income from sale of intellectual property rights	<b>5%</b>
WHT on income sourced from and earned in MGL (non-resident taxpayer with no presence in MGL)	<b>20%</b>



# Corporate Income Tax

## TIMEFRAME FOR TAX REPORTING

Annual taxable  
income = Up to 6  
billion MNT

**Semi-annual  
report** – within 20  
July

**Annual report** –  
within 10 February  
of the following  
year

Annual taxable  
income = 6 billion  
MNT and above

**Quarterly report**  
– within 20 of the  
1<sup>st</sup> month of the  
quarter

**Annual report** –  
within 10 February  
of the following  
year

- ❑ **Statutory limitation period= 4 years** /tax reassessment, fines, penalties, utilization of a tax credit, tax loss carry forward, & validation of the VAT assessment/

# Personal Income Tax

---

An income earned in or derived from Mongolia in the given tax year by a non-resident taxpayer shall be subject to taxation.

The taxpayer's following income shall be subject to taxation, including:

- Salary, wages, bonus, incentive and other similar income from employment;
- operational income;
- property income;
- income from sale or transfer of property;
- indirect income
- other income.

Non-residents are subject to a flat 20 percent tax rate on any Mongolian sourced income.



# Double taxation



- Mongolia has actively signed Double Tax Agreements with most of its major economic partners through 1991- 2004. This network undoubtedly has helped Mongolia to attract foreign investment.
- Where there is a double taxation agreement in place between Mongolia and the foreign country/jurisdiction, a tax credit may be available depending on the terms of the treaty.
- Effective from 1 January 2020, a foreign tax credit (FTC) is available under the domestic legislation where there is an Agreement on exchange of information on tax matters in place between Mongolia and the foreign country. Subject to this condition, if an individual's income is taxed in foreign country and that income is also taxable in Mongolia, an individual may claim FTC for the taxes paid in foreign country on the same income (on a source by source basis). If the foreign tax is less than Mongolian PIT liability, then the difference shall be due.



## **Mongolia currently has double taxation agreements with the following countries/jurisdictions:**

- Austria
- Belarus
- Belgium
- Bulgaria
- Canada
- Czech Republic
- Democratic People's Republic of Korea
- France
- Germany
- Hungary
- India
- Indonesia
- Kazakhstan
- Kyrgyzstan
- Malaysia
- People's Republic of China
- Poland
- Republic of Korea
- Russia
- Singapore
- Switzerland
- Turkey
- Ukraine
- United Kingdom

# Sources

---

1. General Tax Law (2019)
2. Law on Corporate Income Tax (2019)
3. Law on Personal Income Tax (2019)
4. Law on Infringement (2017)
5. Criminal Code (2015)
6. Law on Investment (2013)
7. Law on Social Insurance (1994)



The background features a grid of small black dots on a light blue and white background. Overlaid on this are several large, white, diagonal geometric shapes that create a sense of depth and movement. The overall aesthetic is clean, modern, and professional.

# THANK YOU!

---

Namuun  
Ganbileg

+976 99796949

[nganbileg@gratanet.com](mailto:nganbileg@gratanet.com)

[www.gratanet.com](http://www.gratanet.com)



**QUESTIONS?**

---