



GRATA
INTERNATIONAL

DOUBLE TAX TREATIES IN FORCE IN MONGOLIA

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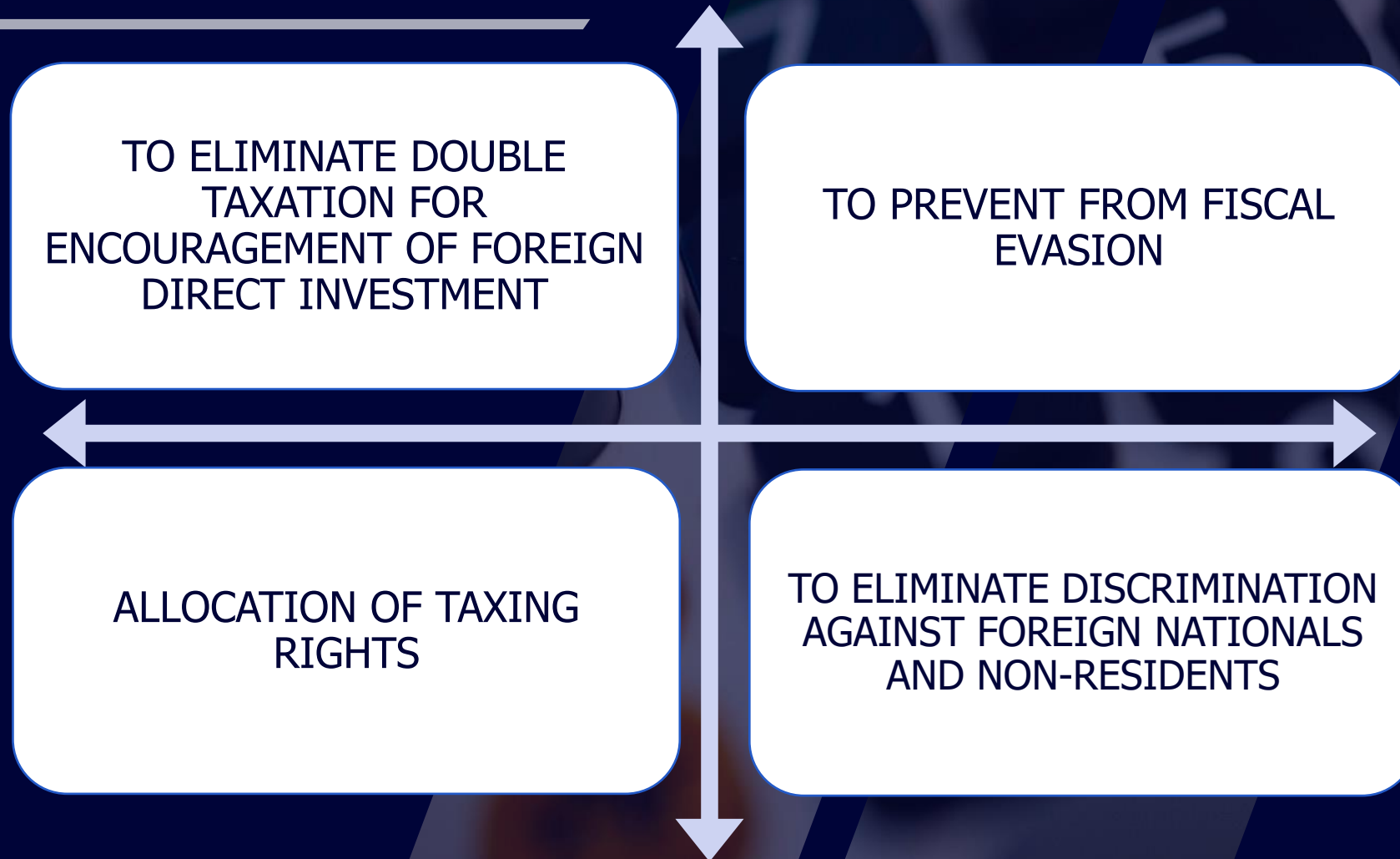
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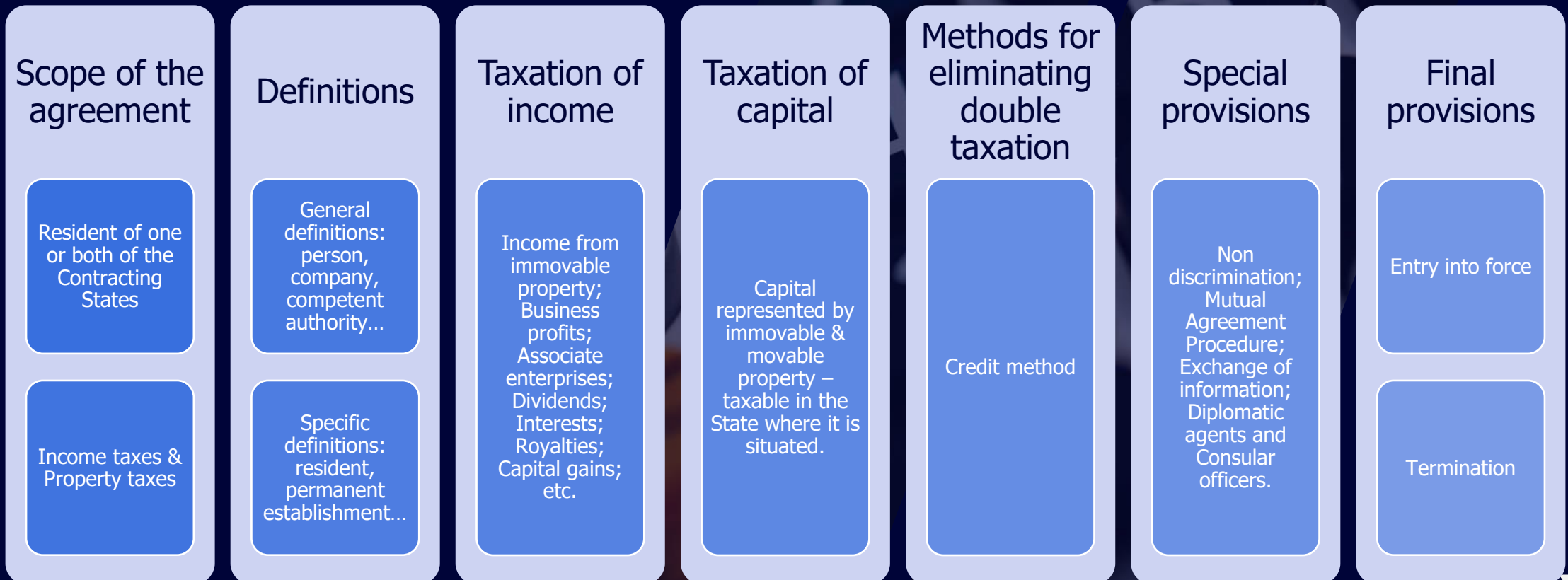
GENERAL: WHAT IS DOUBLE TAXATION TREATY?

- **TREATY:**
 - An international agreement concluded between States in written form and governed by international law, whether embodied in a single instrument or in two or more related instruments and whatever its particular designation (Vienna Convention on the Law of Treaties – 1969)
- **INTERNATIONAL AGREEMENT OF MONGOLIA:**
 - An international agreement concluded between Mongolia, or the Government of Mongolia and one or more foreign countries, their Governments, or international organizations on certain matters in bilingual or multilingual written form regardless of its types and names, in two or more related instruments, defining mutual rights and obligations and governed by international law.
- **DOUBLE TAXATION:**
 - Levying of tax by two or more jurisdictions on the same declared income, asset, or financial transaction.
- **DOUBLE TAXATION TREATY** (the “DTT”) is an “Agreement between the Government of Mongolia and the Government of a certain country for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital”
- The DTTs of Mongolia are based on the “Model Tax Convention on Income and Capital” by the OECD, and “Model Double Taxation Convention” by the UN

GENERAL: PURPOSE OF DOUBLE TAX TREATIES



STRUCTURE OF A TYPICAL DTT



DOUBLE TAX TREATIES IN FORCE IN MONGOLIA

- **International treaties – Effective as domestic legislation upon entry into force of the laws on their ratification or accession**



Negotiation between two countries



Drafting and signing of the treaty

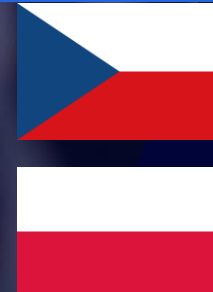
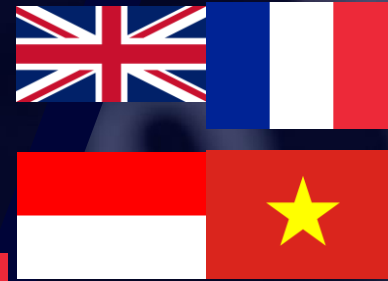


Passing of a law on its ratification or accession by the Parliament of Mongolia

DOUBLE TAX TREATIES IN FORCE IN MONGOLIA

- 26 Double Tax Treaties in force

1991	1992	1994	1995	1996	1997	1998
China	South Korea	Germany, India, Hungary	Malaysia, Russia, Turkey, Belgium	UK, France, Indonesia, Vietnam	Czech, Poland	Luxemburg, Kuwait, Kazakhstan



DOUBLE TAX TREATIES IN FORCE IN MONGOLIA

- 26 Double Tax Treaties in force

1999	2000	2001	2002	2003	2004
Switzerland, Kyrgyzstan	Bulgaria	UAE	Netherland , Ukraine, Canada, Singapore	Belarus, Italy	North Korea, Austria



TAX RATES UNDER THE DTTs

Dividend (Standard rate 20%)					Interest (Standard rate 20%)				
5%, 10%	5%, 15%	5%	10%	15%	5%	10%	15%	5%, 10%	7%, 10%
Austria Belarus Germany Singapore	Belgium Canada France Hungary Italy Switzerland Great Britain	China South Korea	Bulgaria; Czech; North Korea; Indonesia; Kazakhstan; Kyrgyzstan; Malaysia; Poland; Russia; Turkey; Ukraine; Vietnam	India	South Korea	Austria; Belarus; Belgium; Bulgaria; Canada; Czech; North Korea; France; Germany; Hungary; Indonesia; Italy; Kazakhstan; Kyrgyzstan; Malaysia; China; Poland; Russia; Switzerland; Turkey; Ukraine; Vietnam	India	Singapore	Great Britain

TAX RATES UNDER THE DTTs

Royalties (Standard rate 20%)					Technical Fee (Standard rate 20%)		
5%, 10%	5%	10%	15%	15%	5%	10%	15%
Austria Canada	Belgium France Hungary Italy Poland Singapore Switzerland Great Britain	Belarus; Bulgaria; Czech; North Korea; Germany; Indonesia; Kazakhstan; Kyrgyzstan; Malaysia; China; South Korea; Turkey, Ukraine; Vietnam	India		Canada North Korea Italy	Malaysia Vietnam	India

TERMINATED DTTs

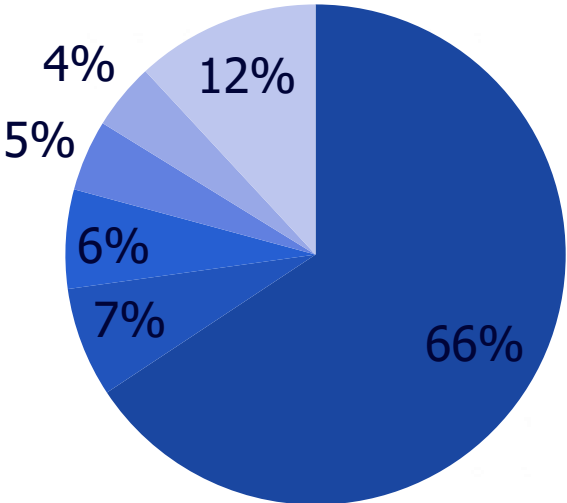
Withholding taxes	UAE Treaty	Kuwait Treaty	Luxemburg Treaty	Netherland Treaty
Dividends (Standard rate 20%)	0%	0% for at least 49% participation, 5% for others	15/5/0	0% for at least 10% participation, 15% for others
Interests (Standard rate 20%)	0%	0%	0% for financial institutions, 10% for others	0% for financial institutions, 10% for others
Royalties (Standard rate 20%)	10%	10%	5%	5%
Technical Service (Standard rate 20%)	Exempted	Exempted	5%	5%

FDI flow into Mongolia

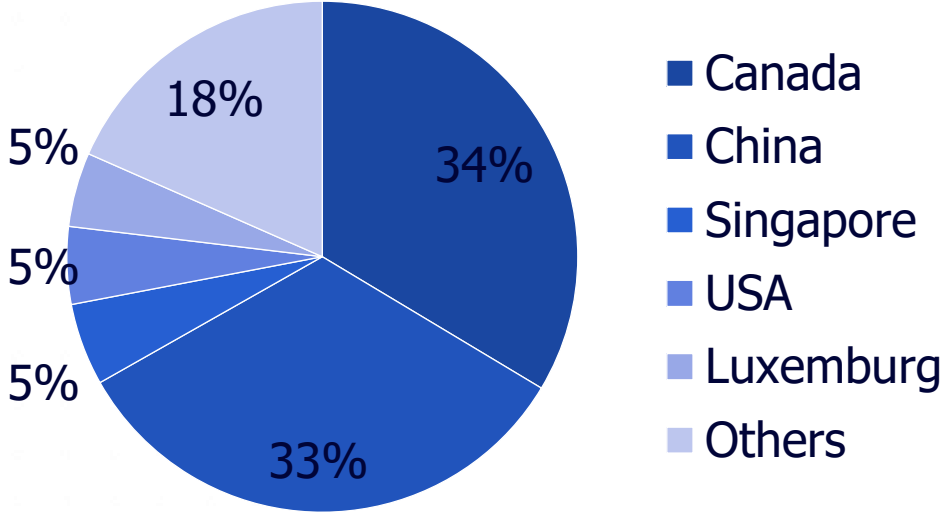
by Country

2019

- Canada
- China
- Singapore
- Luxemburg
- Japan
- Others



2015



PROCEDURE TO ELIMINATE DOUBLE TAXATION

CONSULT WITH AUTHORIZED PERSON

to ensure that the request is reasonable and formality requirements are met, etc...

TO FILE A COMPLAINT

Minister of finance;
Head of the budget policy planning department of the ministry of finance;
Head of the income branch of the budget policy planning department of the ministry of finance;
Head of the general department of taxation;
Head of the tax administration and cooperation department

PROCEDURE TO ELIMINATE DOUBLE TAXATION

APPLICATION FORM

A CERTIFIED COPY OF DOCUMENTS ISSUED BY RELEVANT TAX DEPARTMENT IN CONNECTION WITH THE REQUEST /+TRANSLATION/

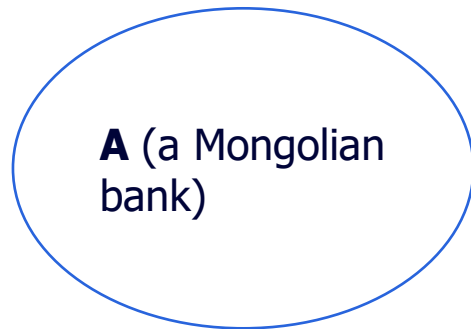
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TRANSFER PRICING DOCUMENTS & OTHER RELATED DOCUMENTS /IF RELEVANT/;
DOCUMENTS RELATED TO ADJUSTMENT MADE BY TAX DEPARTMENT, ETC.

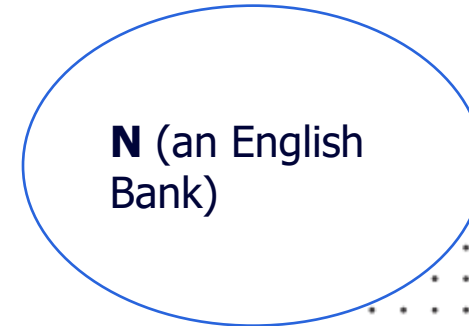
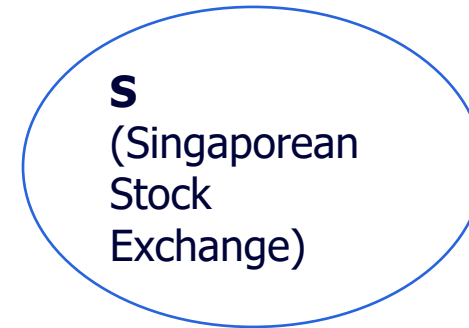
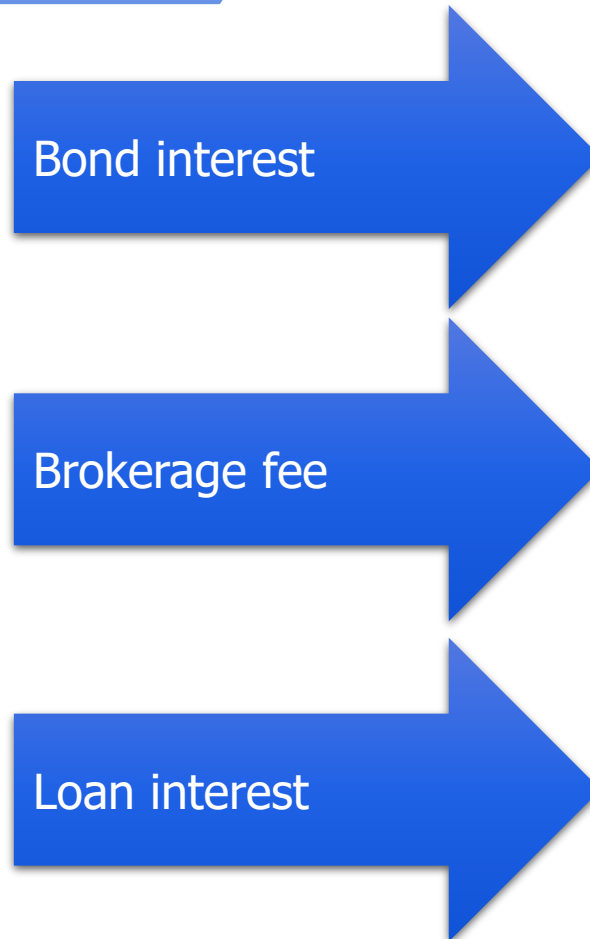
A CERTIFIED COPY OF A REQUEST SUBMITTED TO A COMPETENT AUTHORITY OF THE OTHER CONTRACTING STATE, RELEVANT DOCUMENTS, AND RESPONSE /+TRANSLATION/

A CERTIFIED COPY OF A DECISION BY THE COMPETENT AUTHORITY OF THE OTHER CONTRACTING STATE, IF ANY /+TRANSLATION/

PRACTICAL APPLICATION



WHT were not deducted from incomes generated from Mongolia.



PRACTICAL APPLICATION

Tax Inspectors

- Re-imposed 20% of WHT;
- Fine;
- Penalty;
- +extra tax, penalty for deducting such income from taxable income

A (a Mongolian bank)



PRACTICAL APPLICATION

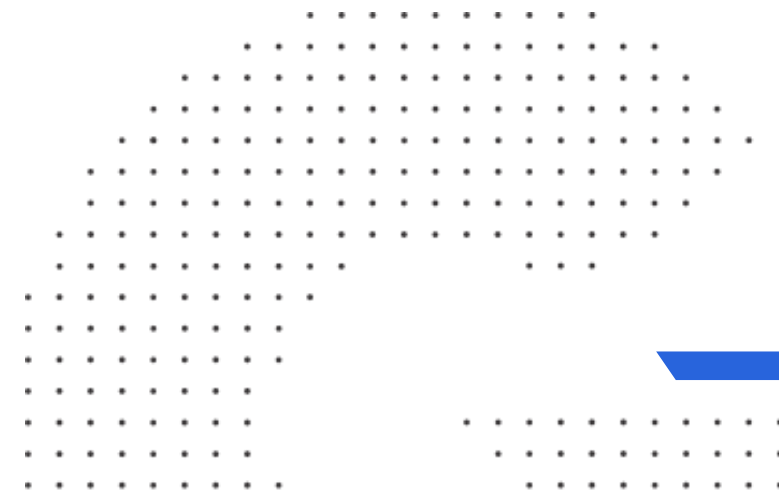
Tax Dispute Settlement Council

- The tax inspectors disregarded the provisions of DTTs with the countries
- Unreasonable to impose extra tax
- 5% of interest tax for financial institute (Singapore & Mongolia)
- 10% of interest tax (Great Britain & Mongolia)
- 10% of interest tax (Austria & Mongolia)

Tax Inspectors' act

CONCLUSION

- DTTs:
 - Eliminates double taxation
 - Prevents from fiscal evasion
 - Allocate the taxing rights
 - Eliminate discrimination against foreign nationals & non-residents.
- Corporate income taxes & Personal income taxes of Mongolia.
- International treaties – passing of a law on their ratification.
- 26 DTTs in force.
- 4 terminated DTTs due to critically low or 0% of tax.
- Standard tax rate – 20%; tax rate under DTTs – between 5% & 15%
- Most invested countries – Countries with DTTs.
- An existing procedure to eliminate double taxation.
- Tax inspectors tend to disregard the provisions of DTTs. However, TDSC and the Courts of Mongolia correct such inappropriate taxations in accordance with the domestic laws and the DTTs.





THANK YOU!

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