



**GRATA**  
INTERNATIONAL

Local Knowledge  
for Global Business

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

# Legal Alert: Tax laws reform of Mongolia

The Government of Mongolia submitted a tax reform to the Parliament in 2018 including revisions to the General Taxation Law (GTL), the Corporate Income Tax (CIT) Law, the Value Added Tax (VAT) Law and Personal Income Tax (PIT) Laws. During the irregular session held on 22 March 2019, the Parliament passed the package of the revised tax laws which will be effective from 01 January, 2020.



The followings were the main revisions introduced to the tax laws:

1. Comprehensive Transfer pricing rules are introduced to align with OECD TP requirements.
2. Tax loss carry forward may be utilized for 4 years regardless of an industry.
3. Statutory limitation period for a tax inspection (including reassessed taxes, fines and penalties) is reduced to 4 years.
4. Tax inspection will be performed based on risk assessment criteria – “no risky” taxpayers might not be inspected.

Reasonable facts to reform Mongolian tax laws as follows:

1. Since 2006, the economic and business relations have grown and rapidly changed and at the same time, technological complexity has taken place.
2. Transnational Corporations are operating in our country. These are at the risk of tax evasion and tax disputes and misunderstandings increases through changing prices across the countries.
3. Our legal environment of the tax law is not transparent, it does not exchange information, and the European Union is listed our country in blacklist as Mongolia is at risk of becoming a "bridge" taxable evasion country.

The following changes approved within framework of Taxation lawsreform:

1. To support the economic and business environment:

1.1 To give chance to taxpayer who is not a VAT payer with a sales income of up to 50 million MNT per year with apply tax report once a year and use a simplified procedure to pay income tax at 1% of total sales revenue.

1.2 Economic entities which a sales income of up to 300 million MNT per year with apply tax report twice a year pay 1% of taxable income.

1.3 Economic entities which earned a sales income of up from 300 million to 1.5 billion MNT per year with apply tax report twice a year pay 10% of taxable income.

1.4 The threshold for the 25 percent tax was increased from MNT 3 billion to MNT 6 billion.

1.5 The tax loss shown in tax report calculates to transfer for regardless of sector within 4 years.

2. To simplify Mongolian taxation system.

3. To increase responsibility of tax administration and tax inspectors.

4. To avoid tax evasion and to protect the tax base:

4.1 By the using bylaw of "BEPS", to decrease the risk of tax evasion against to decrease tax base and to tax evasion.

4.2 By implementing rules and regulations that is conform to International standards against changing prices across the countries, to protect the tax base.

4.3 To exchange the information with 190 countries for purpose of tax.

5. To make amendment for clause of transfer of tax debt to heirs:

5.1 According to Article 10.2 of GTL (2008), the duty of the individual to pay taxes and the rights related to his death shall be transferred to his/her heir.

5.2 According to Article 16.6 of GTL (2020), the duty to pay the tax on the deceased person and his / her inherited rights shall be transferred to the inherited property and shall not be subject to tax penalties.

6. To make amendment for clause of border bans: According to Article 73.2 GTL, if the following conditions are simultaneously established, the tax administration shall have the right to access with authority which has authority to perform border ban until the tax has paid by foreign person and non-resident person.

· If tax debt person who has no asset to pay own tax debt.

· If rate of tax debt is 20 million or more.

We have prepared a summary of key changes introduced to GTL, VAT and PIT as comparing with current legislations. The legal alert on the corporate income taxation will be prepared separately.

[Read more:](#)

If you need more information or have any inquiry, please feel free to contact V. Bolormaa, Partner and Advocate of Absolute Advocates Law Firm, an associate office of GRATA International in Mongolia by [bvolodya@gratanet.com](mailto:bvolodya@gratanet.com) or 976 99085031.

## 地区



## 主要联系人



### **Bolormaa Volodya**

Partner

 烏蘭巴托, 蒙古国

 +976 990 850 31

 +976 701 550 31

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