

PERSONAL INCOME TAX LAW OF MONGOLIA

Article 1. Purpose of law

The purpose of this law shall be to regulate the relations arising from tax levy on personal income and transference of it to the budget.

Article 2. Personal income tax legislation

The legislation on personal income tax (hereinafter referred to as "tax") comprises of General Taxation law; this law, enacted in conformity with the aforementioned law and other legislations.

Article 3. Taxpayer

1. A citizen of Mongolia, a foreign citizen in the territory of Mongolia (hereinafter referred to as "citizen"), and a stateless persons and non-residents, who have income in Mongolia shall constitute taxpayers.

2. A permanent resident taxpayer of Mongolia means a person, who has fixed place of work in Mongolia and is present for a period or periods exceeding 183 days in any twelve month commencing or ending in the taxable year concerned, a stateless person and an official of the Mongolian Government posted overseas. A resident taxpayer shall pay taxes on income from sources within and outside of Mongolia.

3. A temporarily resident taxpayer means a foreign citizen and a stateless person, who is staying in Mongolia for less than 183 days.

4. A non-resident taxpayer means a taxpayer except resident or temporarily resident taxpayers. The temporarily and non-resident taxpayers shall pay taxes on income derived from an activity which occurs in Mongolia.

5. National tax authority shall register a taxpayer according to the following procedures:

1) A resident or temporarily resident taxpayer shall register with the corresponding tax administration and obtain the taxpayer registration number.

2) The taxpayer shall fill out the registration form to get the registration number.

3) The tax authorities shall provide the taxpayer with taxpayer's registration certificate. The registration form and Certificate forms shall have an approval by the General Department of National Taxation (GDNT).

4) Economic entity and organizations, when distributing income to citizen, shall fix the taxpayer registration number in the assessment list and quarterly inform the corresponding tax administration of the amount of the income and taxes withheld from a citizen on an incremental total. *(This subparagraph was re-edited by Law of April 17, 1997.)*

Article 4. Taxable income

1. The following annual income of a taxpayer shall be subject to taxation:

1) any salary, wages and other income identical to them:

a)) any salary, wages, remuneration, allowances and other income identical to them earned in a form of main job at the economic entity and/or organizations under the labor contract;

b)) any salary, wages, remuneration, allowances and other income identical to them earned from extracurricular activities at other economic entity and organizations under the labor contract; *(This provision was partially annulled by Law of June 25, 1997.);*

c)) pensions, additions to pension and allowances;

2) *(This provision was annulled by Law of April 17, 1997.);*

3) income from proprietorship *(This provision was amended by Law of April 17, 1997.);*

4) income from sale of individually prepared inventories and raw materials *(This provision was re-edited by Law of April 17, 1997.);*

5) capital gains and income from rights;

a)) income from sales of immovable property and other income identical to it *(This provision was amended by Law of April 17, 1997.);*

b)) Dividends, gains as shareholder *(This provision was amended by Law of April 17, 1997.);*

c)) Income from lease of property and other income identical to them;

d)) Income from copyright licensing, use of, or the rights for copyright, software, patent, drawing, trade mark, know how, cinematographic recordings, audio and video recordings and other recordings;

e)) income from interest on loans and bank savings, other identical income *(Subparagraphs c, d, e were added to this provision by Law of April 17, 1997.);*

6) income from remuneration for scientific, literary and art work, invention and innovation, design and other identical income (*This provision was re-edited by Law of April 17, 1997.*);

7) income from remuneration for artistic and sports performances;

8) income from laying a wager, quiz and lottery (*Provisions 7 and 8 were added by Law of April 17, 1997.*);

9) income other than those exempted by this law;

2. Taxable income comprise of cash (national and foreign currency) and assets income. Value of taxable income in assets shall be determined by the value of the stock in corresponding area (aimag or capital city). Income gained in foreign currency shall be converted into MNT by the rate fixed by Mongol Bank for the day income shall derive.

Article 5. Definition of taxable income

The following income shall be a subject for taxation by:

1) taxable income of salary, wages and other income identical to them shall be defined by:

a)) deduction of social and health insurance installment from total income indicated in sub-paragraph 1 "a" paragraph 1 in Article 4 of this law (*This provision was re-edited by Law of April 17, 1997.*);

b)) total income indicated in sub-paragraph 1 "b" of paragraph 1 in article 4 of this law;

c)) total income of pension, additions to pension and allowances;

d)) in the case the service and work shall be done by family or a group of persons on a contract, taxable income shall be defined by themselves, if it's impossible to do so the taxable income shall be gross income to the contractors involved.

2) Taxable income of proprietorship shall be defined by:

a)) (*This provision was annulled by Law of April 17, 1997.*);

b)) by costs deducted and confirmed by documents(such as raw material, basic and auxiliary materials, semi-processed products, steam, water, energy, fuel, petroleum, spare parts, package, wrapping materials' s expenses, payment for leasing and interest on bank loan, payment for work and service done by others and business trip expenses, social and health insurance installments and depreciation costs) as well as transport facilities and vehicles tax, excise tax and payment for use of natural resources, from total income of business activities.

Wages provided to a member of family shall be deducted equally to the ratio of paid social insurance installments as expenses.

The products used from the proprietorship goods and services for the proprietor's family needs shall not be subject to deduction from income as costs/expenses. *(This provision was amended by Law of April 17, 1997.);*

c)) Taxable income of pig, poultry, rabbit and bee farms, other farms identical to them shall be defined in conformity with paragraphs 2 b) of this Article. *(This provision was amended by Law of April 17, 1997.);*

If taxable income shall not be defined or impossible to define, then the taxation authorities shall assess taxes owed by comparing the taxpayer's circumstances with that of taxpayer in similar climate and market conditions and productions.

3) Taxable income of capital gains and rights shall be defined by:

a) total income from capital gains *(This provision was re-edited by Law of April 17, 1997.);*

b)) *(This provision was annulled by Law of April 17, 1997.);*

c) deduction of lease-related costs from total income derived from lease of property *(This provision was re-edited by Law of April 17, 1997.);*

d) total dividends and gains as shareholder *(This provision was re-edited by Law of April 17, 1997.);*

e) total income from interests on loans; bank savings and other identical income;

f) total income from licensing *(The subparagraphs d) and e) were added by Law of April 17, 1997.);*

4) Income of proprietor from sales of self prepared inventories and raw materials shall be defined by deduction of expenses, confirmed by related documents, from total income;

5) income from the remuneration for scientific, literary and art work, invention and innovation, design and other identical income shall be the total income earned;

6) income from the remuneration for artistic and sports performance - the total income earned;

7) income from laying a wager, quiz and lottery game shall be the total amount won;

8) other income shall be defined by total amount *(The sub-provisions 4,5,6,7,8 were added by Law of April 17, 1997.);*

Article 6. Definition of taxable income of animal breeders

Volume of taxable income of private animal breeders shall be defined by converting livestock into number of sheep while considering each bovine, horse and

camel as 5 sheep and a goat as 1.5 sheep. Income of private animal breeders shall be defined taking into account the number of animals present at the end of the previous year. *(The provision was amended by Law of November 17, 2000.);*

Article 7. Tax rates

1. The tax shall be imposed on the total annual income of the resident taxpayers indicated in subparagraphs 1, 3, 4, 9 of paragraph 1 in Article 4 of this law and in subparagraph 5c of this paragraph at the following rates: *(The words “or temporary resident” were annulled from this paragraph by Law of June 29, 2001.)*

Taxable income for the tax year, (MNT)	Tax rates
0-2 400 000	10 %
2 400 001-4 800 000	240 000 MNT and 20 % of the amount of income exceeding 2 400 000 MNT
4 800 001 and more	720 000 MNT and 40 % of the amount of income exceeding 4 800 000 MNT

2. *(This paragraph was annulled by Constitutional Court Resolution of March 13, 1993)*

3. The State Ikh Hural, by the proposal of the Government shall determine the taxation rates on income from work and services by Mongolian citizens working abroad.

4. The State Ikh Hural, by the proposal of the Government shall establish procedures on imposition of taxes on self-employed persons with tax-undeterminable works and services.

5. Economic entities and organizations shall be subject to interim collecting of tax installments from the following income, distributed to persons, at the rate set forth below:

a) income indicated in subparagraph "b" of paragraph 1 in article 4 of this law shall be collected at the rate of 10% *(This subparagraph was amended by Law of June 25, 1997);*

b) purchase of inventory and raw materials are collected at the rate of 3 % of the value thereof. This provision does not affect raw wool, cashmere and hides. *(This subparagraph was added by Law of June 29, 2001);*

Economic entities and organizations shall transfer the collected tax installments to the State budget, have it approved and make records in person's assessment list.

Article 8. Special tax rates

1. The following income shall be subject to special tax rate:

- 1) The tax rate on remuneration from scientific, literary and artistic work, copyright, invention and innovation, design and other identical income up to 5000000 MNT shall be 5%, on additional income shall be 10 %. *(This subparagraph was re-edited by Law of June 29, 2001);*
- 2) *(This subparagraph was annulled by Law of April 17, 1997)*
- 3) The tax rate on income from sales of immovable property shall be 2 % of the total income *(This subparagraph was re-edited by Law of April 17, 1997);*
- 4) The tax rate on dividend, gains of shareholder and income from interest on loans and bank savings, other identical to them income shall be 15% *(This subparagraph was added by Law of April 17, 1997);*
- 5) The tax rate on income of animal breeders defined in Article 6 of this law shall be as follows;

Aimags and cities	Tax rates /MNT/
Selenge, Tuv, Darkhan-Uul, Ulaanbaatar, Orkhon	100
Arkhangai, Bayanhongor, Bulgan, Gobi-Sumber, Dornogobi, Dornod, Dundgobi, Uvurhangai, Umnugobi, Suhbaatar, Huvsgul, Hentii	75
Bayan-Ulgii, Uvs, Hovd, Gobi-Altai	50

(This subparagraph was re-edited by Law of November 17, 2000);

- 6) The tax rate on income from laying a wager, quiz and lottery games shall be 10%;
- 7) The tax rate on income from remuneration for artistic and sports performance shall be 10 % ;
- 8) The tax rate on income from licensing fees shall be 10 % ;
- 9) The tax rate on income of a citizen derived in respect of the provision of services performed overseas such as medical service, artistic performance and scientific research, and advertising, unless otherwise provided by the International agreements, shall be 10 % ;
- 10) If a permanent resident has not provided the employer with the tax identification number, the income indicated in subparagraphs 1, 3, 4, 5, 6, 7, 8 of article 8 shall be imposed a taxation at the rates set in Article 8* of this law shall apply *(The subparagraphs 6-10 were added by Law of April 17, 1997).*

Article 8*. Special tax rates on income of temporarily or non-resident taxpayers

Income of a temporarily or non-resident taxpayer indicated in article 8 of this law and subparagraph "5b" of paragraph 1 in Article 4 shall be withheld at the rate of 20 % and

transferred to the budget. This provision does not apply to paragraph 9 of Article 8 of this law */This article was added by Law of April 17, 1997/*.

Article 9. Tax credit and exemption

1. The following income of a taxpayer shall be exempt from taxation:

1) */This subparagraph was annulled by Law of April 17, 1997/;*
2) allowances as benefits, compensation and payments given in accordance with laws, the award for order of "Hero Mother" I and II grade, pension for partisans of People's revolution, allowances for participants of Halkyn Golyn war in 1939 and liberalization war of 1945 and allowance for child support */This subparagraph was amended by Law of June 29, 2001 and a word of this subparagraph was annulled by the same Law/;*

3) the State premium and awards of honor, award for people's and an honorable title owner, awards for innovation, subsidies for blood donor or breed milk, expenses for business trip;

4) Insurance premiums */A word "pension" was annulled from this subparagraph by Law of June 29, 2001/;*

5) Government loan and income from its interest;

6) costs of labor protection clothes and antidote drinks, cost of uniform and other supplies identical to them in conformity with the legislation, grants by the Government and local agencies, international organizations, Red Cross, and foreign countries to a citizen for an accident and ad hoc condition */This subparagraph was amended by Law of April 17, 1997/;*

7) 20 bog in sheep incentives on taxable income for a household with private stocks, provided that the losses of cattle due to natural disaster and epidemic disease, the taxable income shall be deducted based on required documents */This subparagraph was added by Law of November 17, 2000/;*

8) */This subparagraph was annulled by Law of April 17, 1997/;*

9) */This subparagraph was annulled by Law of April 17, 1997/*

10) the official employment income of an individual who is not a citizen of Mongolia and who is an employee of a diplomatic mission or consular post in Mongolia, Unites Nations and its organizations and other International organizations */This subparagraph was added by Law of April 17, 1997 and was amended by Law of June 29, 2001/;*

11) income of a person derived from a foreign source indicated in subparagraph 10 of this paragraph, or of a member of the immediate relative of such person.

12) if a citizen builds or purchases residential dwelling or house to live in only for himself from his/her income or loan, the exempt income shall be equal to expenses incurred for the particular tax year;

13) tuition fee shall be deducted from the taxable income for that tax year for a studying child in (college or university) supported by the taxpayer at the estimates of domestic universities' tuition fee.

14) donations contributed by citizens to education fund and non-government organization, registered with the State registry and serves the society */This subparagraph was added by Law of January 15, 1998/.*

2. */This paragraph was annulled by Law of April 17, 1997/.*

3. Tax waiver of 48000 MNT shall be provided to all taxpayers against income tax indicated in paragraph 1 of Article 7 of this law */This paragraph was changed by Law of June 29, 2001/.*

4. Income of a resident taxpayer from producing cereals, potatoes and vegetables only shall be waived 50% for taxation;

Article 10. Tax imposition and transference of it to the budget

1. Economic entities organizations and physical persons shall be imposed taxes on income indicated in sub-paragraphs 1, 3, 4, 9 paragraph 1 of article 4, and income indicated in subparagraph 5 "c" of the mentioned paragraph at the rates indicated in paragraph 1 of article 7 of this law *This paragraph was re-edited by Law of April 17, 1997/.*

Economic entities and organizations distributing or transferring any income to a person shall collect taxes and make related records in the assessment list.

Tax on salary, wages of an employee, who works under the labor contract at the economic entity shall be withheld by that entity at the end of the month. These taxes are fixed annually or each time the taxpayer removes in the assessment list */This paragraph was re-edited by Law of April 17, 1997/.*

Withholding taxes imposed on income of a citizen shall be transferred to the budget within the 10th of the following month.

The taxes withheld on the monthly basis shall be less than 10000 MNT, they will be transferred to the budget together with the next month taxes */This paragraph was changed by Law of June 29, 2001/.*

2. Commercial bank interests for persons' savings shall be collected by the same rate as in the paragraph 4 of the article 8 and will be transferred to the budget */This paragraph was added by Law of June 29, 2001/.*

3. */This paragraph was annulled by Law of April 17, 1997/*

4. */This paragraph was annulled by Law of April 17, 1997/*

5. A citizen, economic entity and/or organization, providing income to person with remuneration for scientific, literary and art work, invention and innovation,

drawings and other similar activities, or from laying a wager, quiz and lottery games, artistic and sports performance shall collect taxes on these income at the rate indicated in subparagraphs 1,6,7 in Article 8, and Article 8* of this law and transfer them to the budget within 3 days.

6. A citizen, economic entity and organization, providing the citizen with the income derived from dividend, shareholding bonuses, from interest on loans and bank savings and other similar income and licenses, shall, collect the taxes on these income at the rate indicated in subparagraphs 4,8 in Article 8 and Article 8* of this law and transfer it to the budget within 3 days. */The paragraphs 5 and 6 were added by Law of April 17, 1997/*

7. A taxpayer shall assess his/her own income and pay taxes on them within the following period of time:

1) a citizen with private livestock shall pay taxes twice a year, that is, before the 25th of July and the 15th of December to the budget. The tax authorities may come into agreement with a taxpayer to pay taxes in advance;

A citizen with private livestock shall pay taxes to the local budget of the cattle abiding location.

2) taxes on income from transaction of immovable property shall be transferred to the budget before the 15th of the first month in the next quarter */This subparagraph was changed by Law of April 17, 1997/*.

3) taxes on income from lease of property shall be transferred to the budget within 15th of the first month of the next quarter.

4) */This subparagraph was annulled by Law of April 17, 1997/*

5) a proprietor shall assess and pay taxes every quarter at the rates indicated in paragraph 1 of article 7 of this law until the 15th of the first month of the next quarter */This subparagraph was changed by Law of April 17, 1997/*.

8. If a taxpayer gets income indicated in subparagraphs 1,3,4,9 of paragraph 1 in Article 4 and subparagraph 5 "b" of this paragraph, he/she shall pay taxes imposed on that income at the rates set in paragraph 1 of article 7 of this law and make assessments with the assessment form at the end of the year */This paragraph was re-edited by Law of April 17, 1997/*.

Article 11. Term of submitting return

1. Tax reports indicated in paragraph 1 and subparagraphs 3, 5 of paragraph 7 in article 10 of this law shall be submitted before the 10th of February of the next year */This paragraph was re-edited by Law of April 17, 1997/*.

2. Tax reports indicated in subparagraphs 2 of paragraph 7 in article 10 shall be submitted within 15 days after the payment */This paragraph was re-edited by Law of April 17, 1997/.*

3. Assessment list indicated in paragraph 8 in Article 10 of this law shall be submitted before the 10th of February of the following year */This paragraph was re-edited by Law of April 17, 1997/.*

4. The forms for tax reports and assessment list, order of its use shall be approved by the General Department of National Taxation */This paragraph was changed by Law of April 17, 1997/.*

5. Quarterly tax reports indicated in paragraph 5 of article 10 shall be submitted before the 10th of the first month of the next year, and annual tax reports shall be submitted before the 10th of February of the next year respectively. Annual and quarterly tax reports shall be submitted within 15 days after income shall be distributed */This paragraph was added by Law of April 17, 1997/.*

Article 12. Entry into force

1. The present law comes into force from May 1 of 1997.

2. Provision relating imposition of taxes on income of a resident taxpayer pursuant to subparagraph 5 "b" and "e" of paragraph 1 in Article 4 derived from dividend, gains of shareholder, interest on loan and deposit and other similar income at the rate prescribed in paragraph 4 of article 8 of this law, shall come into effect from January 1, 2003 */This paragraph was changed by the Laws of April 17, 1997 and of November 17, 2000/*

Chairman of the State Ih Hural of Mongolia

N. Bagabandi

PS: The amendments and additions made to this law were included until June 2001.