LAW OF MONGOLIA

22 March, 2019 The Government House, Ulaanbaatar

INCOME TAX OF A BUSINESS ENTITIES
/Revised version/

CHAPTER ONE
GENERAL PROVISION

Article 1. Purpose of the law

1.1. The purpose of this law is to regulate relations related to imposition of corporate income tax, payment of this tax to the budget and reporting.

Article 2. Legislation on corporate income tax

2.1. The legislation on corporate income tax (hereinafter referred to as “tax”) shall consist of the Constitution of Mongolia, the General Law on Taxation, this law and other legislative acts enacted in conformity with these laws.

Article 3. Scope of the law

3.1. This law shall regulate the imposition of tax on income of taxpayers located in Mongolia and those not located in Mongolia.

Article 4. Definitions of legal terms

The following terms used in this law shall have the following meanings:

4.1.1. “Business entity” means a company, partnership, cooperative, state-owned or locally owned enterprise, legal entity or legal entity that is registered in the state registry and is engaged in business activities, and is obliged to pay income tax similar to them. an unlicensed person or a domestic or foreign legal entity whose main activity is non-profit but which has earned income from the sale of goods, work or services;

4.1.2. “Intangible assets” means intangible assets specified in Article 84.5 of the Civil Code;

4.1.3. “Actual profit or loss on foreign exchange differences” means foreign exchange gains and losses arising from the sale and purchase of foreign currency, settlement of receivables and payables denominated in foreign currency, and transactions;

4.1.4. “Income earned from a foreign country” means income of a taxpayer or representative office specified in Article 5.3 of this Law, other than those specified in Articles 4.1.6 and 4.1.7 of this Law;

4.1.5. “Expenses for ceremonies and ceremonies” means transportation expenses, receptions, hotel and restaurant expenses and interpreter fees incurred for the purpose of establishing new business relations and expanding cooperation within the scope of business activities;

4.1.6. “Income earned in Mongolia” means income specified by a taxpayer in Mongolia specified in provision 7.4 of this law;

4.1.7. “Income earned from Mongolia” shall include the following income of a taxpayer:

4.1.7.a. Work performed and services provided by a taxpayer not located in Mongolia in direct or electronic form, and income provided by a taxpayer or representative office located in Mongolia for goods sold in the territory of Mongolia;

4.1.7.b. Income from arts, culture, sports and other events organized by a foreign business entity specified in Article 5.5.2 of this Law in Mongolia;

4.1.7.c. Dividend income paid by a taxpayer located in Mongolia to a taxpayer not located in Mongolia;

4.1.7. Interest income related to specified in 9.4 of this Law issued or transferred by state and local administrative organizations, taxpayers located in Mongolia and representative offices to taxpayers not located in Mongolia;

4.1.7.d. Assets owned, used and owned by a taxpayer not located in Mongolia, and income from the sale, transfer or lease of related rights;

4.1.7.e. Income from fees paid by a taxpayer located in Mongolia to a taxpayer not located in Mongolia, income from leased, used and used rights to movable and immovable property, interest income from financial leases, technical, administrative, income from consulting and other services;

4.1.7. Income transferred from a representative office to taxpayers who are not located in Mongolia and who operate in Mongolia through a representative office;

4.1.7.3. Assets owned, used and owned by a taxpayer's representative office not located in Mongolia, and income from the sale or transfer of related rights;

4.1.7.i. income of a non-resident taxpayer located in Mongolia from the sale or lease of movable and immovable property and intangible assets to be used in the operations of the representative office;

4.1.7.k.other income similar to those specified in 4.1.7.a-4.1.7.i of this law.

4.1.8. “Withholder” means specified in 6.1.19 of the General Tax Law;

4.1.9. “Immovable property” means specified in Articles 84.3 and 86.2 of the Civil Code;

4.1.10. “Exploration expenses” means expenses specified in 4.1.6 of the Minerals Law and 4.1.8 of the Petroleum Law and evidenced by documents directly related to conducting radioactive mineral exploration activities;

4.1.11. “Interdependent persons” means as specified in Article 27 of the General Tax Law;

4.1.12. “Rights holder” means a person who possesses mineral, radioactive minerals, oil exploration and mining licenses, land use and possession rights in accordance with the conditions and requirements specified by law.

Article 5. Corporate income taxpayer

5.1. A business entity that has earned taxable income in a given tax year or has not earned income but is obliged to pay tax in accordance with the law shall be a taxpayer.

5.2. A taxpayer shall be classified as a taxpayer residing in Mongolia or not located in Mongolia.

5.3. The following business entities shall be taxpayers located in Mongolia:

5.3.1. A business entity established in accordance with the laws of Mongolia;

5.3.2. The governing body is a foreign business entity located in Mongolia.

5.4. The governing body specified in 5.3.2 of this Law shall include a foreign legal entity located in Mongolia and a foreign legal entity that meets three or more of the following criteria:

5.4.1. More than 50 percent of shareholders who directly or indirectly exercise their rights and obligations as shareholders or through their representatives reside in Mongolia;

5.4.2. More than 50 percent of the total number of shareholders meetings held in Mongolia in the four consecutive years preceding the tax year;

5.4.3 keep accounting and financial documents in Mongolia;

5.4.4. At least 25 percent of the members of the Board of Directors or persons directly or indirectly exercising the rights and duties of a member of the Board of Directors through their representatives reside in Mongolia;

5.4.5. At least 60 percent of total sales revenue is generated in Mongolia and from Mongolia.

5.5. The following business entities shall apply to taxpayers who are not located in Mongolia:

5.5.1. A foreign business entity operating in Mongolia through its representative office;

5.5.2. A foreign business entity earning income in Mongolia or from sources other than those specified in 5.5.1 of this law.

Article 6. Representative office

6.1. A unit that conducts the activities of a taxpayer specified in subparagraph 5.5.1 of this Law in full or in part in Mongolia shall be referred to a representative office.

The following units shall be included in the representative office specified in 6.1 of this Law:

6.2.1. The place where the business is managed;

6.2.2. Branches and divisions;

6.2.3. A place where trainings, seminars and exhibitions are held;

6.2.4. Warehousing, trade and service area;

6.2.5. A mine, oil or gas well, mine or mineral extraction area;

6.2.6. Factory;

6.2.7. Other lands, units and premises related to Article 6.1 of this Law.

6.3. A representative office shall be considered as a construction site, construction, assembly or installation object and units related to construction and inspection activities lasting for a total of 90 days or more over a period of 12 months.

6.4. The representative office shall consider the provision of technical, consulting, management, inspection and other services to taxpayers residing in Mongolia by its employees and other employees for a total of 183 or more days during a period of 12 months.

6.5. The time period specified in Articles 6.3 and 6.4 of this Law shall be calculated as the total time spent to perform similar or related work or service.

6.6. A representative office shall be deemed to perform the following activities in Mongolia on behalf of a taxpayer not located in Mongolia:

6.6.1. Stores, sells and supplies goods and products;

6.6.2. Manages the organization of the contract without changing the main terms of the contract of the taxpayer who concludes the contract personally or is not located in Mongolia.

6.7. A contract containing one of the following characteristics shall be considered as a contract specified in 6.6.2 of this Law:

6.7.1. To be established in the name of a taxpayer not located in Mongolia;

6.7.2. Transfer of property owned or not owned by a taxpayer not located in Mongolia but entitled to use and possess, or transfer of the right to use and possess such property to others;

6.7.3. To provide taxpayer services not located in Mongolia.

6.8. Notwithstanding the provisions of 6.1, 6.2, 6.3, 6.4, 6.5, 6.6 and 6.7 of this Law, a taxpayer who is not located in Mongolia receives insurance premiums of other forms or reinsurance in Mongolia through other persons. land.

6.9. In the International Agreement on Avoidance of Double Taxation and Prevention of Tax Evasion, ratified by the State Great Hural of Mongolia and in force, the term “Representative Office” shall be equated with the representative office specified in this Law.

6.10. The report form of the representative office and the procedure for registration, deregistration, tax payment and reporting of the representative office shall be approved by the head of the state administrative body in charge of tax matters.

CHAPTER TWO
TAX INCOME

Article 7. Taxable income

7.1. Income earned by a taxpayer specified in provision 5.3 of this Law with sources in Mongolia and from Mongolia, as well as from a foreign country in a given tax year shall be subject to tax.

7.2. A taxpayer specified in subparagraph 5.5.1 of this Law, through its representative office, shall be taxed on income earned in Mongolia and from Mongolia in connection with the activities of the representative office in the given tax year.

7.3. Income earned by a taxpayer specified in provision 5.5.2 of this Law in Mongolia and from a source in Mongolia in a given tax year shall be subject to tax.

The following income of a taxpayer shall be subject to tax:

7.4.1. Operating income;

7.4.2. Property income;

7.4.3. Income from the sale or transfer of assets;

7.4.4. Other income.

7.5. Tax-exempt income shall be deducted when determining the amount of taxable income.

Article 8. Operating income

The following operating income shall be subject to tax:

8.1.1. Income from sales of goods, works and services;

8.1.2. Income from paid puzzles, gambling and lottery activities;

8.1.3. Income from technical, management, consulting and other services;

8.1.4. Income from goods, works and services received from others free of charge;

8.1.5.ene Law 8.1.1, 8.1.2, 8.1.3 and 8.1.4 - Other income specified.

8.2. “Technical service income” specified in Articles 6.4 and 8.1.3 of this Law shall mean the introduction of new technologies, labor and technical safety and labor consumption norms to be applied to production, works and services, preparation and processing of documents based on materials and raw materials consumption. , income from work and services related to conducting social and economic research, providing audit services, equipment installation, maintenance, sample analysis, training of engineers and technicians, and professional development.

8.3. “Management service income” specified in Articles 6.4 and 8.1.3 of this Law shall mean the result of a business entity employing its specialists on a contractual or mutually agreed basis in order to assist in the efficient and normal conduct of business activities (production, works and services). the resulting income.

8.4. “Income from consulting services” specified in Articles 6.4 and 8.1.3 of this Law shall mean professional and methodological assistance to business entities in management, marketing, market, investment environment, stages of production activities, and preparation of documents. , income from the provision of services.

8.5. The above-mentioned income of a taxpayer engaged in the activity of earning income from the sale and transfer of assets shall be considered as the income specified in subparagraph 8.1.1 of this Law.

Article 9. Property income

The following property income shall be subject to tax:

9.1.1. Income from the use or lease of movable and immovable property;

9.1.2. Income from rights and fees;

9.1.3 dividend income;

9.1.4 interest income.

9.2. The following fees shall be included in the fee fee income specified in 9.1.2 of this Law:

9.2.1. Payment for the use and copyright of works related to copyright in accordance with the Law on Copyright and Related Rights;

9.2.2. Payment for the use and right to use an invention, product or utility model in accordance with the Patent Law;

9.2.3. Payment for use and right to use a trademark in accordance with the Law on Trademarks and Geographical Indications;

9.2.4. Payment for technology transfer in accordance with the Law on Technology Transfer;

9.2.5. Payment for the use and right to use information related to industrial, commercial and scientific experiments;

9.2.6. Payment for use and right to use industrial, commercial and scientific experimental equipment;

9.2.7.ene Law 9.2.1, 9.2.2, 9.2.3, 9.2.4, 9.2.5, 9.2.6 - use similar charges as set out in the right and use.

9.3. Dividend income specified in 9.1.3 of this Law shall include monetary and non-monetary income earned from shareholding, partnership or cooperation agreement, profit percentage and other income considered as dividend in accordance with the legislation of Mongolia.

9.4. All types of debts, payables, current and savings accounts, guarantees, sureties, loans, borrowings, bonds, debt instruments and their incentives, regardless of whether the interest income specified in 9.1.4 of this Law is secured by collateral or whether the borrower has the right to participate in the assets. income directly provided by the borrower and other income considered as interest income in accordance with the legislation of Mongolia.

Article 10. Income from sale and transfer of property

The following income shall be included in the income from the sale or transfer of assets:

Income from sale of immovable property;

10.1.2. Income from the sale or transfer of rights granted by a government organization;

10.1.3 income from the sale of shares, securities and other financial instruments;

10.1.4. Income from the sale of intangible assets and movable property other than those specified in 10.1.2 and 10.1.3 of this law.

10.2. Income from the sale of intangible assets specified in Article 10.1.4 of this Law shall include income from the sale or transfer of the right to own, use and possess intangible assets other than those specified in Articles 10.1.2 and 10.1.3 of this Law.

Article 11. Other income

The following income shall be included in the income specified in 7.4.4 of this Law:

11.1.1. Interest, penalties (fines, penalties) received from a person who failed to fulfill his / her obligations under the contract, and compensation received for damages;

11.1.2. Income from paid puzzles, gambling and lottery;

11.1.3. Profit transferred from the representative office to its parent company in the given tax year;

11.1.4. Real income from foreign exchange differences;

11.1.5. Cash returned in accordance with Articles 9.11 of the Law on Environmental Impact Assessment and Articles 11.1.4 and 12.5 of the Law on Petroleum;

11.1.6. Insurance indemnity.

Article 12. Recognition of taxable income

A taxpayer shall recognize income in the following cases:

12.1.1. The goods have been shipped or shipped;

12.1.2. Percentage of work performed;

12.1.3. Receiving service income or meeting the conditions specified in the contract or agreement;

12.1.4. When other income is actually realized and income is received.

12.2. In case of exchange of goods, works and services by a taxpayer, taxable income shall be recognized on the day of receipt of goods, works and services.

CHAPTER THREE
COSTS FOR DEDUCTION FROM TAX INCOME

Article 13. Requirements for expenses deductible from taxable income

Expenses that meet the following conditions at the same time shall be deductible from taxable income:

13.1.1. To be related to the tax reporting period;

13.1.2. Be directly related to the taxpayer's taxable income activities;

13.1.3. The expenses have been incurred and confirmed by the documents specified in Article 13 of the Law on Accounting and relevant records;

13.1.4. Expenses for the following goods, works and services shall be confirmed by a payment receipt with a unique number specified in Article 28.5 of the General Tax Law and a document confirming payment of tax on imported goods to the Customs: 13.1.4.

13.1.4.a. Expenses for work and services provided by a taxpayer other than those specified in provision 5.5.2 of this law;

13.1.4.b. Expenses related to acquisition of movable and immovable property and intangible assets.

13.1.5. Expenses shall have been paid or reported to be paid by the taxpayer engaged in the given activity.

Expenses that meet the conditions specified in 13.1 of this Law shall be deducted from taxable income with the following limits and conditions: 13.2.

13.2.1. Taxes, fees and charges shall be reported to the budget;

13.2.2. Business trip expenses shall not exceed twice the business trip expenses of civil servants;

13.2.3. Funds accumulated in the loan loss protection fund of banks and non-bank financial institutions shall not be included in the normal loan balance;

13.2.4. Expenses incurred in repairing the damage caused by the disaster in accordance with the Law on Disaster Protection shall be confirmed by the conclusion of the relevant organization;

13.2.5. Expenses for ceremonial events shall not exceed 5 percent of the total amount of salary expenses paid to employees who have concluded an employment agreement or contract specified in the Labor Law for the given tax year;

13.2.6. The amount of voluntary insurance premiums of persons other than insurers specified in 4.1.2 of the Law on Insurance shall not exceed 15 percent of the taxable income for the given tax year;

13.2.7. The amount of voluntary insurance premiums made by an insurer with its related parties specified in Article 4.1.2 of the Law on Insurance shall not exceed 15 percent of the taxable income for the given tax year;

13.2.8. Current repair costs shall include the cost of spare parts and shall not exceed 2 percent of the residual value for the immovable property and 5 percent of the residual value for other assets.

13.2.9. Social and health insurance premiums and personal income tax shall be imposed and deducted on salaries, wages, allowances and similar income;

13.2.10. Individual income tax shall be imposed and deducted on indirect income specified in Article 11 of the Personal Income Tax Law;

13.2.11. Interest expenses shall be determined in accordance with Article 14 of this Law;

13.2.12. In case of tax deductible income, the relevant tax shall be deducted and reported.

13.3 Expenses related to possession and transfer of a mining license shall be deducted from the operating expenses in the same amount every year during the term of the license.

13.4. In accordance with the Minerals Law, the Petroleum Law, and the Nuclear Energy Law, the license holder and contractor's savings for environmental rehabilitation and mine closure shall be deducted from operating expenses in the same amount each year during the term of the license. .

13.5. Expenses to be deducted from taxable income of a holder of a mineral, radioactive mineral, petroleum exploration and mining license shall be calculated for each report in accordance with Articles 26.9, 26.10, 26.11, 26.12 and 26.13 of this Law.

Article 14. Interest expenses deductible from taxable income

14.1. Interest expenses incurred in connection with the transfer of income specified in subparagraph 9.1.4 of this Law to others shall be deductible from taxable income.

14.2. The amount of deductible expenses specified in 14.1 of this law for all transactions between related parties shall be limited to 30 percent of the total sales revenue for the reporting period, minus expenses that meet the conditions specified in this law, except for interest, depreciation and amortization.

14.3. Notwithstanding Article 14.2 of this Law, interest paid by an investor in excess of three times the amount previously invested by the taxpayer shall not be deductible from taxable income and shall be taxed as dividends of the investor. .

14.4. “Previously made investment” specified in 14.3 of this Law shall include investment made by purchasing common shares, preferred shares or shareholding from an investor.

14.5. The restrictions specified in Article 14.2 of this Law shall not apply to a business entity licensed to conduct activities specified in Articles 6.1.1 and 6.1.2 of the Banking Law and Article 7.1.1 of the Law on Non-Bank Financial Activities.

14.6. Interest expense on a loan received from a permanent resident of Mongolia who owns shares of a taxpayer shall not be deductible from the taxpayer's taxable income.

14.7. Paragraphs 14.1, 14.2, 14.3, 14.4 and 14.5 of this Law shall also apply to the representative office.

Article 15. Other expenses deductible from taxable income

15.1. The following expenses that meet the requirements specified in Article 13 of this Law may be considered as deductible expenses:

15.1.1. Normal depreciation of goods and materials;

15.1.2. Health and social insurance premiums;

15.1.3. Taxes, fees and charges reported to the budget other than those specified in 16.1.8 of this law;

15.1.4. Expenses for creating a training environment for vocational training and production centers, providing equipment for training centers, and renovating training centers;

15.1.5. Expenses for training of teachers specified in Articles 11.5 and 18 of the Law on Vocational Education and Training;

15.1.6. Financial support provided to vocational education and training institutions for the purpose of training specialists by its own order;

15.1.7. Donations of up to 10 million togrogs made for the purpose of supporting a non-governmental organization founded by a citizen of Mongolia with disabilities;

15.1.8. Donation of up to 10 million MNT to the Sports Support Fund for the purpose of supporting the activities of sports associations and clubs;

/ This provision was amended by the law dated November 13, 2019 /

15.1.9. Donations and funds made to the vocational education and training support fund;

Donations for the purpose of reducing air pollution;

15.1.11. Funds accumulated in the fund to protect against possible losses on loan repayment of banks and non-bank financial institutions;

15.1.12. Funds accumulated in the credit risk fund of a savings and credit cooperative and in the potential risk protection fund of a cooperative engaged in other activities;

15.1.13 In accordance with the Law on Environmental Impact Assessment, the Law on Minerals, the Law on Petroleum and the Law on Nuclear Energy, a special fund opened by the relevant government organization shall be included in the annual environmental management plan of mining license holders, project implementers and contractors. , funds transferred to the treasury and accounts specified in 11.2.9 of the Petroleum Law;

15.1.14 Expenses accumulated in the Elderly Fund within the limits specified in Article 14.7 of the Law on the Elderly.

The amount of depreciation specified in 15.1.1 of this Law shall be approved by the Government.

Article 16. Expenses that are not deductible from taxable income

The following expenses shall not be deductible from taxable income:

Expenses that do not meet the conditions and limits specified in 13.1 and 13.2 of this law;

16.1.2. Principal payment of the lessee's leased property;

16.1.3. Payments, interest, fines and penalties paid to others for non-fulfillment of obligations under the contract;

16.1.4. Recreation and other similar expenses for employees and client organizations and individuals;

16.1.5. Loss of assets sold to related parties;

16.1.6. Interest payments transferred by the representative office to its parent company, payments for the use and lease of movable and immovable property, fee fees, technical, management, consulting and other services;

16.1.7. Expenses incurred in connection with earning tax exempt income specified in this law;

16.1.8. Capital city tax, value-added tax, value-added tax paid to the budget of a withholder and tax withheld from income earned by other persons in accordance with this law;

16.1.9. Unrealized foreign exchange loss;

16.1.10. Increased difference in revaluation of goods;

16.1.11. Loans closed from the credit risk fund of a business entity engaged in the activities of a bank, non-bank financial institution, savings and credit cooperative;

16.1.12. Expenses for donations and grants other than those specified in 15.1.6, 15.1.7, 15.1.8, 15.1.9 and 15.1.10 of this law.

Article 17. Depreciation and amortization

17.1 Depreciation and amortization of a taxpayer's assets to be used for one or more years shall be calculated as follows:

№	Property group	Total service life / in years /	
		As a holder of mineral, radioactive minerals, oil exploration and mining licenses	Others
1	Construction and landscaping	40	25
2	Machinery, equipment and production equipment	10	
3	Computers, peripherals and software	2	
4	Intangible assets with a definite useful life (this includes mineral exploration and mining licenses).	During the period of validity	
5	Other assets	10	

Depreciation and amortization shall not be calculated as a result of the additional part of the revaluation of the property.

Depreciation and amortization of assets shall be established by the straight-line method.

17.4. The cost of purchasing, building, assembling, transporting and transporting non-current assets and insurance related to transportation shall be included in the depreciable amount of the asset.

17.5. The capital repair cost specified in 13.2.8 of this Law shall be added to the residual value of the asset and depreciation and amortization shall be calculated for the remaining period of use of the asset.

17.6. If a certain part of the depreciable asset is used to generate taxable income, depreciation and amortization shall be calculated in proportion to that portion and deducted from taxable income.

17.7. Depreciation and amortization shall not be charged on current assets, land, goods and material resources, paintings, handicrafts, antiques, jewelry and other similar property.

17.8. In the event that a taxpayer purchases buildings and other assets together, the purchase price shall be allocated to each purchased asset. If a building is demolished and purchased for the purpose of constructing a new building on the site, the cost of demolishing the building and the purchase price shall be included in the construction cost.

17.9. If a taxpayer ceases to use its depreciation and amortization assets for the purpose of earning taxable income, the tax shall be deemed to have been sold at the residual value and the market price.

17.10. The total value of the lessee's right to use shall be calculated as the sum of the lease payments to be made during the term of the agreement and depreciation shall be established over the term of the agreement.

17.11. Depreciation and amortization fee of a taxpayer's newly acquired property in a given quarter shall be calculated starting from the first day of the following month.

17.12. Assets at the construction stage shall be registered as fixed assets and depreciation and amortization shall be established from the first day of the month following the day of using them for their intended purpose.

17.13. Holders of mineral and radioactive mineral exploration licenses and contractors specified in the Petroleum Law shall accumulate exploration costs, license fees, expenses related to possession, sale and transfer of licenses and register them as exploration and evaluation assets. Depreciation and amortization will be incurred during the life of the site.

17.14. The special fund specified in Article 38.1.8 of the Minerals Law, the account specified in Article 11.2.9 of the Petroleum Law, and the funds transferred by the exploration license holder to the fund specified in Article 28.9 of the Nuclear Energy Law shall be used for exploration specified in 17.13 of this Law. shall be considered as an appraised asset.

17.15. “Landscaping” specified in 17.1 of this law shall not include the cost of preparing stockpiles related to mining activities.

CHAPTER FOUR DETERMINATION OF TAX INCOME

Article 18. Determination of taxable income

A tax shall be imposed on a taxpayer's annual taxable income.

18.2. Taxable income shall be determined by deducting expenses specified in this law from the total amount of taxable income specified in Articles 8.1.1, 8.1.3, 8.1.4, 8.1.5, 9.1.1, 11.1.1 and 11.1.4 of this Law. , the taxable income for the current year shall be determined by deducting the transfer loss specified in Article 19 of this Law from the income.

18.3. Taxable income shall be determined by deducting from the sale and transfer price of shares, securities and other financial instruments the purchase price of the shares, securities and the amount of premiums evidenced by the proof of purchase.

18.4. Taxable income shall be determined by deducting from the total amount of taxable income specified in subparagraph 8.1.2 of this law the expenses that meet the conditions specified in subparagraph 13.1 of this law, the amount of money and lottery and the price of goods.

18.5. In case of sale or transfer of intangible assets and movable property specified in 10.1.4 of this Law, taxable income shall be determined by deducting the residual value of the property from the income from the sale and transfer of the property.

18.6. In determining taxable income on the following income, it shall be calculated based on the total amount of each type of taxable income:

18.6.1. Income from rights and fees;

18.6.2. Dividend income;

18.6.3 interest income;

18.6.4. Income from the sale or transfer of immovable property;

18.6.5. Income from paid puzzles, gambling and lottery;

18.6.6. Profits transferred from the representative office to its parent business entity in the given tax year;

18.6.7. Income specified in Articles 11.1.5 and 11.1.6 of this Law;

18.6.8. Income specified in subparagraphs 4.1.6, 4.1.7 and 8.3 of this law for a taxpayer who is not located in Mongolia, except for a representative office registered in accordance with the procedure specified in subparagraph 6.10 of this law.

18.7. In determining the taxable income from the sale and transfer of rights specified in 10.1.2 of this Law, the costs evidenced by the following documents shall be deducted from the assessment of the rights: 18.7.

18.7.1. Fees and charges evidenced by documents paid to the state body in connection with obtaining the right;

18.7.2. In case of sale or transfer from others, payment for sale or transfer in accordance with the transaction, payment evidenced by the transfer document.

18.8. The methodology set forth in Article 30.6 of this Law shall be followed in assessing land possession and use rights, mineral exploration and mining licenses, and determining tax rates.

18.9. In the event of the liquidation of a business entity in which a taxpayer's shares are liquidated, dividend taxable income shall be determined by deducting the original purchase price of those shares and assets from the amount of income distributed in proportion to the shares held by the taxpayer.

18.10. In case of repayment of a loan deducted from the taxable income of a credit risk fund of a savings and credit cooperative to protect against losses that may occur when repaying a loan from a bank or non-bank financial institution, the amount of such loan shall be taxed in accordance with this law.

18.11. The taxable income shall be determined from the total income from insurance activities of a business entity engaged in insurance activities by deducting the reserve fund and operating expenses established in a given year in accordance with the charter approved by the competent state authority.

18.12. The taxable income of a representative office shall be determined on the same basis as the taxable income of a taxpayer located in Mongolia in accordance with this law, and the presence of a representative office shall not serve as a basis for reducing taxable income.

Article 19. Transfer of tax loss to future

19.1. Total taxable income shall be deducted from expenses that meet the conditions and requirements set forth in this law, and the excess of expenses shall be deemed to be a loss incurred in the tax return (hereinafter referred to as “loss”).

19.2. Future transfer losses confirmed by the relevant tax authority shall be deducted by limiting 50 percent of the total amount of taxable income for each of the four consecutive years following the tax year in which the loss occurred.

19.3. The amount of losses that have not been deducted for four consecutive tax years and that exceed the limits specified in 19.2 of this Law in a given tax year shall not be deductible from taxable income in the future.

19.4. In the event of a loss in more than one tax year, it shall be deductible from taxable income in the order in which the loss occurred.

19.5. The loss of a representative office of a business entity established in accordance with the laws of Mongolia abroad shall not be deductible from the taxable income of a business entity in Mongolia.

19.6. Taxpayers holding mineral, radioactive minerals, oil exploration and mining licenses shall be subject to the provisions of Articles 26.9, 26.10, 26.11, 26.12 and 26.13 of this Law when calculating losses incurred in accordance with Article 13.5 of this Law. .

19.7. In case of expiration, revocation or return of the entire licensed area of mineral, radioactive mineral, oil exploration and mining license, the loss shall not be transferred to the future in accordance with Article 19.6 of this law.

19.8. In case of reorganization of a business entity in the form of merger, acquisition or separation in accordance with the Civil Code, the Company Law and the Partnership Law, the amount of the remaining loss that has not been deducted shall not be deducted from taxable income.

19.9. Losses specified in 19.1 of this Law shall not include losses incurred in the tax return for the tax year prior to January 1, 2020 or uncertified by the tax administration.

19.10. The loss incurred in the tax return of a business entity invested in a free zone shall be deducted from taxable income for the four consecutive tax years following the year in which the construction work is completed and the target production and operations begin.

19.11. The head of the state administrative body in charge of tax matters shall approve the procedure for crediting and confirming losses incurred in the tax return in the future.

CHAPTER FIVE
PERCENTAGE AND AMOUNT OF TAXES

Article 20. Tax rates and rates

20.1. In accordance with Articles 18.2, 18.3, 18.4 and 18.5 of this Law, a tax of 0-6 billion togrogs shall be imposed at 10 percent in case of annual income and a tax of more than 6 billion togrogs at 600 million togrogs at a rate of 6 billion togrogs. Income in excess of 25 percent shall be subject to additional tax.

20.2. The following taxable income of a taxpayer shall be taxed at the following percentages:

20.2.1 percent of the income specified in Articles 18.6.1, 18.6.2, 18.6.3, 18.6.7 and 18.7 of this Law;

20.2.2. 2 percent of the taxable income specified in subparagraph 18.6.4 of this law;

20.2.3. 40 percent of the income specified in 18.6.5 of this law;

20.2.4 percent of the income specified in Articles 18.6.6 and 18.6.8 of this Law;

20.2.5. Does not hold a license for mineral, radioactive minerals, oil exploration and mining (including persons specified in Articles 4.1.12 and 30.1 of this Law). 5 percent on interest income of a taxpayer who has purchased debt instruments and unit rights to be traded in the secondary market;

20.2.6 percent interest income on loans and borrowings attracted from foreign and domestic sources of a commercial bank of Mongolia;

20.2.7. Earned taxable income of up to 300 million togrogs per annum specified in Articles 18.2, 18.3, 18.4 and 18.5 of this Law, regardless of Article 20.1 of this Law, in accordance with Articles 22.1.1, 22.1.2 and 22.1.3 of this Law. 1 percent of the taxable income of a taxpayer operating in a sector other than those specified.

20.2.8 percent of the proceeds from the sale of intellectual property rights.

/ This provision was added by the law in January 23, 2020 and shall be effective from December 1, 2020 /

20.3. In the case of a stabilization certificate holder, a tax shall be imposed at a stabilized rate and rate during the validity period of the stabilization certificate.

CHAPTER SIX
TAX DISCOUNTS AND RELEASES

Article 21. Tax exemption

21.1. The following income of a taxpayer shall be exempt from tax:

21.1.1. Payment, interest and penalties of the Government and Development Bank of Mongolia bonds;

21.1.2. Dividends specified in Article 7.1.1 of the Law on Future Heritage Fund;

21.1.3. Revenues allocated from the state budget to the future heritage fund and investment income of the fund;

21.1.4. Income specified in subparagraphs 18.6.2 and 20.1 of this law earned by a taxpayer operating in the territory of the country in accordance with a production sharing agreement in the petroleum sector;

21.1.5. Income from the main activities of the credit guarantee organization specified in the law;

21.1.6. Premium income of the deposit insurance fund;

21.1.7. Dividends paid to the Government by state-owned enterprises;

21.1.8. Income of a taxpayer who has earned the income specified in subparagraph 21.1.4 of this law, to be transferred abroad from the sale of his / her products;

21.1.9. Operating income of the organization specified in Article 12.1 of the Law on Education and Article 15.1 of the Law on Health;

21.1.10. Income from business activities earned in connection with the implementation of the objectives specified in the charter of a non-profit legal entity;

21.1.11. Income from service fees specified in the charter of the Apartment Owners Association and funds accumulated in the fund specified in Article 6.1.7 of the Law on Common Legal Ownership of Apartment Buildings collected from the members of the Apartment Owners Association;

21.1.12. Income of a cooperative earned from the difference in brokerage prices for the sale of its members' products.

21.1.13. Income from the mediation of intellectual property rights;

/ This provision was added by the law in January 23, 2020 and shall be effective from December 1, 2020 /

21.1.14. Interest income from a loan secured by intellectual property rights.

/ This provision was added by the law in January 23, 2020 and shall be effective from December 1, 2020 /

Article 22. Tax credit

22.1. The taxable income specified in Articles 18.2, 18.3, 18.4 and 18.5 of this Law shall not exceed 1.5 billion MNT. Taxes imposed on an established taxpayer in accordance with Article 20.1 of this Law shall be reduced by 90 percent:

22.1.1. To explore, mine, use, transport and sell minerals and radioactive minerals;

22.1.2. To plant alcoholic beverages and tobacco plants, to produce and import tobacco;

22.1.3. To produce petroleum products, import all types of fuels, engage in wholesale and retail trade, explore, extract and sell oil.

22.2. The tax credit specified in 22.1 of this Law shall be determined by the taxpayer's annual tax return, refunded from the tax paid within the period specified in this Law, and refunded in accordance with Article 28 of this Law. Refunds shall be issued within 30 working days after the deadline for submission of year-end reports, regardless of the deadlines specified in Articles 28.4.2 and 28.4.3 of this Law.

22.3. In determining whether a taxpayer is covered by Articles 20.2.7 and 22.1 of this Law, the amount of taxable income shall be calculated as the sum of taxable income of the taxpayer and related parties who made transactions with him / her in the given tax year.

A business entity that pays and reports in accordance with Articles 20.2.7 and 22.1 of this Law shall not enjoy the benefits specified in Article 22.5 of this Law.

22.5. Tax credit shall be provided for the following income:

22.5.1. Aimag and soum centers operate permanently in aimags and soums not more than 500 km away from the capital city of Ulaanbaatar, the general administration of a legal entity is registered in the local area, communicates with the local tax office, creates jobs / social insurance premiums Aimag and soum centers shall pay the tax on taxable income specified in Article 7.4.1 of this Law from the taxpayer's activities specified in 5.3.1 of this Law in the territory of the respective aimag or soum. 50 percent in aimags and soums more than 1 km away, and 90 percent in aimags and soums more than 1,000 km away;

22.5.2. If two or more percent of the employees of a business entity with more than 25 employees are persons with disabilities, the type of tax to be paid to the business entity's income;

22.5.3. Tax on income for the efficient use of natural resources, reduction of environmental pollution and waste, and sale of environmentally friendly machinery and equipment;

22.5.4. Tax on sales of newly produced innovative products, works and services of a start-up company specified in the Law on Innovation within three years from the date of state registration;

22.5.5. A business entity that has built sports facilities, sports halls, squares and infrastructure that meet the standards specified in 26.2 of the Law on Physical Culture and Sports shall be prohibited from operating the sports facilities, sports halls and squares for 5 years after starting to use them. income tax equal to 50 percent of earned income;

22.5.6. Income tax of a business entity where a person with a disability is employed by a person with a disability of 50 percent or more, based on the share of a person with a disability in the total number of employees;

22.5.7. 500.0 thousand US dollars or more for infrastructure such as energy, heat source, network, clean water supply, sewerage, road, railway, airport and main communication network for the free zone income tax equal to 50 percent of the investment made in the income earned by the business entity from the free zone;

22.5.8. 50 percent of the investment in the income from the free zone of a business entity that has invested 300.0 thousand US dollars or more in the construction of warehouses, loading and unloading facilities, hotels, tourist complexes, import substitution and export products factories in the free zone income tax;

22.5.9. Tax on the amount of income spent by an individual, business entity or organization that finances measures to improve the quality of natural water and rehabilitate rivers and streams in order to increase water resources in a certain territory and create a reliable water supply;

22.5.10. A business entity that produces or cultivates the following products shall pay 50 percent tax on income earned only from those products: 22.5.10.

22.5.10.a. cereals, potatoes and vegetables;

22.5.10.b milk;

22.5.10.c.fruits and berries;

22.5.10. Fodder and fodder plants;

22.5.10. Meat and meat products produced in intensive chicken farms.

The Government shall approve the list of machinery, equipment, products, works and services specified in Articles 22.5.3 and 22.5.4 of this Law.

22.7. Tax credit shall be imposed on the income during the reporting period and shall not exceed the amount of tax paid within the period specified in this law.

22.8.1. The following sectors shall not be included in Article 22.5.1 of this Law:

22.8.1. Exploration and exploitation of minerals, radioactive minerals and oil, and activities in the field of nuclear energy;

22.8.2. To produce, sell and import alcoholic beverages;

22.8.3. To plant tobacco plants, produce, sell and import tobacco;

22.8.4. To import or sell petroleum products;

22.8.5. To provide voice services;

22.8.6. To build energy sources and networks, to produce, sell and distribute energy;

22.8.7. To engage in civil aviation activities;

22.8.8. Construction and repair of roads and road facilities.

Article 23. Taxes levied abroad shall be deducted from taxes payable

23.1. Tax imposed on a taxpayer located in Mongolia and paid abroad shall be deducted from the tax payable by the taxpayer for the given tax year.

Taxes paid abroad shall not be deductible from taxes payable in the following cases:

23.2.1. Paid in a foreign country but can be taken back;

23.2.2. Tax interest, fines and penalties imposed on a foreign country;

23.2.3. Taxes levied on non-taxable income in accordance with the tax legislation of Mongolia.

23.3. The amount of tax to be deductible in accordance with Article 23.1 of this Law shall be calculated by whichever is less than the amount calculated by the following criteria:

23.3.1. The amount of tax payable by a taxpayer for a given tax year;

23.3.2. The amount of tax payable in respect of taxable income imposed on a foreign country in the event that it is imposed in accordance with the tax legislation of Mongolia.

23.4. The amount specified in 23.3.2 of this Law shall be calculated separately for each foreign country where a taxpayer has imposed and paid tax in a given tax year.

23.5. Taxes imposed on a taxpayer located in Mongolia abroad in excess of the amount of tax payable by the taxpayer in Mongolia shall not be refunded and shall not be transferred further.

23.6. Confirmation of the amount of tax to be deductible as specified in 23.1 of this Law shall be based on the tax report reported to the foreign authority, the official letter of the organization confirming the tax payment and payment, and the evidence and reference of the organization.

23.7. The amount of tax to be deductible in accordance with Article 23 of this Law shall be confirmed by the relevant tax authority.

23.8. The state administrative body in charge of tax matters of Mongolia shall have the legal capacity to exchange information with foreign countries specified in 23.1 of this law and the list of these countries shall be updated by the state administrative body in charge of tax matters within 10 working days in the last quarter of each year. .

23.9. A business entity registered with the tax authority as specified in Article 29.1 of this Law shall not be deductible from taxes payable in accordance with Article 23 of this Law.

23.10. The head of the state administrative body in charge of tax matters shall approve the procedure for submitting a request for deduction of tax imposed on a foreign country from the tax payable, approving and certifying the design of the calculation form.

CHAPTER SEVEN
TAX DEDUCTION, PAYMENT, REPORTING, AND REFUND

Article 24. Withholding and payment of taxes

A taxpayer located in Mongolia shall withhold and withhold the tax on income specified in Articles 18.6.1, 18.6.2, 18.6.3, 18.6.4, 18.6.5, 18.6.7 and 18.6.8 of this Law.

24.2. Income tax determined in accordance with Article 18.6.6 of this Law shall be imposed and deducted by the representative office.

24.3. If a taxpayer specified in subparagraph 5.5.1 of this Law transfers income related to the activities of its representative office to a person not located in Mongolia, the representative office shall impose and withhold the relevant tax.

24.4. If it is not possible to determine the withholder in accordance with this law, the person who earned taxable income shall determine and impose the tax.

24.5. Deducted tax shall be transferred to the budget within 10 working days.

Article 25. To determine and impose taxes and pay them to the budget

25.1. Based on the schedule approved by the state central administrative body in charge of budget and finance, the respective tax administration shall deliver to the taxpayer the monthly and quarterly tax schedule to be imposed in accordance with Articles 20.1 and 20.2.7 of this Law.

25.2. The monthly tax shall be paid by the 25th of each month according to the predetermined schedule specified in 25.1 of this Law, the tax shall be paid by the 20th of the first month of the following quarter, and the tax shall be paid by the end of the year according to the final calculation. It will be paid to the budget within 10 days.

25.3 The state shall have the right to fully or partially mobilize dividends and dividends on its property to the budget and the amount shall be determined by the current year's Budget Law.

Article 26. Tax reporting

26.1. If the taxable income of the previous tax year is 6 billion togrogs or more, the taxpayer shall submit the quarterly tax return for the current tax year by the 20th of the first month of the following quarter and the year-end tax return by February 10 of the following year. submit to the tax authority.

26.2. A taxpayer whose taxable income for the pre-tax year is up to MNT 6 billion has not registered with the tax authority in accordance with Article 29.1 of this law. issued by November 10 and submitted to the relevant tax authority.

26.3. The annual taxable income specified in Articles 26.1 and 26.2 of this Law shall be determined based on the taxpayer's annual taxable income reported only in the tax year preceding the current reporting year.

26.4. A taxpayer shall file a relevant tax return in the amount increased from the beginning of the year.

26.5. A taxpayer shall attach a withholding tax return to the relevant tax return in accordance with Article 24 of this Law.

26.6. If the withholder who paid income to a taxpayer who is not located in Mongolia is an individual, the withholding tax return specified in Article 24 of this Law shall be attached to the tax return to be reported in accordance with the Personal Income Tax Law.

A taxpayer established in a reporting year shall file a tax return in accordance with Article 26.2 of this Law.

26.8. A taxpayer shall submit a report on inactivity to the relevant tax authority once a year starting from the tax year following the year in which the activity was performed, by February 10 of the following year.

26.9. A business entity engaged in mineral, radioactive minerals, oil exploration and mining activities shall prepare and submit tax reports for each license in a given tax year in accordance with this law.

26.10. The report specified in 26.9 of this Law may be compiled if the following conditions are met simultaneously:

26.10.1. If the licensed area owned by the taxpayer borders on each other;

26.10.2. If the type of product to be used is the same as for the mining license for mineral and radioactive minerals.

26.11. Areas with mineral, radioactive minerals, oil exploration and mining licenses shall not be consolidated and reported in accordance with Article 26.10 of this law.

26.12. A request to consolidate tax returns for the next tax year in accordance with Article 26.10 of this Law shall be submitted to the state administrative body in charge of tax matters before September 1 of that tax year.

26.13. The state administrative body in charge of tax matters shall review the request specified in 26.12 of this Law within 30 days and notify whether the request is approved.

26.14. A taxpayer shall report taxes imposed and imposed in accordance with Article 24.4 of this Law within the time period specified in this law.

Article 27 Preparation of price transition report for each country

The following terms specified in this law shall have the following meanings:

27.1.1. “Group” means specified in Article 6.1.8 of the General Tax Law;

27.1.2. “Group participant” means a person who meets one of the following conditions:

27.1.2.a. the activities of a multinational group are reflected in the consolidated financial statements, or the consolidated financial statements are reflected when the shares of a business entity within the group are publicly traded on the stock exchange;

27.1.2.b. is not included in the consolidated financial statements of a multinational group due to the scope and significance of its operations;

27.1.2.c. A representative office of a business entity specified in Articles 27.1.2.a and 27.1.2.b of this Law that prepares independent financial statements for the purposes of financial and tax reporting, internal management, organization and control.

27.1.3. “Consolidated financial statements” means financial statements prepared in accordance with the same accounting standards as a single business entity by aggregating information such as assets, liabilities, income, expenses and cash flows of multinational group participants;

27.1.4. “International tax agreement” means a tax agreement concluded with other countries of Mongolia on the exchange of information for tax purposes, an international agreement for the purpose of mutual administrative assistance in tax matters, or an international agreement on automatic or requested information exchange between the two countries. agreement;

27.1.5. “System delay” means the failure to perform the obligations specified in the agreement between the authorized persons for reasons other than those specified in the agreement, or the failure to regularly submit to Mongolia the price transition report (hereinafter referred to as “country report”). the situation;

27.1.6. “Transnational group without reporting obligation” means a multinational group that has earned less than 1.7 trillion MNT in sales revenue from the group's consolidated financial statements;

27.1.7. “Reporting entity” means a member of a group who is responsible for reporting on behalf of a multinational group in each country, and the head of the multinational group, the appointed reporting entity or the person specified in Article 27.2.2 of this Law;

27.1.8. “Appointed reporting entity” means a member of a group appointed for the purpose of reporting on behalf of the parent of a multinational group in each country, provided that the conditions specified in 27.2.2 of this Law are met;

27.1.9. “Transnational group” means a group that meets one of the following conditions:

27.1.9.a. two or more members of a group are located in another country or region for tax purposes, or a group member operates in another country or region through its representative office;

27.1.9.b. except for the group specified in 27.1.6 of this Law without reporting obligation.

27.1.10. “Financial year of a multinational group” means the period covered by the financial statements of the parent of a multinational group;

27.1.11. “Fiscal year to be reported by a multinational group” means the period covered by the price transition report for each country;

27.1.12. “Head of a multinational group” means a group member who meets the following requirements:

27.1.12.a. Directly or indirectly owns one or more participants of a multinational group and is obliged to submit consolidated financial statements of the group in the country and region where it is located for tax purposes, or to prepare consolidated financial statements when the group's shares are publicly traded;

27.1.12.b. a group member other than those specified in 27.1.12.a of this law shall not directly or indirectly own one or more members of the group;

27.1.13. “Agreement between authorized persons” means the following:

27.1.13.a. An agreement to be concluded between an authorized person appointed by the parties to an international tax agreement;

27.1.13.b. an agreement obliging each country to exchange reports.

27.2. The following taxpayers shall submit a report for each country to the relevant tax authority within 12 months from the last day of the financial year of the multinational group: 27.2.

27.2.1. The parent of a multinational group located in Mongolia for tax purposes;

27.2.2. A participant in a non-parent group of a multinational group located in Mongolia for tax purposes, provided that one of the following conditions is met:

27.2.2.a. The parent of a multinational group is not obligated to prepare and report in each country in accordance with the laws of the country or region in which it is located for tax purposes;

27.2.2.b. a country or region where the head of a multinational group is located for tax purposes has concluded an international tax agreement with Mongolia but no agreement has been concluded between the authorized persons within the period specified in 27.2 of this law;

27.2.2.c. The relevant tax authority has notified a participant of a multinational group located in Mongolia of a systemic delay in the country or region where the head of the multinational group is located for tax purposes.

27.2.3. If two or more participants of a multinational group are obliged to report in accordance with Article 27.2.2 of this Law, the parent of the multinational group to which they belong may select one of the reporting persons and, if elected, the selected participant.

27.3. If elected in accordance with Article 27.2.3 of this Law, the selected bidder shall notify the relevant tax authority and register within the deadline for submission of tax returns at the end of the year.

27.4. Notwithstanding the provision 27.2.2 of this Law, a member of a group located in Mongolia for tax purposes shall not submit a report to the relevant tax authority for each country if the following conditions are met simultaneously: 27.4.

27.4.1. Meets one of the conditions specified in 27.2.2.a, 27.2.2.b *and* 27.2.2.c of this law;

27.4.2. A transnational group reports through each country through an appointed reporting entity;

27.4.3. The appointed reporting entity has submitted a report for each country within the period specified in 27.2 of this Law to the tax authority of the country or region where it is located for tax purposes;

27.4.4. The law of the country or region where the appointed reporting entity is located for tax purposes requires each country to submit a report in accordance with the requirements set forth in Article 27.5 of this Law;

27.4.5. The country and region where the reporting entity appointed for the tax purposes of the reporting entity appointed within the period specified in 27.2 of this Law has entered into an agreement with Mongolia;

27.4.6. The country or region where the appointed reporting entity is located for tax purposes has not notified the tax administration of Mongolia of the system failure;

27.4.7. A group member has declared that he / she is a reporting entity appointed in the country or region where he / she is located for tax purposes in accordance with the requirements of the law of that country or region and the notice has been delivered to the relevant tax authority;

27.5 Price transition report for each country shall contain the following information:

27.5.1. From income earned in each country where the multinational group operates, pre-tax profit (loss), income tax paid, income tax arrears, amount of share capital, retained earnings, number of employees, money and the like; consolidated information related to other movable and immovable property;

27.5.2. Taxpayer number of each member of the multinational group, information of the country of residence for tax purposes, information on the law of each country of the participants of the group, if the countries of registration and residence for tax purposes are different, business of each member of the group. information on main activities;

27.6. The form and procedure for reporting in each country shall be approved by the head of the state administrative body in charge of tax matters.

27.7. A taxpayer shall have the following obligations:

27.7.1. To notify a transnational group member located in Mongolia for tax purposes whether it is a parent of a multinational group or an appointed reporting entity within the deadline for submission of tax returns at the end of the year;

27.7.2. If the participant of the multinational group is not the parent of the multinational group or the appointed reporting entity, to notify the tax authority of the reporting entity's taxpayer number and information on the country and region where the taxpayer is located within the tax reporting year; .

27.8. The tax administration shall use the report for each country for tax risk assessment, statistical and calculation purposes and shall not make price adjustment based on the report.

27.9. The tax administration shall maintain the confidentiality of information contained in the report in each country in accordance with international treaties to which Mongolia is a party and relevant standards.

27.10. Article 27.2.2 of this Law shall be effective from the date when the tax authority of Mongolia can officially start automatically exchanging information with a foreign tax administration.

Article 28. Tax refund

28.1. The tax authority shall review and estimate the overpayment and underpayment of tax issued by a taxpayer or withholder in accordance with Articles 26.1 and 26.2 of this Law in accordance with the following procedures:

28.1.1. The amount of tax to be refunded to a taxpayer in a tax year shall be limited in accordance with Article 22.7 of this Law;

28.1.2. A taxpayer shall be able to enjoy the benefits specified in Article 22 of this Law within the limits specified in Article 22.7 of this Law;

28.1.3. A taxpayer shall not partially enjoy the benefits specified in this law;

28.1.4. Not to transfer the tax credit specified in Article 22 of this Law to the next tax year.

28.2. If the tax paid by a taxpayer in a tax year is less than the amount of tax payable in accordance with the procedure set forth in Article 28.1 of this Law, the relevant tax authority shall notify the taxpayer and make a final calculation.

28.3. In case of exceeding the amount of tax payable by a taxpayer in a tax year in accordance with the procedure set forth in Article 28.1 of this Law, the excess amount shall be resolved in accordance with Article 49.1 of the General Taxation Law.

28.4. The excess amount specified in 28.3 of this Law or the taxpayer's overpaid tax shall be refunded in the following manner:

28.4.1. To return the refund to the taxpayer through the treasury account;

28.4.2. The tax authority shall review and determine the amount of refundable tax within 20 working days after the deadline for submission of reports specified in Articles 26.1 and 26.2 of this Law and submit it to the treasury unit;

28.4.3. To issue the refund specified in 28.4.2 of this Law within the second quarter of the next tax year.

28.5. The member of the Government in charge of finance and budget shall approve the procedure governing the refund, monitoring and accounting of overpaid tax of a taxpayer specified in 28.4 of this Law.

A refundable tax shall be a component of the state budget and shall not exceed 30 percent of the type of tax to be paid to the state budget in a given year.

CHAPTER EIGHT
SPECIAL TAX RELATIONS

Article 29. Simplified tax regime

29.1. If the total sales revenue confirmed by the previous tax year report is less than 50.0 million togrogs, the taxpayer shall file a tax on the taxpayer's total operating income starting from the next tax year, if the tax authority registers the request within the third quarter of the tax year. The taxable income can be determined.

A taxpayer using a simplified tax regime shall be connected to the unified tax registration database.

29.3. The following taxpayers shall not submit a request specified in 29.1 of this law:

29.3.1. A taxpayer registered as a value-added tax withholder in compliance with the conditions and requirements set forth in the Law on Value-Added Tax;

29.3.2. A taxpayer engaged in the following activities:

29.3.2.a. To explore, mine, use, transport and sell minerals and radioactive minerals;

29.3.2.b. production and import of alcoholic beverages;

29.3.2.c. To plant tobacco plants, produce and import tobacco;

29.3.2.d. To produce petroleum products, import all types of fuels, engage in wholesale and retail trade, explore, extract and sell oil.

29.4. The procedure for registration, resolution and deregistration of a request specified in 29.1 of this Law shall be approved by the head of the state administrative body in charge of tax matters.

29.5. Losses incurred by a taxpayer registered with the tax administration in accordance with Article 29.1 of this Law in the tax returns of previous years shall not be transferred to the future.

29.6. A taxpayer who has registered with the tax administration in accordance with Article 29.1 of this Law shall be released from the simplified procedure from the date of becoming a value-added tax withholder in accordance with the conditions and requirements specified in the Value Added Tax Law.

29.7. It shall be released from the simplified procedure from the date of starting the activities specified in 29.3.2 of this Law.

29.8. A taxpayer registered with the tax administration in accordance with this article shall not leave the simplified procedure in the middle of the tax year, except in cases specified in Articles 29.6 and 29.7 of this Law.

29.9. Taxable income determined in accordance with Article 29.1 of this Law shall be taxed at 1 percent.

29.10. A business entity that pays and reports taxes in accordance with Article 29.1 of this Law shall not enjoy the exemptions specified in Article 21 and the exemptions specified in Article 22 of this Law, and taxes imposed on foreigners in accordance with Article 23 of this Law shall not be deductible. .

29.11. Based on the schedule approved by the state central administrative body in charge of budget and finance, the respective tax administration shall submit to the taxpayer the monthly tax schedule to be imposed in accordance with Article 29.9 of this Law.

29.12. According to the predetermined schedule specified in 29.11 of this Law, the quarterly tax shall be paid to the budget by the 20th of the first month of the next quarter and the tax shall be paid to the budget by February of the following year.

29.13. A taxpayer who has registered his / her request with the tax authority in accordance with Article 29.1 of this Law shall submit his / her annual tax return to the relevant tax authority by February 10 of the following year.

Article 30. Tax relationship of sale and transfer of rights by changing the shares and participation of the final owner

30.1. “Final possessor” shall be understood as specified in Article 6.1.48 of the General Taxation Law.

30.2. Sale or transfer of land possession and use rights, minerals, radioactive minerals, oil exploration and mining licenses granted in accordance with the legislation of Mongolia through sale or transfer of shares, participation and voting rights owned by the final owner; Related income shall be considered as income specified in 10.1.2 of this law by the business entity holding the right.

30.3. The basis for taxable income from the sale and transfer of rights shall be determined by deducting the expenses evidenced by the following documents from the assessment of the rights and licenses calculated in accordance with the procedure set forth in Article 30.6 of this Law: 30.3.

30.3.1. Fees and charges evidenced by documents paid to the state body in connection with the issuance of the right by the state body;

30.3.2. In case of sale or transfer from others, payment for sale or transfer in accordance with the transaction, payment evidenced by the transfer document.

30.4. Taxable income shall be determined on the basis of taxable income determined in accordance with Article 30.3 of this Law in proportion to the value of the shares sold, transferred, participation and voting rights of the ultimate holder in proportion to the value of the rights.

30.5 The assessment of land use and possession rights shall be determined based on the price requirements specified in Article 38.6 of the Law on Land.

30.6 The procedure for taxation of income specified in Article 30.4 of this Law, the methodology for assessing the right to possess and use land, minerals, radioactive minerals, oil exploration and mining licenses, and determining the tax amount shall be determined by the Government in charge of finance and budget. approved by the member of the department.

30.7. If the final owner specified in 30.1 of this Law is a taxpayer located in Mongolia, the shareholder's shares, participation and voting rights have been sold, the proceeds of the transfer and the rights calculated in accordance with 30.3, 30.4, 30.5 and 30.6 of this Law have been sold. Only the highest amount of income from the transfer shall be subject to the relevant tax. Low-income income is exempt from tax.

30.8. In the form of transfer, merger, acquisition, separation, and establishment of a new legal entity between a legal entity belonging to a continuous relationship from the right holder to the final owner without changing the total amount of shares, stakes, and voting rights held by the final possessor on behalf of the right holder. In the event of a change in the structure of shares, stakes and voting rights within the bond, the rights shall not be deemed to have been sold or transferred.

30.9. If the shares of a legal entity belonging to the right holder, the final holder or the legal entity belonging to the continuous holder from the right holder to the final holder are openly traded on foreign and domestic stock exchanges, The amount of income from the sale and transfer of rights entitled to up to a percentage of the tax shall be exempt from tax.

30.10. Taxable income determined in accordance with Article 30.4 of this Law shall be taxed at 10 percent.

30.11. Taxes to be levied in accordance with Article 30.10 of this Law shall be imposed by the right holder and transferred to the budget within 30 days.

30.12. If the shares of the right holder, the final owner and the legal entity belonging to the continuous relationship from the right holder to the final owner are traded openly on foreign and domestic stock exchanges regardless of Article 30.11 of this Law, the tax holder shall pay the half-year tax on July 20. The final tax shall be transferred to the budget by February 10 of the next tax year and the final calculation shall be made.

30.13. A taxpayer shall submit a tax return imposed in accordance with Articles 30.11 and 30.12 of this Law to the tax return to be submitted in accordance with Articles 26.1 and 26.2 of this Law.

Article 31. Tax relations of foreign business entities whose operations are managed by Mongolia

31.1. A taxpayer located in a related Mongolia and an individual permanently residing in Mongolia shall pay 50 percent or more of the total number of shares or voting rights of a foreign business entity directly or at one or more times in a given tax year. If it is owned by a legal entity with continuous connections, the foreign business entity shall be understood as a “foreign business entity that manages the operations of Mongolia” specified in this Article.

31.2 A foreign business entity that manages operations from Mongolia shall be a taxpayer located in Mongolia.

31.3. The following taxable income of a foreign business entity operating in the territory of a foreign country or its territory belonging to the offshore zone and exercising management of operations shall be determined as follows: defined as:

31.3.1. By the total amount of income specified in 9.1.2, 9.1.3, 9.1.4 and 10.1.1 of this Law;

31.3.2. The income specified in Article 10.1.3 of this Law in accordance with Article 18.3 of this Law;

31.3.3. The income specified in Article 10.1.4 of this Law in accordance with Article 18.5 of this Law.

31.4. Article 31 of this law shall not apply to a foreign business entity that manages operations established in Mongolia for the purpose of open trading of shares and unit rights in the primary market of foreign securities.

31.5. A foreign business entity that manages operations from Mongolia is the ultimate owner specified in Article 30.1 of this Law and in case of transfer of shares, participation and voting rights specified in Article 30 of this Law. the tax shall be reduced.

31.6. Taxable income determined in accordance with Article 31.3 of this Law shall be taxed in accordance with the rates specified in Article 20 of this Law.

31.7. Tax imposed on a foreign business entity that manages operations from Mongolia shall be deducted from the tax payable for the given year determined in accordance with Article 31.3 of this Law. Such deductions shall be made in accordance with Article 23 of this Law.

31.8. Taxpayers and individuals located in Mongolia specified in Article 31.1 of this Law shall submit the tax imposed in accordance with Article 31.3 of this Law together with the tax report submitted to a foreign competent authority by February 10 of the following tax year. do.

31.9. Tax imposed in accordance with Article 31.3 of this Law shall be paid to the budget by February 10 of the following tax year based on the final estimate specified in Article 31.8.

31.10. The head of the state administrative body in charge of tax matters shall approve the procedure for determining and reporting the taxable income of foreign business entities implemented by Mongolia and the reporting form.

Article 32. Entry into force of the law

32.1. This law shall enter into force on January 1, 2020.

CHAIRMAN OF THE PARLIAMENT OF MONGOLIA G.ZANDANSHATAR