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Doing Business Guide in Mongolia

2015



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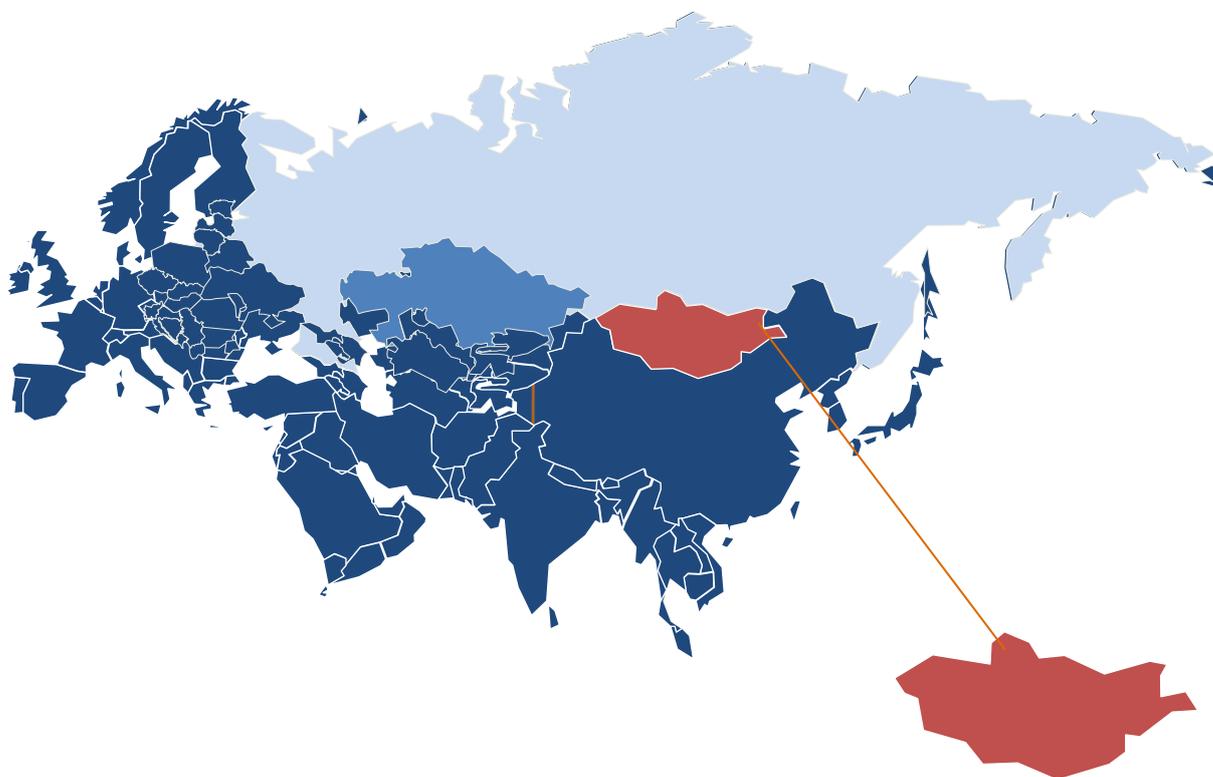
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KEY STATISTICS

Mongolia



Total Area:	1,564,116 sq. km ¹
Estimated Population:	3 million (January, 2015) ²
Capital:	Ulaanbaatar
Languages:	Mongolian (official language), Kazakh (in some parts of Mongolia)
Neighboring States:	Russia and China
Currency:	Mongol Tugrik (MNT)
Exchange Rate:	MNT 1,980.61= USD 1 (16 April 2015) ³

¹ National Statistics Office

² National Statistics Office

³ Central Bank of Mongolia

Laws and regulations change constantly. For updated information, please check our website: www.pwc.com/mn

1. MONGOLIA – COUNTRY PROFILE



1.1 Introduction

Geography and Climate

Mongolia is a landlocked country in East and Central Asia. It borders Russia to the north and the People's Republic of China to the south, east and west. Although Mongolia does not share a border with Kazakhstan, its western-most point is only 38 kilometres (24 mi) from Kazakhstan's eastern tip.

At 1,564,116 square kilometres (603,909 sq mi), Mongolia is the 19th largest and the most sparsely populated independent country in the world, with a population of around 3 million people. The country contains very little arable land, as much of its area is covered by steppes, with mountains to the north and west and the Gobi Desert to the south.

The geography of Mongolia is varied with the Gobi Desert to the south and with cold and mountainous regions to the north and west. Much of Mongolia consists of steppes. Most of the country is hot in the summer and extremely cold in the winter, with January averages dropping as low as -30°C (-22.0°F).

Ulaanbaatar has the lowest average temperature of any national capital in the world. It has an extreme continental climate with long, cold winters and short summers, during which most of its annual precipitation falls. Precipitation is highest in the north (average of 200 to 350 millimetres [7.9 to 13.8 in] per year) and lowest in the south, which receives 100 to 200 millimetres (3.9 to 7.9 in) annually. The extreme south is the Gobi, some regions of which receive no precipitation at all in most years.

History

Mongolia has been inhabited by large number of ethnicities since prehistoric times. The major political systems developed in first millennium B.C by succession of nomadic tribal confederations including the Xiongnu, Xianbei, Rouran, Khitans, and Khamag Mongols. They ruled Mongolia between 200 BC and 1200 AD.

In the late 12th century, Temuujin succeeded in uniting the Mongol tribes. In 1206, he took the title Genghis Khan, and formed the Mongol Empire stretched from Poland to Vietnam, covering some 33,000,000 square kilometres and having a population of over 100 million people.

After Genghis Khan's death, the empire was subdivided into four khanates (a political entity ruled by a khan) One of the khanates, Kublai Khan, established Yuan Dynasty, consisting of the Mongol homeland and China, and ruled from 1271 till 1368.

The Yuan was replaced by the Ming Dynasty in 1368 and the Mongols eventually retrenched to their original homelands. In the 16th and 17th centuries, Mongolia came under the influence of Tibetan Buddhism. At the end of the 17th century, most of Mongolia had been incorporated into the area ruled by the Qing Dynasty. During the collapse of the Qing Dynasty in 1911, Mongolia declared independence, but had to struggle until 1921 to firmly establish *de-facto* independence from the Republic of China, and until 1945 to gain international recognition.

Mongolia subsequently came under strong Russian and Soviet influence; in 1924, the Mongolian People's Republic was declared, and Mongolian politics began to follow the same patterns as the Soviet politics of the time. After the breakdown of communist regimes in Eastern Europe in late 1989, Mongolia saw its own Democratic Revolution in early 1990, which led to a multi-party system, a new constitution in 1992, and the (rather rough) transition to a market economy.

1.2 Government structure

Overview⁴

Mongolia is a parliamentary republic. The Parliament is elected by the people and in turn elects the government. The President is elected directly. Mongolia's constitution guarantees freedom of expression, religion, and others rights. Mongolia has a number of political parties, the largest two parties being the Mongolian People's Party (former Mongolian People's Revolutionary Party) and the Democratic Party (DP). Mongolian politics can be turbulent, with frequent changes in cabinet members and coalition partners.

The State Great Khural – the Parliament⁵ and the President

Mongolia uses a unicameral parliamentary system in which the President has a symbolic role and the government exercises executive power. The legislative arm, the State Great Khural, has one chamber with 76 seats and is chaired by the speaker of the Parliament. It elects its members every four years by general elections. Although Mongolia's President has a largely symbolic role, the president can block the Parliament's decisions through veto powers, which requires a two-thirds majority of parliament to override. Mongolia's constitution provides three requirements for taking office as president; the candidate must be a native-born Mongolian, be at least 45 years of age, and have resided in Mongolia for five years prior to taking office. The President is also required to formally resign his or her party membership. The current President is Elbegdorj Tsakhia. He was re-elected as a result of the 2013 presidential election.

Prime Minister and the Cabinet⁶

The Prime Minister of Mongolia is appointed by the State Great Khural. The ministers of each of the Ministries constitute the prime minister's Cabinet. The Cabinet is nominated by the prime minister in consultation with the President and appointed by the State Great Khural.

⁴ Attributed by MahoneyLiotta LLC

⁵ Attributed by MahoneyLiotta LLC

⁶ Attributed by MahoneyLiotta LLC

Recent Politics

The last parliamentary elections were held in June 2012. The DP won 31 seats out of 76. A new cabinet was then chosen, led by the DP Noroviin Altankhuyag as Prime Minister. Chimedyn Saikhanbileg became prime minister on 21 November 2014.

The next parliament election will take place in the summer of 2016 and Presidential election will take place in the summer of 2017.

1.3 Legal System

Legislative Framework⁷

The legal system of Mongolia has changed with the government since the democratic revolution of 1990 and is part of the Continental (Romano-Germanic) legal tradition. The core of Mongolian law is the Constitution that was enacted in 1992. The provisions of the Constitution, the laws corresponding to it, other regulatory legal acts, international treaties and other commitments of Mongolia as well as regulatory resolutions of Constitutional Court (Tsets) and the Supreme Court comprise the functioning law in Mongolia.

International treaties ratified by Mongolia have equal weight as its domestic laws and are directly implemented except in cases when the application of an international treaty requires the promulgation of a law. According to the Constitution of Mongolia, international treaties and other legal documents that contradict the Constitution should not be followed.

Courts

The court system of Mongolia includes the Supreme Court, regional courts and other courts, established by law (e.g. specialized by types of cases).

The Supreme Court of Mongolia is the highest court in the judiciary system of Mongolia. The Supreme Court hears appeals of lower court decisions as well as human rights cases referred to it by the Prosecutor General or the Constitutional Court of Mongolia. The Supreme Court interprets all Mongolian laws except for the Constitution, which is the province of the Constitutional Court.

Judicial Administration

Within the Judicial Administration, judges of the Supreme Court and other courts are appointed by the President of Mongolia. The nominations for judges are made from the Court's General Council, whereas those for judges of the Supreme Court should additionally be approved by the State Great Khural. The Supreme Court selects one of its members to be Chief Judge, whose appointment is made by the President for the six year term.

1.4 People

Population

According to National Statistical Office, Mongolia's total population is 3 million as of January 2015. As compared to year 2013, the total population has increased by 1.6% in 2014⁸.

⁷ Attributed by MahoneyLiotta LLC

Mongolia is fairly ethnically homogenous, with about 95% of the population being Mongol origin. The Khalkha make up 82.4% of the ethnic Mongol population. The remaining 17.6% include Buryats, Durbet Mongols and others in the north and Dariganga Mongols in the east. Turkic peoples (Kazakhs, Tuvas, and Chantuu (Uzbek) constitute 4.07% of Mongolia's population, and the rest are Tungusic peoples, Chinese, and Russians.

Religion

According to the recent 2010 capitation from National Statistics Office of Mongolia, 53% of Mongolia's population follows the Tibetan Buddhism, 38.6% are listed as having no religion 5.4% are Shamanist, Bahá'í and Christian, and 3% are Muslim.

The constitution and the government both provide for freedom of religion.

Languages

The official language of Mongolia is Khalkha Mongolian, and is spoken by around 90% of the population. A variety of different dialects are spoken across the country. Today, Mongolian is written using the Cyrillic alphabet, although in the past it was written using the Mongolian script. The traditional alphabet is being reintroduced through schools.

In the west of the country, the Kazakh and Tuvan languages, among others, are also spoken. The Russian language is the most frequently spoken foreign language in Mongolia, followed by English, though English has been gradually replacing Russian as the second language.

Education

Primary and secondary education last to 11 years. Since the 2008-2009 school years, new first graders are using the 12 year system. As such, full transition to the 12-year system will not happen until the 2019-2020 school year, when the current first graders graduate.

Mongolian national universities are all spin-offs from the National University of Mongolia and the Mongolian University of Science and Technology.

The broad liberalization of the 1990s led to a boom in private institutions of higher education although there is a wide range in their quality.

Living Standards

With a Human Development Index (HDI) of 0.698 out of 1.000, Mongolia has a rank of 103th among 187 countries (improved from 106th in the previous year). Between 2000 and 2013 Mongolia's HDI value increased from 0.580 to 0.698 and annual average increase was about 1.43%. The living standards in Mongolia, however, still need improvement, and the poverty level of the population is 18.27%.

⁸ National Statistics Office

1.5 Economy

General Overview

Mongolia's GDP growth was 7.8%⁹ in 2014 which is down by 3.8% as compared to the GDP growth in year 2013. According to the Asian Development Bank, in 2014, industry value added increased by about 10.1% as a result of increase in copper production at Oyu Tolgoi mine as well as construction boost funded by the Central Bank's mortgage system. In addition to mining and industrial production, agricultural sector expanded by 16.3%¹⁰.

According to the National Statistical Office of Mongolia, inflation rate was 12.8% in 2014. The Bank of Mongolia has been trying to keep inflation at single digit level. However, it was difficult to contain inflation in single digit due to the recent exchange rate fluctuation and additional pressure from expansionary macro-economic policies which seek to expand money supply to encourage economic growth.

Transportation

Mongolia has a number of domestic airports. The only international airport is the Chinggis Khaan International Airport in Ulaanbaatar. Regular flights exist between Mongolia and Moscow, Berlin, Frankfurt, Beijing, Hong Kong, Shanghai, Seoul, Tokyo, Osaka, Bangkok, Istanbul and Bishkek. MIAT is Mongolia's largest carrier in Mongolia and provides both domestic and international flights. A new international airport is currently under construction near Ulaanbaatar, which is expected to be finished by December 2016.

The Trans-Mongolian Railway is the main rail link between Mongolia and its neighbors. It begins at the Trans-Siberian Railway in Russia at the town of Ulan Ude, crosses into Mongolia, runs through Ulaanbaatar and then passes into China at Erenhot where it joins the Chinese railway system.

The new railway is currently under construction to be completed in late 2016. The first phase will run from Dalanzadgad to Choibalsan, whereas the second phase will connect several coal mines including Tavan Tolgoi to Chinese border in the south. The third phase will be extension of Phase 1 continuing from Dalanzadgad curving to the north to Uvs Province.

Most overland roads in Mongolia are only gravel roads or simple cross-country tracks. There are paved roads from Ulaanbaatar to the Russian and Chinese border and from Darkhan to Bulgan.

Telecommunications

Mongolia's telephone network is improving with international direct dialing available in many areas. A fiber-optic network has been installed that is improving broadband and communication services between major urban centers with multiple companies providing inter-city fiber-optic cable services. The fixed-line telephone system has a very low tele-density with a decreasing number of main lines. In contrast, the mobile phone subscribership serviced by four providers is increasing rapidly. Especially in countryside, the government prefers the installation of cell phone base stations in over laying land lines. According to the National Statistics Office, every soum (administrative unit in Mongolia) is now covered by cellular service.

⁹ Preliminary data by the National Statistics Office

¹⁰ Asian Development Bank

Access to internet was established in Mongolia in 1995, and only 28% of the total population have this access as at the end of 2013¹¹. Usage of internet is concentrated in Ulaanbaatar.

1.6 Foreign Trade

As of January 2014, Mongolia had trade relations with 135 countries. By December 2014, the foreign trade balance showed surplus of USD 537.9 million compared to the previous year deficit of USD 2.08 billion. The total external trade turnover reached USD 11.02 billion, of which exports made up USD 5.78 billion and imports made up USD 5.24 billion.

According to the National Statistics Office of Mongolia, during 2014 exports were increased by 35.15%¹² and imports were reduced by 17.6% as compared to the year 2013.

1.7 Mining in Mongolia¹³

Mongolia has rich mineral resources and exploitation of these has been increasing in the transition period to the market economy.

Strategic Deposits¹⁴

By definition of the Law on Minerals, mineral resources naturally occurring on and under the earth's surface in Mongolia are the property of the State. Therefore, the State, as the owner, has the right to grant exploration and mining rights.

The State also has the right to own a certain percentage in a mineral deposit of strategic importance (a deposit which may have a potential impact on national security, national or regional economic or social development or that is producing or has the potential to produce more than 5% of the total annual gross domestic product). If the deposit qualifies as a mineral deposit of strategic importance then the State may acquire a certain percentage as follows. The State may participate up to 50% jointly with a private legal person in the exploitation of a mineral deposit of strategic importance where the State can prove that it has conducted State funded exploration and that the State funded exploration was used to determine the proven reserves. However, the legislation does not prescribe what form this equity interest might take and it is unclear what the drafters mean by “participate”. The percentage of the State share shall be determined by an agreement on exploitation of the deposit considering the amount of investment made by the State. The State may own up to 34% of the shares of an investment to be made by a licenseholder in a mineral deposit of strategic importance where proven reserves were determined through funding sources other than the State budget (non-State funded exploration of a strategic deposit). The percentage of the State share shall be determined by an agreement on exploitation of the deposit considering the amount of investment made by the State.

Exploration	Exploitation
State funded exploration of a strategic deposit where reserves are determined by the State funded exploration	State may have up to 50% participation interest
Non-state funded exploration of a strategic deposit where the reserves are determined by other means	State may own up to 34% of shares of an investment

¹¹ Commission of Mongolia On Regulation of Communications

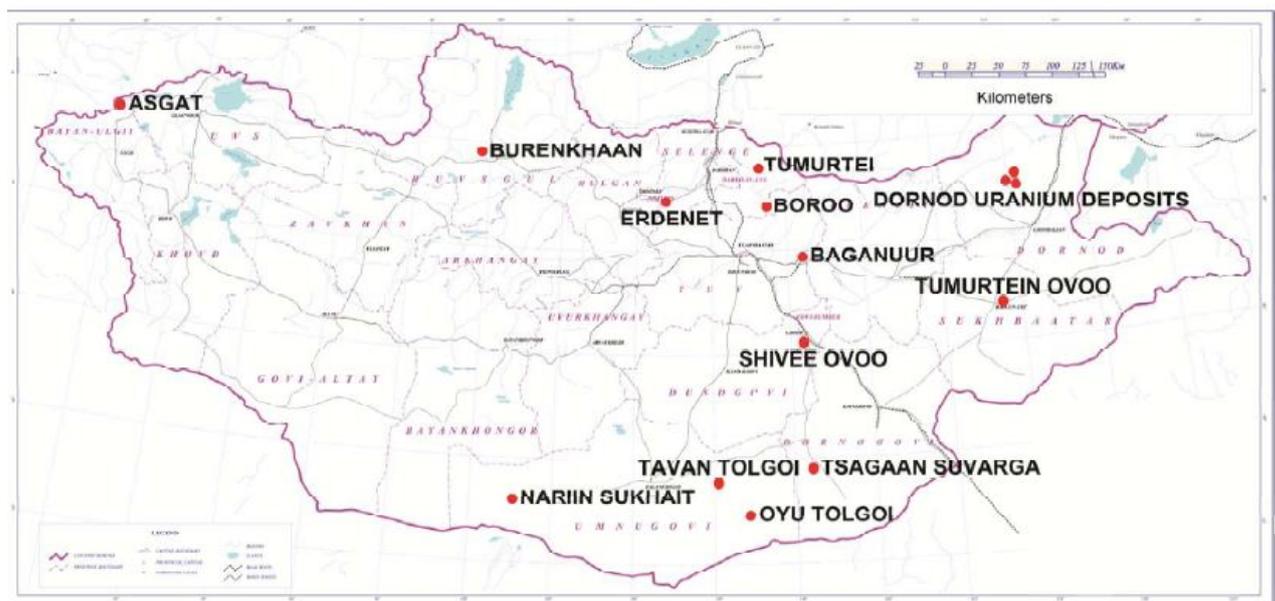
¹² Preliminary data by the National Statistics Office

¹³ Attributed by MahoneyLiotta LLC

¹⁴ Attributed by MahoneyLiotta LLC

The Mongolian government has identified a number of the largest deposits that have strategic importance for the country and where development of the mining industry should be focused. Currently, there are fifteen (15) deposits that have been classified as “Strategic Deposits” (shown in the table below). These are currently held either by the State Property Committee, through established state-owned enterprises (SOEs), or in some cases by the private sector. There are an addition thirty-nine (39) deposits under consideration for classification as “Strategic Deposits.”

DEPOSITS OF STRATEGIC IMPORTANCE



LIST OF STRATEGIC DEPOSITS

No	Deposit name	Type of Mineral	Location	Reserves & Resources
1	Tavan Tolgoi	Fossil coal	Umnugobi, Tsogttsetsii	6420 million tonnes coal
2	Nariin Sukhait	Fossil coal	Umnugobi, Gurvantes	125.5 million tonnes coal
3	Baganuur	Brown coal	Ulaanbaatar, Baganuur	600 million tonnes coal
4	Shivee Ovoo	Brown coal	Gobisumber, ShiveeGobi	646.2 million tonnes coal
5	Mardai	Uranium	Dornod, Dashbalbar	1104 tonnes at 0.119% U ₃ O ₈
6	Dornod	Uranium	Dornod, Dashbalbar	28868 tonnes at 0.175% U ₃ O ₈
7	Gurvan Bulag	Uranium	Dornod, Dashbalbar	16073 tonnes at 0.152% U ₃ O ₈
8	Tomortei	Iron	Selenge, Khuder	229.3 million tonnes at 51.15% Fe
9	Oyu Tolgoi	Copper, Gold	Umnugobi, Khanbogd	2.7 billion tonnes of ore, 25.4 million tonnes of copper, 1028 tonnes of gold
10	Tsagaan suvarga	Copper, molybdenum	Dornogobi, Mandakh	10.64 million tonnes oxides at 0.42% Cu and 0.011% Mo, 240.1 million tonnes sulphides at 0.53% Cu and 0.018% Mo
11	Erdenet	Copper, molybdenum	Orkhon, Bayan-ondor	1.2 billion tonnes at 0.51% Cu and 0.012% Mo
12	Burenkhaan	Phosphor	Khubsugul, Alag-Erdene	192.24 million tonnes at 21.1% P ₂ O ₅
13	Boroo	Gold	Selenge, Bayangol	24.5 thousand tonnes at 1.6g/tonn Au
14	Tomortein Ovoo	Zinc	Sukhbaatar, Sukhbaatar	7.7 million tonnes at 11.5% Zn
15	Asgat	Silver	Bayan-Ulgii, Nogoornuur	6.4 million tonnes at 351.08g/tonn Ag

2. BUSINESS ENVIRONMENT



2.1 Business Climate

Mongolia is continuing to develop its systems of business law, taxation, banking, and external links to the international business community and, most importantly, a market economy. Entering Mongolia presents, however, a unique challenge to business people when attempting to assess real business risks and to make reality-based decisions rather than relying on perceptions. Abundant natural resource wealth and agricultural production make Mongolia's population one of the potentially richest countries per capita in the region. However, converting this potential into reality requires many critical factors to function in concert. Attracting and protecting investors is among the most critical of these factors.

Mongolia has successfully introduced concepts of property ownership, human rights, environmental protection and investment protection. In so doing, Mongolia has taken a giant step in meeting these development needs. New laws that appear to be consistent with the intent of the constitution are frequently drafted and adopted. However, a number of operational regulations and legal practices are based on or derived from the pre-1990 period.

2.2 Free Trade Zones

The Mongolian government launched its free trade zone (FTZ) program in 2004. Currently there are three FTZ areas located along the Mongolia spur of the trans-Siberian highway: one in the north at the Russia-Mongolia border town of Altanbulag, second in the south at the Chinese-Mongolia border at the town of Zamyn-Uud and third – the port of entry of Tsagaan Nuur in Bayan-Olgii province.

The purpose of establishing FTZ is to increase an economic development by the favourable legal and investment environment and developing advanced technologies and infrastructure in the regions.

In 2015, Mongolia issued a revised version of the Law on FTZs.

According to this new Law, FTZs can be established not only at the border ports but also in qualifying regions proposed by the Government. The Parliament would make approval to the proposed plan.

FTZs have special regime in terms of tax, customs, transit, state registration, foreign currency, specialised inspection, visa and labour regulations. Companies registered in FTZs should commence their operations within a year after their registration, otherwise their registration would be suspended.

Tax and customs regime in FTZs

Inter alia, the following specific rules shall be applied in FTZs.

Value added tax, customs and excise tax

- Goods imported to FTZs are not subject to value added tax (VAT), customs and excise taxes. If goods are to be transferred from the customs territory to the FTZs, there will also be no such taxes on those goods and any previously paid taxes will be reimbursed accordingly based on related documents.
- Zero VAT will apply on domestic goods to be transferred from custom territory to FTZs.
- In addition to purchases per article 38.1.4 of Law on Custom Tax and Tariff which refer to goods for passengers' personal use, purchases in the FTZ up to MNT 3 million made by passengers are exempt from VAT and customs when entered into the customs territory.
- No VAT will apply on goods and services manufactured/provided and sold in FTZs by individuals and businesses registered in FTZs.

Corporate income tax

- Businesses that have invested USD 500 thousand or more in such infrastructure projects, as energy and heating source, pipeline network, clean water supply, wastewater sewage, auto road, railway, airport, and basic communication line shall receive Corporate Income Tax (CIT) credit equal to 50% of their invested capital in FTZs.
- Businesses that invested USD 300 thousand or more investment in building warehouse, loading and unloading facility, hotel, tourist camp, or manufacturers of export and import-substituted goods in the FTZ shall receive CIT credit equal to 50% of their invested capital in the FTZ.
- After completing the development stage, businesses can utilise their accumulated tax losses, reflected on their CIT return, within 5 consecutive years.
- Entities using innovated and enhanced technology in their businesses shall be fully exempted from CIT for the first 5 years starting from becoming profitable.

Land payments and property taxes

- Individuals and businesses may request a land ownership and usage right in FTZs through either project bid or auction.
- Businesses operating in trade, tourism and hotel sectors are fully exempted from land ownership and usage right payment for the first 5 years from the operation start. This payment is further reduced up to 50% for the following 3 years.
- Businesses operating to improve such infrastructures, as energy and heating source, pipeline network, clean water supply, wastewater sewage, auto road, railway, airport, and basic communication line will be fully exempted from land payment for the first 10 years from the operation start.
- Buildings and facilities built and registered in FTZs are fully exempted from the immovable property tax.

Other special regime

Foreign labour force quota (Please refer to Section 7.5 Foreign Personnel) ratio is not applicable for employing foreign individuals in the FTZ. Entities employing and providing income for foreign individuals are fully exempted from paying fee for employing foreign employees. For FTZs established on border ports, citizens from bordering countries will be granted 30 days visa-free access to FTZs and citizens from non-bordering countries will be regulated according to the Government's

international agreements. One time extension of 30 days to stay in the FTZ is allowed to such individuals.

Those foreign individuals who hold valid permission of residency in Mongolia or entry/exit visa, are allowed to travel to any FTZ during the permission/visa's valid period without the requirement of additional visa to FTZs.

2.3 International Agreements¹⁵

Mongolia is a party to many international treaties in various areas – from the protection of the environment to free trade, the protection of foreign investments and the avoidance of double taxation. Notably, it ratified a number of basic international conventions – the Treaty on the Civil and Political Rights (New York, 1966) and the Treaty on Economic, Social and Cultural Rights (New York, 1966). Mongolia has been a member of the WTO since 1997. Mongolian legislation recognizes the primacy of International Treaties in case of a conflict with domestic legislation.

With respect to foreign investment, Mongolia is a signatory to the Washington Convention on the Settlement of Investment Disputes between the State and National of Another State (1965, joined in 1996), which provides for the settlement of international investment disputes. It is also a signatory to the Seoul Convention on Investment Insurance (1985, joined 1999) and has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1999, which ensures the eligibility of foreign investors for risk insurance through MIGA.

Mongolia has negotiated bilateral agreements with numerous countries. Encouraging and Mutual Protection of Investment Agreements have been negotiated with 39 countries and Exemption on Double Taxation Agreements (DTA) have been negotiated with 34 countries, and total of 24 treaties which are effective as of 1 April 2015.

2.4 Legal Environment¹⁶

The Mongolian legal system is based on the Roman-German (continental) legal system. The principal legal act is the Constitution (1992). In many cases, laws are worded widely or vaguely leaving latitude for alternative interpretations.

State bodies can issue regulations, some of which are considered as regulatory legal acts. Sometimes regulations contradict (are not in compliance with) laws. Authorities applying regulations are generally reluctant in applying more general provisions stipulated by laws and are more comfortable in applying more detailed/specific regulations.

The Arbitration Law of 2003 regulates arbitration disputes. In the drafting of contracts in Mongolia, in most cases parties are free to select international arbitration as the method for the resolution of disputes of certain types of international trade, contractual and non-contractual civil disputes. Mongolia is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention), which mandates that arbitration awards made within the Territory of Mongolia are enforceable in Mongolia and other countries that are parties to the New York Convention.

The Arbitration Bureau operated by the Mongolian National Chamber of Commerce and Industry, is sometimes regarded by Mongolian business people and government agencies that deal with foreign investors as politically not independent and unfamiliar with commercial practices, prompting a

¹⁵ Attributed by MahoneyLiotta LLC

¹⁶ Attributed by MahoneyLiotta LLC

preference for international arbitration. However, support for binding international arbitration has not penetrated local Mongolian agencies responsible for executing judgments.

2.5 Regulations for Business¹⁷

Foreign Currency Regime

The Mongolian government employs a limited regulatory regime for controlling foreign exchange for investment remittances and maintains exceptionally liberal policies for these transactions. Though typically is no difficulty in obtaining foreign exchange, whether the investor wants Chinese Renminbi, Euros, British Pounds, Rubles, or U.S. Dollars, there are times when limits arise based on the availability of foreign currency in the Mongolian marketplace.

In regards to domestic transactions, in 2009 the Parliament of Mongolia enacted legislation mandating that local transactions be expressed and settled only in the local currency. As a result, all domestic transactions must be conducted in Mongolia's national currency, the Tugrik, except those entities allowed specific waivers as determined by the Central Bank of Mongolia and the Financial Regulatory Commission.

The Mongolian government wants funds to flow easily in and out of the nation, with one exception. Foreign-held interest bearing dollar accounts remain subject to a 20% withholding tax, unless the term is reduced pursuant to an applicable tax treaty. The bank retains 20% of all such interest payments sent abroad, and remits this withholding to the Tax Authority of Mongolia. Otherwise, businesses report no delays in remitting investment returns or receiving in-bound funds. Most transfers occur within 1-3 business days or at most a single business week.

Competition Law

The first Law on Prohibiting Unfair Competition was passed in 1993 and on 10 June 2010 the Parliament approved the amended Law on Competition.

The purpose of this Law is to provide conditions for fair market competition among entrepreneurs, to prevent and prohibit any activities that allow market domination and lessen competition, to determine the legal basis for the competition regulatory authority and to regulate the relations among them.

It should be noted that the ability for Mongolia to engage with and confront complex anti-trust issues and competition cases is limited due the lack of relevant skills and knowledge of its professionals.

Intellectual Property

Mongolia has joined the World Intellectual Property Organization (WIPO) and signed and ratified most treaties and conventions, including the WTO TRIPS agreement. The WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT), collectively known as The WIPO Internet Treaties, were signed and subsequently ratified on 25 July 2002.

Under TRIPS and Mongolian law, the Mongolian Customs Authority and the Economic Crimes Unit of the National Police (ECU) also have an obligation to protect IPR. The Mongolian Customs Authority may deny the entry of goods having disputed IPRs at the board, based on a petition by the owner of the relevant IPRs. The ECU has the exclusive power to conduct criminal investigations and bring criminal charges against IPR pirates. The IPOM has the administrative authority to investigate and seize fakes without court order. Of these three, the IPOM makes the most consistent good faith effort to fulfill its mandates.

¹⁷ Attributed by MahoneyLiotta LLC

Consumer Protection

The protection of consumers is governed by the Law On the Protection of Consumer Rights, initially adopted in 1991 and amended in 2003. This Law regulates the relationship between consumers and vendors or providers of work and services, and establishes rights and obligations. As per the law, consumers have the following primary rights to enjoy the high quality and safety of goods and services, to acquire product information and to get compensated for losses and damages due to producer's, vendor's fault.

Company Law

In late 2011 Parliament replaced the 2009 Company Law. When compared with the 2009 Company Law, the 2011 Company Law provides for greater personal liability of governing persons, administrative sanctions for non-compliance, greater corporate governance regulations and introduces closed venture companies. This provides for reorganization through merger, consolidation, separation, division, transformation.

2.6 Property Market

Given Ulaanbaatar's unique position as the sole first tier city in a country with rich natural resources, which population now is over 1.3 million (representing more than 45% of the country), there are a number of trends shaping its development.

Particularly harsh weather conditions over recent years which caused the shift away from the nomadic lifestyle for many who previously based in Mongolia's countryside, in combination with financial necessity resulted in high rates of urban migration.

The majority of such migrants join the peri-urbanised 'ger districts' that house approximately 60% of the city's population. And as more and more migrants move to the city, the long-term consequences of Ulaanbaatar's peri-urbanisation become increasingly pressing, as infrastructure outside the centre of the city is extremely limited.

The Government works on offering solutions which involve building and subsidizing apartments to move residents out of the ger district. Also, a number of new buildings (residential and office space) are being developed in various part of Ulaanbaatar and there is increasing number of new buildings that offer A Class office space, as there is a market demand.

Renting an apartment costs anywhere from USD 500 a month for a reasonable two-room apartment in the suburbs to as much as one is willing to pay for a five to six-room flat fully furnished (with local or foreign furniture) in the city's centre. It is important to confirm that the person renting the property has its legal title and, therefore, the right to lease the apartment. In addition, proper identification and a simple lease agreement in Mongolian and English should be obtained. Leases, at a very minimum, should state the terms of renting the property and should form the basis for a working relationship and understanding with a landlord. In some arrangements, the landlord agrees to cover utilities charges (except international phone charges) and to carry out basic repairs.

Foreigners are entitled to own buildings in Mongolia but not land. Landlords are unwilling to consider rental periods of less than three months, especially for residential accommodation. There are a number of real-estate agencies that can offer assistance in this and other areas for a reasonable fee.

Activities associated with land usage and ownership are regulated by the Land Law of 2002.

3. FOREIGN INVESTMENT



3.1 Foreign Investment

In general, Mongolian law does not discriminate against foreign investors. Foreigners may invest with as little as USD 100,000 cash or the equivalent value of capital material (office stock, structures, autos, etc.).

Recent developments

Mongolia passed the Law On Strategic Entities Foreign Investment (SEFIL) in May 2012. The intention of the law was to regulate foreign investment in entities of strategic importance (mining, finance and banking, media and communications sectors). The law specified that if a foreign investment in those entities exceeded a threshold of 49%, such investment would need the Parliament's approval.

However, in less than a year, i.e. in March 2013, the Parliament approved amendment to the law whereby investment by foreign private companies in "strategic entities" would no longer need the Parliament's approval.

The possible reason behind this amendment could be the recent drop in the volume of foreign investment in Mongolia. According to the Bank of Mongolia, the foreign direct investment (FDI) in Mongolia decreased by 58% as of February 2013 as compared to the same period in the previous year.

As of December 2014, FDI steadily decreased by 76% as compared to the same period in the year 2013.¹⁸

Further, the SEFIL was cancelled following the issuance of the new investment law.

3.2. New Investment Law

In October 2013, the Mongolian parliament passed the Investment Law and the Law On Implementation of the Investment Law (effective from 1 November 2013). The purpose of the Investment Law is to protect the legitimate rights and interests of the investors in the territory of

¹⁸ Central Bank of Mongolia

Mongolia, establish the common legal guarantee for investment, support investment, stabilise tax environment, determine the powers of the state organisations, and rights and obligations of the investor and regulate other relations concerning investments.

The Law applies to both domestic and foreign investors that had made investment in Mongolia. Investment incentives provided by Law are divided into tax and non-tax incentives. Tax incentives include exemptions from tax, tax credits, possibility to use accelerated depreciation for tax purposes, tax loss carry-forward and deduction of employee training costs from taxable income. Non-tax incentives include favourable conditions such as longer period to possess land, incentives for conducting operations in free trade zones and technology and science parks, increase of quota of foreign employees, simplified visa arrangements etc.

The Law also introduced “Stabilisation Certificate” to make more stable tax environment in Mongolia. By obtaining a stabilisation certificate, investors can stabilise applicable rates of the following taxes:

- Corporate income tax;
- Customs duties;
- Value-added tax; and
- Mineral royalty tax.

The holder of a stabilisation certificate will stabilise tax rates for period from five to eighteen years depending on amount of investment, industry of investment and geographic location of investment in Mongolia (*Please see Appendix B for details*). Under valid period of this stabilisation certificate, investors will also have the right to apply effective tax rates provided in general legislation if such rates are more beneficial for investors.

The criteria of issuing a stabilisation certificate are:

- The total investment amount specified in the business plan and feasibility study reaches thresholds specified in the law;
- Environmental impact assessment should be carried out;
- The investment should create new permanent jobs; and
- The investment should introduce innovative technology.

Investors who made investment in tobacco and alcohol related activities cannot benefit from tax stabilisation.

If certain conditions are met, the stabilisation certificate period may be extended by 1.5 times for some projects. The conditions are:

- Produce products that substitute for imported products or export-oriented which are important for the long-term social and economic development of Mongolia; that will require investment of more than MNT 500 billion;
- Have development period of more than 3 years; and
- Produce value-added, processed products for export.

In addition to above, the law provides for incentives with respect to customs duty (exemption) and value added tax (zero rate) on imported equipment and machinery during construction period of specific projects, as below:

- Construction of factory for processing construction materials, petroleum, agricultural products and products intended for export;
- Nano, bio and innovation technology plant construction;

- Construction of power plants and railroads.

The Law on Implementation of the Investment Law specified that investors, who previously invested in Mongolia and meet the conditions to obtain the tax stabilisation certificates, can also apply for the tax stabilisation certificate. The certificate can be obtained based on the investment amount made on projects for the previous 5 years from the date of enforcement of the Law on Investment and this investment amount should be confirmed by the audited financial statements.

For those investors who already have in place investment agreements with the Government of Mongolia in accordance with the old Foreign Investment Law and Law on Minerals, the effective investment agreements will stay in force.

4. BANKING AND FINANCE



4.1 Banking System

Since 1991 Mongolia has had a two-tier banking system. The Bank of Mongolia is the central bank of Mongolia and represents the upper (first) tier of the banking system of Mongolia. All other banks represent the lower (second) tier of the banking system.

The Bank of Mongolia formulates and implements monetary policy by regulating money supply through changes in reserve money to achieve its main objective of currency stability, according to the Central Bank Law of 1996. The Bank of Mongolia has focused on price and exchange rate stability, while ensuring adequate money supply.

The Bank of Mongolia is not guided by the aim of earning profit in performing its tasks.

The Bank of Mongolia headed by a Governor appointed by the Parliament for a term of up to six years. The Governor of the Bank of Mongolia is accountable to the Parliament.

4.2 Foreign Currency Market and Foreign Currency Rules

Mongolia issued its first national currency, the Tugrik (MNT), in 1925, based on a resolution issued by the Bank of Mongolia on February 22, 1925.

According to Mongolian legislation, within the territory of Mongolia all prices must be expressed in MNT and all payments must be executed in Mongolian MNT. Payments which originate outside Mongolia, however, or which are made from Mongolia to a location outside Mongolia, may be performed in foreign currency. This was enacted on July 9, 2009 in the Law of Mongolia on Conducting Settlement in National Currency.

4.3 Investment Institutions¹⁹

The National Investment Bank of Mongolia (NIBank) was established in 2006 and is the only formal investment institution in Mongolia and has joint investments from Mongolia, Japan and the USA. Its services include both commercial and investment banking products.

¹⁹ Attributed by MahoneyLiotta LLC

Additionally, there are several mechanisms through which incentives to investors are offered, in the form of investment agreements under the Investment Law, which are mainly for tax stability and tax and non-tax incentives, and the Concession Law, which provides for tax concessions in priority sectors of the Mongolian economy.

4.4 Capital Markets²⁰

The Mongolian Stock Exchange (MSE) was established in 1991 as a vehicle to implement the government's plan for privatization of large state-owned enterprises. In an attempt to ensure an equitable distribution of assets, the Mongolian government chose to initiate a voucher-based scheme; one blue voucher worth MNT 7,000 was issued to every citizen born before 31 May 1991 for the purchase of shares in large enterprises and red vouchers worth MNT 3,000, which could be used to purchase assets in smaller enterprises not listed on the exchange. Auctions officially began on February 7, 1992.

During this first phase, trading was only open for two hours, one day per week. In 1995, parliament passed the Law On Securities, allowing the MSE to operate as a regular stock exchange open to both domestic and foreign investors. This also established the two tiered exchange with the primary market for IPOs and the secondary market for subsequent trading.

Trading is now open between 11.00 and 13.00 every weekday for the both primary and secondary markets. Trading can also be done over the internet.

The revision to the Securities and Exchange Law adopted by the Parliament in December 2002, transformed MSE to 100 per cent state owned company. The MSE signed 'memoranda of understanding' with the Korean, Singaporean and Hong Kong Stock Exchanges, to help with its development and attract more foreign investment. In April 2011, the MSE formally agreed a partnership with the London Stock Exchange aimed at transforming MSE to operate on an international scale. The partnership agreement provides for the development of systems infrastructure, the support of senior experienced people to manage the transformation and skills and policy development. The intention is to increase the ability to trade and to make it an attractive option for Mongolian companies and overseas investors. There are currently around 410 companies listed on the MSE, over one fifth of which are involved in mining, the most common sector for foreign investment. As of yet there is no restriction on foreign ownership of shares, although in the uranium sector, for example, ownership must be approved by the Nuclear Energy Agency, which could in theory refuse the transfer of shares to a foreign entity. In accordance with this MSE has launched new trade and payment system in cooperation with London Stock Exchange in July 2012.

²⁰ Attributed by MahoneyLiotta LLC

5. IMPORTING AND EXPORTING



5.1 Trends in Customs Policy²¹

Several ministries and agencies, in consultation with representatives of the private sector, are involved in the formulation and implementation of trade policies. The Ministry of Industry and Trade is the main government agency responsible with monitoring and in particular its Trade Policy and Cooperation Department is responsible for coordinating trade policy. The Ministry is also responsible for all issues related to trade promotion, trade facilitation and export development. Import and export activities are regulated by the Customs Law of 2008.

In 1991, Mongolia became a member of the Customs Co-operation Council, which changed its name to the World Customs Organization in 1994. Since January 1, 2003, Mongolia has used the harmonized commodity description and coding system (HS 2002) at an eight digit level. As a WTO member, Mongolia may offer most favored nation (MFN) treatment to imports from all trading partners, including non-WTO members.

5.2 Import Restrictions²²

No approval is required to import goods into Mongolia, but the importer must be registered with the tax authorities and the State Registry Office. Imports to Mongolia are not subject to restriction, with the exception of import licensing, which applies to only a few products, as well as other products subject to import prohibition.

Pursuant to a series of government resolutions, in general, the limited licensing system in place is for the protection of human health, animal and plant health and safeguarding national security. Import licenses are required for imports of certain products, including chemicals, human blood and organs, explosives and guns. Import licenses for restricted products are issued by the sectoral ministries, such as the Ministry of Environment, Ministry of Education, Culture and Science, Ministry of Food and Agriculture and the Ministry of Health.

Products prohibited for import into Mongolia include certain drugs, narcotics and spirits.

²¹ Attributed by MahoneyLiotta LLC

²² Attributed by MahoneyLiotta LLC

5.3 Customs Duties²³

Custom duties must be paid following the completion of the final customs clearance. Under the Customs Tariff Law of 2008, Mongolia's customs tariffs consist of general, most favored nation (MFN) bound and applied; Customs tariffs are calculated ad valorem on c.i.f. values of imports. An *ad valorem* MFN tariff rate of 5 % is applied to most imported goods. However, a zero tariff rate is applied to other tariff lines, including live animals for breeding, horses, cows, pigs, sheep, goats, information dissemination equipment and its spare parts, other machines for information development, transistor diodes and similar transistors and various medical equipment. A seasonal import duty rate of 15 % is applied on flour and vegetables to protect domestic producers between 1 August and 1 April. Outside of this period the rate is 5 %. Mongolia bound all its tariffs at 20 % for most tariff lines. The range of applied MFN rates is zero to 15 %. Mongolia does not grant any preferential tariffs.

The tax base is the price determined by the customs in conformity with the Law On Customs Tariffs and Duties of 1 July 2008, plus customs duty, excise tax, and other taxes.

The Excise Tax Law provides that, in general, excise taxes are levied on goods considered to be damaging to health or the environment. It is also levied on luxury items and on items related to gambling, alcohols, cigarettes, petroleum and cars. Excise taxes apply to the above goods produced in Mongolia as well as to imports and are calculated either by quantity, or as a percentage of the value of the dutiable goods.

5.4 Temporary Import Relief²⁴

The customs law contains provisions on temporary admission of machinery and equipment. It can be imported temporarily for re-export under the condition that the goods are imported for use in demonstrations or exhibitions and will be re-exported within one year. If the importer obtains an import/export permit, such temporary imports are exempted from customs duties.

5.5 Customs Duties Incentives²⁵

Pursuant to the customs law, the following items are exempt from customs duties in Mongolia:

- Appliances for special use by the disabled and artificial organs and accompanying spare parts;
- Goods for humanitarian assistance and similar donations;
- Equipment, facilities, materials, raw materials, appliances, petroleum, diesel fuel for oil exploration, exploitation and use according to an agreement made with the Government on product sharing in oil sector;
- Mongolian national currency manufactured in foreign countries;
- Goods for official use by foreign diplomatic missions, consulates, the United Nations and its specialized agencies;
- Travelers' personal effects;
- Blood, blood products, body and organs to be used for medical purposes;
- Gas fuel, designated containers, equipment, special machinery, facilities and equipment;
- Civil aviation aircrafts and accompanying spare parts; and
- Personal items for use by the head of the foreign diplomatic missions, diplomatic, technical and service staff and their family members deemed necessary to move into the host country;

²³ Attributed by MahoneyLiotta LLC

²⁴ Attributed by MahoneyLiotta LLC

²⁵ Attributed by MahoneyLiotta LLC

Other exemptions can also be provided by the Mongolian law or international agreements.

In addition, the Law on FTZs provides that goods imported to FTZs are not subject to customs duty (*Please see Free trade zones section for details*).

5.6 Documentation and Procedures²⁶

In order to facilitate the trade process “one-stop” services have been provided at the major customs points of the country. These services are intended to make it possible to complete all the necessary customs documentation and procedures in one location.

These procedures include processing of documents by customs authorities, custom valuation, payment of customs duties and all taxes and customs examination. Since 2001, Mongolia has introduced the Automated System for Customs Information Management (GAMAS), which permits the customs clearance and payment of customs duties and taxes to be done online.

Importers are also able to use the services of customs brokers who go through all documentation and other formal procedures on their behalf. Regulations on the operation of customs brokers are issued by the Customs General Administration.

Customs documents submitted in foreign languages are accepted at the discretion of the customs officer. If such documents are found to be inadequate or illegible, a Mongolian translation will be required. Most documents required for clearance are written in English and Russian and customs officials generally have at least a working knowledge of both languages.

5.7 Warehousing and Storage

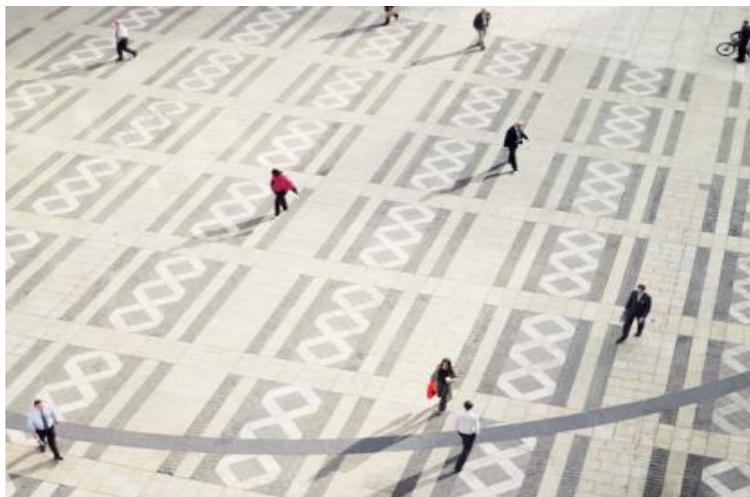
Imported goods may be required to be put into a bonded warehouse in Mongolia in order for the proper documentation to be prepared and duties and other taxes to be collected. Goods can be stored for a maximum of two years with the possibility of a one year extension.

A variety of actions are allowed in bonded warehouses, including the inspection of the goods, unpacking, sorting and repackaging of goods, the repair of goods, taking samples for the use of customs, and other actions deemed necessary by the government.

Temporary customs warehouses also exist for the temporary storage of goods under customs control. Goods that have not cleared customs within three days may be stored in these temporary warehouses for up to two months.

²⁶ Attributed by MahoneyLiotta LLC

6. BUSINESS ENTITIES



6.1 Legal Framework²⁷

Economic and business activities in Mongolia are regulated by a variety of laws, such as the Company Law of October 6, 2011, the Civil Code of January 10, 2002, the Investment Law of October 3, 2013, and many others.

According to the Company Law and the Investment Law, incorporation in Mongolia can take the form of either a business entity with no foreign investment (BENFI), or a business entity with foreign investment (BEFI). A BEFI is defined as a company having assets of which not less than 25% are owned by foreign investors and each foreign investor's investment in the company is worth 100,000 USD (or its equivalent in MNT) or more. A BENFI is converted into a BEFI at the point in which a foreign investor acquires 25% or more of the shares of an entity through the sale, issuance, dividend, or otherwise, of such shares. Currently, Mongolian legislation allows for the incorporation of joint stock companies and limited liability companies, or the establishment of representative offices.

There are many financial, legal, commercial and tax implications arising from the choice of vehicle. For example, representative offices cannot conduct commercial income-generating activities and are not considered legal entities. Foreign companies that intend to engage in commercial income-generating business activities in Mongolia typically structure their presence through a limited liability company.

If a foreign legal entity conducts business activities in Mongolia through a permanent establishment, it must register with tax administration as taxpayer.

Below we outline the main features of the most common forms of business entities.

6.2 Joint Stock Companies (JSC)

*General*²⁸

A JSC may be either an *open JSC* or a *closed JSC*. Generally, an open JSC is a company whose capital invested by the shareholders is divided into shares, which are registered at the Mongolian Stock

²⁷ Attributed by MahoneyLiotta LLC

²⁸ Attributed by MahoneyLiotta LLC

Exchange and which may be freely traded by the public without regard to preemptive rights of the shareholders. A closed JSC is a company whose capital invested by the shareholders is divided into shares, which are registered at the Securities Clearing House and Central Depository of Mongolia (SCH&CD), and which are traded outside of the Mongolian Stock Exchange by means of closed subscription.

Open JSCs are required to report to the Financial Regulatory Commission (FRC) on financial and corporate matters.

Establishment²⁹

Both closed and open JSCs must be registered with the State Registration Office to acquire proper legal status in Mongolia. To register a JSC, the following documentation must be submitted to the State Registration Office:

- Application form and request letter;
- Charter;
- Document confirming the address;
- Minutes of the foundation meeting;
- Documents confirming the identity of founders, and payment of the required stamp duties for state registration;
- Letter of Approval from the FRC.

The charter of a JSC must be notarized and should generally specify: full and brief name of the company, the number of authorized, issued and outstanding shares and their par value, the number of members of the Board of Directors (minimum 9 members, one third of which shall be independent members), procedures for the foundation, competency and activities of the company's bodies, including procedures for convening a general meeting, preparation for and holding a general meeting of shareholders and meetings of collective bodies, procedures for informing shareholders on the activities of the activity, a list of governing positions, mandatory appointment of an auditor, term of the fiscal year of the company fiscal, etc.

Initial capital is provided by contributions from subscribers and may take the form of cash or other property and property rights assessed in monetary equivalent. The minimum amount of charter capital for listing a JSC at the Mongolian Stock Exchange is MNT 10 million, with the exception of banks and insurance companies which must have a higher charter capital.

A closed JSC is formed through closed subscription, where the shares are offered only to a certain group of people through a subscription form.

Shares and Rights³⁰

The issuance of shares in an open JSC must conform with the Mongolian securities legislation and must be registered with the FRC. With regards to closed JSCs, the issuance of shares must be registered with the SCH&CD. There are two types of shares - ordinary and preferred. There is no limit to the number of preferred shares that can be issued.

The holding of preferred shares grants priority rights to receive dividends and also (as determined by the company's charter) to participate in prior distribution of property in the event of liquidation. A

²⁹ Attributed by MahoneyLiotta LLC

³⁰ Attributed by MahoneyLiotta LLC

holder of a preferred share has no right to take part in the management of a JSC, except for certain cases provided by the law.

Dividends may be paid in monetary form, in property or in the form of securities. The decision on whether dividends will be distributed must be made by the company's board within 50 days after the end of the company's fiscal year.

The Mongolian Company Law recognizes the concept of "golden" shares but only in the case of privatization of a state-owned company or a company in which the state is the majority shareholder. The Government may hold one "golden" share which does not form part of the share capital and whose holder does not receive dividends. The holder of the "golden" share participates in the management of the JSC through the right of veto major decisions to be made by general meetings, the board of directors and the executive body. A golden share can only be held by the government for a specified period of time.

Termination³¹

A JSC may be terminated in the following circumstances:

- By agreement of its shareholders; or
- Under a court decision as provided by legislation, including for insolvency.

Termination may occur through reorganization or liquidation. Liquidation is carried out by a liquidation committee appointed by the general shareholder's meeting, or in case of insolvency, by the courts.

6.3 Limited Liability Companies (LLC)

Establishment³²

A LLC is formed on the basis of a charter and a decision of its founders. Initial capital is provided by contributions from shareholders and may take the form of cash or other property and property rights assessed in their monetary equivalent.

LLCs may be founded by one or more individuals or legal entities.

LLCs must be registered with the state to acquire legal status. To register an LLC, the following documentation must be submitted to the State Registration Office:

- Application form and request letter;
- Charter;
- Document confirming the address;
- Minutes of the foundation meeting;
- Documents confirming the identity of founders and payment of the required fee for state registration.

The charter of an LLC should generally specify: full and abbreviated name of the company, the number of authorized shares, the number of issued and outstanding shares and the par value, the number of members of the Board of Directors (a Board of Directors is not mandatory for LLCs), procedures for foundation and competency and activity of the company's bodies, including the

³¹ Attributed by MahoneyLiotta LLC

³² Attributed by MahoneyLiotta LLC

procedure for convening general meetings, preparation for and holding a general meeting of shareholders and meetings of collective bodies, procedures for informing shareholders on the activities of the company, a list of governing positions within the company, start and end dates of the fiscal year of the company, etc.

The minimum amount of charter capital for a foreign invested LLC (BEFI) is USD 100,000, which must be paid prior to registration (*Please see Legal framework section for details*). There is no minimum amount of charter capital for a LLC with no foreign investment (BENFI).

*Shares and Rights*³³

There are two types of shares - ordinary and preferred. There is no limit to the number of preferred shares that can be issued. The holder of an ordinary share has the right to vote at the general meeting of shareholders and take part in the election of management bodies. The holder of preferred shares has priority rights to receive dividends and also (as determined by the company's charter) to participate in prior distribution of property in the event of liquidation. A holder of a preferred share has no right to take part in the management of a LLC, except for certain cases provided by law.

Shareholders may elect to distribute dividends if the company is solvent after such distribution. Dividends may be paid in monetary form, in property or in the form of securities.

*Termination*³⁴

A company may be terminated in the following circumstances:

- By agreement of its shareholders; or
- Under the court decision as provided by legislation, including for insolvency reasons.

Termination may occur through reorganization or liquidation. Liquidation is carried out by a liquidation committee appointed by the general shareholder's meeting, or in case of insolvency, by the courts.

6.4 Partnerships³⁵

There are three types of partnership set out in the Law on Partnerships:

- Unlimited partnership;
- Limited partnership some partners with unlimited liability, and
- Limited liability.

In an unlimited partnership, the partners are jointly and severally liable for the obligations of the partnership, without limit to their capital contribution and personal property.

In a limited partnership, there is at least one partner who has unlimited exposure to the liabilities of the partnership and the rest have their liability limited to their capital contribution.

Limited liability partnership type was introduced by changes to the Law on Partnership on July, 2013. According to the Law, two or more individuals with professional licenses can establish limited liability partnership in which partners' liabilities are limited to their capital contribution, except for a

³³ Attributed by MahoneyLiotta LLC

³⁴ Attributed by MahoneyLiotta LLC

³⁵ Attributed by MahoneyLiotta LLC

failed partner who will be accountable for loss with his/her capital contribution and personal property.

Partnerships are required to register with their local State Registration Office, are able to trade internationally and merge or be liquidated.

6.5 Representative Offices³⁶

Under the Law on Investment, foreign legal entities may establish representative offices, which are not separate legal entities. A representative office is only allowed to undertake representative functions and the protection of the interests of its head office. Representative offices do not have charter capital and, accordingly, it is the head office that is legally responsible for liabilities to third parties.

The registration procedures for representative offices are similar to those for Mongolian legal entities. For tax purposes representative offices are registered with the State Tax Department.

6.6. Branch/Permanent Establishments

Although there is a theoretical possibility to establish a branch of a foreign entity in Mongolia, currently it is not practically possible due to uncertainties in the law related to the legal status of such entity, filing procedures etc.

It is also possible to register a permanent establishment in Mongolia with the tax authorities, although neither the legal status nor respective taxation rules are clear as well. The state authorities are working on the amendments of the existing laws and possibly introduction of new tax laws (*Please see Branch versus Subsidiary section for details*).

An LLC is most commonly used form of legal companies (80-90% of the Mongolian companies).

6.7 Registration Process in General³⁷

The registration of new BEFI in Mongolia takes place at three agencies:

- The State Registration Office;
- District Tax Office; and
- District Social Insurance Office.

Currently the registration at these agencies takes place separately. The company's registration for BEFIs begins with the State Registration Office. During such registration the company must also register with the tax office of the district in which it is located, according to the company's registered address.

³⁶ Attributed by MahoneyLiotta LLC

³⁷ Attributed by MahoneyLiotta LLC

7. LABOUR RELATIONS AND SOCIAL SECURITY



7.1 Labour Market³⁸

According to the National Statistics Office, Mongolia's unemployment rate was 9.4% as of first quarter of 2014.

7.2 Labour Relations

Labor relations in Mongolia are largely regulated by the Labor Law of Mongolia of May 14, 1999.

7.3 Working Conditions³⁹

According to the Labor Law, employment contracts or employment agreements (determined by position or by the type of work performed) define the terms of employment. Standard working hours are 40 hours a week, with special provisions for seasonal shift work, such as the extractive industries or agriculture. Salaries are established by the employer independently but may not be lower than the minimum wage as established by Mongolian legislation. The minimum monthly wage in nation was adjusted in 2014 to MNT 192,000.

Wages for a skilled worker with English language skills and a degree from a Western university are significantly higher.

7.4 Social Security System⁴⁰

Citizens of Mongolia, foreign citizens and stateless persons employed on a contract basis by all types of economic entities, organizations, government, religious or other organizations and foreign economic entities carrying out activities in Mongolia are subject to the compulsory insurance, which is deducted from the gross salary

Employee rates are 10% but are capped at MNT 192,000 per month. Employer charges range from 10% to 13% depending upon their industry and are not capped.

³⁸ Attributed by MahoneyLiotta LLC

³⁹ Attributed by MahoneyLiotta LLC

⁴⁰ Attributed by MahoneyLiotta LLC

7.5 Foreign Personnel⁴¹

All foreign employees, apart from employees of embassies or organizations set up through special treaties, must be paid in MNT into Tugrik bank accounts in Mongolia, per the Law of Mongolia on Conducting Settlement in National Currency of July 9, 2009. Foreign workers are free to transfer their salaries overseas.

Currently, work permits must be obtained for all foreign employees in companies and representative offices. Obtaining work permits can be time-consuming, generally taking four weeks before entry and an additional two weeks after entry. Before arrival a single entry work visa must be applied for at any Mongolian embassy worldwide. Practice varies from embassy to embassy.

After entry the foreign worker must be registered within seven calendar days at the Immigration Office or face a fine of up to MNT 1,000,000. The application process for the work permit and visa will also continue after the employee enters. While provisional approval for a work permit must be applied for and obtained before entry, once the foreign worker has entered an actual work permit must be obtained from the Labor Office of the Ministry of Labor and Social Welfare. A work place fee in the amount of MNT 384,000 per month of the work permit must also be paid in advance to the Labor Office.

Once the work permit has been obtained the single entry work visa must be extended to a long term multiple entry visa. Additionally a long term residency permit must also be obtained from the Immigration Office.

Individual (not corporate) shareholders or the registered Executive Director of a foreign invested company do not need to hold work permits in order to work in Mongolia. These categories of employees qualify for an Investor's Card from State Registration Office and the accompanying T-type visa and a long term residency permit. Holders of a T visa are not required pay the work place fee.

The Government of Mongolia sets foreign worker quota, for both locally owned and foreign invested companies operating in Mongolia. Depending on the sector, the quota ranges from 5% to 80%. The total amount of investment and total number of employees of a company will also influence its quota. The default business activity of all foreign invested companies is "foreign trade" which attaches a quota of 5%. This means that a company must maintain 20 Mongolian employees for every 1 foreign employee. Quotas may increase depending on the sector. For instance, companies having a mining or exploration license have a quota of 10% while a company extracting oil or natural gas may maintain a workforce comprised of foreign employees up to 80%.

⁴¹ Attributed by MahoneyLiotta LLC

8. ACCOUNTING AND AUDIT REQUIREMENTS



8.1 Accounting in Mongolia

The Parliament approved the Law on Accounting on 13 December 2001. The fiscal year ends on 31 December. Entities should file their annual audited financial statements with the relevant state regulatory agency by 31 March, and must also submit quarterly financial statements by 20th of the following month in accordance with specific forms approved by the Ministry of Finance.

Financial statements should be prepared in accordance with International Financial Reporting Standards (IFRS). Chief accountants of state owned companies or companies with state ownership are required to hold a national CPA qualification.

8.2 Chart of Accounts

Currently, economic entities in Mongolia are required to apply the Chart of Accounts issued in December 2000 by the Ministry of Finance and Economy. NGOs have a similar but specialized Chart of Accounts which was adopted in December 2005. Principally, the Chart of Accounts sets the first two digits of balance sheet and profit/loss accounts which are to be used. Entities can decide on the number and arrangement of sub-divisions of account codes themselves.

On 30 October 2003, the Bank of Mongolia adopted a Chart of Accounts applicable for banking institutions, which sets the basic classification system to be used by banks for the purpose of their financial reporting and reporting to the Central Bank. The Bank of Mongolia has adopted a new Chart of Accounts, and a set of accounting regulations for banking sector, which will be effective from 1 July 2015. Through application of the new Chart of Accounts and new accounting regulations, most differences between IFRS and the Bank of Mongolia regulations in terms of financial reporting and accounting policies are eliminated. Therefore it is expected that the banks would be able to simultaneously comply with both IFRS and the amended regulations of the Bank of Mongolia, which is not the case at present, as most banks apply the regulations of the Bank of Mongolia, when these are in conflict with IFRS.

Government organizations have their own separate Chart of Accounts.

8.3 Audit Requirements

In accordance with the Law on Auditing, the following organizations are required to have their financial statements audited in accordance with International Standards of Auditing (ISAs):

- Listed companies;
- Companies applying for listing on the stock exchange;
- Entities with total assets of 50 million MNT or above;
- Entities being restructured, liquidated, or intended to sell all its capital by auction;
- If not otherwise stipulated by the law and international treaties of Mongolia, foreign invested business entities and organizations
- Cooperatives conducting savings and loan disbursement activities;
- Banking, financial and insurance organizations;
- Securities companies carrying out brokerage and dealer activities and companies running investment funds;
- Funds described under Article 36, paragraph 2 of the Civil Code;
- Political parties; and
- Organizations similar to the business entities and organizations listed above.

Audit firms must be licensed by the Ministry of Finance in order to provide audit and assurance service to a Mongolian company and has to be registered with Financial Regulatory Committee of Mongolia to be able to audit insurance companies and listed/to be listed companies.

8.4 Filing Requirements

According to the “Regulation on Financial Statement submission”, issued by the order No 201 of the Minister of Finance in September 2014, companies are required to file financial statements prepared in “Format B” within 20th of the next month which is April 20th for the first quarter, July 20th for the second quarter, and October 20th for the third quarter. Year-end financial statements for the fourth quarter should be prepared in accordance with “Format A” and its filing due date is February 10th following the year-end.

Companies can electronically submit their financial statements via e-balance.mn; paper filing is no longer mandatory.

Adjustment to the financial statements after filing can be made until year end of the following year (December 31).

9. TAX SYSTEM AND ADMINISTRATION



9.1 Tax System

The National Tax Administration is comprised of the state administrative body (General Department of Taxation) which is in charge of tax agencies and offices of capital city, province, district; and tax branches of soum and state tax inspectors.

9.2 Direct and Indirect Tax Burden

All taxes are subdivided into direct and indirect taxes. Value added tax (VAT) and excise tax are recognized as indirect taxes.

9.3 Principal Taxes

- Corporate Income Tax, including branch profits tax, withholding tax and capital gains tax (CIT);
- Personal Income Tax (PIT);
- Social Insurance Tax;
- Value added Tax;
- Customs and Excise Duties;
- Immovable Property Tax;
- Mining Tax (license fees and mineral royalties);
- Excise tax;
- Royalties on oil and gas products.

9.4 Legislative Framework

According to the law, taxes and levies, as well as penalties for non-compliance, may only be established by laws enacted by the Parliament.

Strictly speaking, the General Department of Taxation does not have power to amend the law. However, in practice, the General Department of Taxation may issue tax rulings that are not always consistent with the law; although this could be a reflection of ambiguities in the law itself as much as anything else.

In addition to specific tax laws, tax legislation also includes laws governing specific types of activities such as the Investment Law, Law on Minerals.

Despite several rounds of amendments to various legislations over the past few years, the legislation remains in its infancy and complicated issues are not dealt with clarity.

Therefore, it is imperative to obtain advice on the interpretation, implementation and practice adopted by the tax authorities as well as ensuring that the most recent legislation is being considered.

9.5 Tax Treaties

Mongolia has currently concluded DTAs with 24 countries. For the list of DTAs, please see Appendix D.

There had been certain actions taken by the Government of Mongolia in the area of international taxation and application of tax treaties. In 2012, Mongolia cancelled DTAs with 4 countries (the UAE, Kuwait, Luxembourg and the Netherlands). The DTAs with the Kingdom of the Netherlands and Kingdom of the Luxembourg are not effective from Jan 1, 2014, the DTA with the United Arab Emirates - from January 1, 2015, and the DTA with Kuwait - from April 1, 2015.

9.6 Tax Returns and Payments

Tax reports are compiled by the taxpayer, tax agent or their representative. The reports must be submitted on paper, or electronically and must be in Mongolian; supporting documentation must also be in, or translated into, Mongolian. The tax administration implemented e-filing system, that allows entities to submit electronic tax reports for mostly all taxes once they obtain e-signature.

9.7 Penalties

Interest, calculated on a daily basis for the period between the due date and the actual date of payment, and penalties are imposed on late payment of taxes. Flat rate penalties also exist for the failure to comply with various administrative requirements.

The individual taxpayer (or officials) may be subject to criminal penalties if tax evasion is proven. For criminal tax evasion, confiscation of property or fines of up to MNT 48 million for 2015 may be imposed in combination with imprisonment for up to 3 years.

9.8 Assessments

Taxpayers file returns and execute payments on a self-assessment basis. If the tax authorities determine that the tax shown on the return is incorrect, they may assess taxes within five years starting from the following dates:

- Next business day from the deadline for filing a return and payment of tax obligations in case a return has to be filed and the tax paid once at the end of the year;
- Next business day from the deadline for filing a monthly or year-end return and payment of tax obligations in case a return has to be filed and the tax paid on a monthly or quarterly basis;
- Next business day from the deadline for filing a return in case tax obligations have to be paid after the sale takes place and for withholding taxes;
- Next business day from the deadline for payment of tax obligations in case no return needs to be filed.

Tax reports, once submitted, are subject to an administrative check to ensure that they comply with the requirements for completing the report. A technical review of the tax position taken and the

underlying documentation forms part of a later tax audit. Upon the conclusion of an audit the tax authorities will issue an act setting out their findings.

9.9 Tax Audits

A tax inspector is empowered to examine financial documents connected with tax imposition, payment of tax, and ask for explanations and clarifications. Tax auditor has the right to obtain a taxpayer's tax related documents and copy them for evidence gathering purposes.

The process for selecting a taxpayer for tax audit can be either scheduled or non-scheduled.

The frequency of the scheduled audits performed by the tax authorities generally depends on the risk rate of activities carried out by a taxpayer. The risk criteria are based on certain tax compliance indicators such as the status of tax payment, tax filing, amount of turnover and tax due amount, history of past audit and other compliance issues identified by the tax authorities.

Another option is that the tax authorities may use information sources from third parties which would indicate that a taxpayer may have considerable tax violation and underpaid tax amounts. These information sources may include public media and records, individuals and other governmental and non-governmental agencies.

On average, companies are audited by the tax authorities every 2-3 years.

A 10-day advance notice should be provided to taxpayers to notify on tax audits, unless the tax authorities consider that such notification is not necessary (e.g. in case of corruption).

Tax returns, supporting documents and records should be kept for the period of statute of limitation, which is five years, or, in case of administrative or court litigation - until the end of such process.

9.10 Appeals

Assessments may be appealed administratively and through the court system. The initial appeal is made to the Tax dispute resolution committee within 30 days after receipt of the decision from the tax authority.

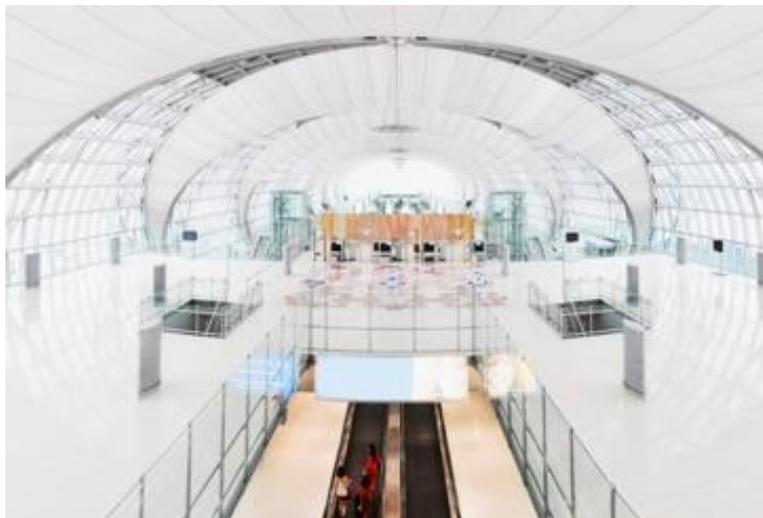
If the taxpayer further disagrees with the decision of the Tax dispute committee, the taxpayer has 30 days in which to appeal the decision through the administrative court system (there is no separate tax court system). Within 60 days, an Administrative Court sets a hearing date in which the appeal shall be considered by the court.

As a further step, the taxpayer may pursue the suit to the court of appeal within a 14-day period. If the case is lost again, there is an another 14-day period to pursue the appeal to the Supreme Court.

9.11 Advance Tax Clarification

Rulings can be obtained from the tax authorities, but these are not legally binding.

10. TAXATION OF CORPORATIONS



10.1 Corporate Tax System

The Corporate Income Tax (CIT) law of Mongolia governs the taxation of profits of:

- Economic entities formed under the laws of Mongolia;
- Foreign economic entities that have their headquarters in Mongolia, and
- Foreign economic entities that earn income sourced in Mongolia other than via the above.

Previously it was not possible for a foreign company to have a taxable presence in Mongolia. However, with the updates to the Taxpayers' Registration Regulation (the Commissioner's Decree of 12 June 2013, # 435), the tax authorities may now register and issue taxpayer certificates for permanent establishments (PEs). The PE of a foreign legal entity is required to be registered as a taxpayer within 30 days of commencing activities in Mongolia, unless otherwise stated in the relevant DTA (*Please see Branch versus Subsidiary section for details*).

10.2 Incentives

Tax incentives or benefits are available to the agriculture and mining industries. The Law on Investment provides investors with certain tax incentives such as exemptions from tax, tax credits, possibility to use accelerated depreciation for tax purposes, tax loss carry forward, and deduction of employee training costs from taxable income.

In addition to the above, the Law introduced a 'stabilisation certificate' in order to create a more stable tax environment in Mongolia (*Please see New Investment Law section for details*).

Furthermore, the Law on FTZs provides a tax credit for businesses that made a qualifying investment into infrastructure projects or building warehouse, loading and unloading facility, hotel, tourist camp, or manufacturers of export and import-substituting goods. Also, it envisages the 5-year exemption for entities using innovated and enhanced technology in their businesses and allows the extended term for the utilisation of tax losses (*Please see Free trade zones section for details*).

10.3 Taxable Income

Taxable income falls under the following three categories:

- Income from activities which includes income from business activities, sale of rights, shares and securities, gains on foreign currency exchange rates;
- Income from property which includes rental, royalties, dividends, and interest;
- Income from the sale of property (both immovable and movable except for shares and securities).

Taxable income is defined as aggregate annual income less allowable deductions. For CIT purposes, the progressive rate scale from 10%-25% is used:

- 10% should apply for the first annual income of MNT 3 billion (approx. USD 2.2 million);
- 25% should apply for any excess of MNT 3 billion.

Certain types of income may be taxed at different tax rates.

Source of income	Applicable tax rate
Dividends	10%
Royalties	10%
Interest	10%
Gambling, betting games and lotteries	40%
Sale of immovable property (gross)	2%
Sale of rights (gross)	30%

10.4 Deductibility of Expenses

General expenses

Expenses mostly associated with the earning of aggregate annual income are deductible for CIT purposes (provided that they are properly documented). The tax legislation provides a list of deductible expenses, such as salaries, depreciation, lease payments, transport expenses, cost of goods/services and others. Anything other than those is not considered as deductible.

Interest Expenses

Interest paid to third parties is deductible. Interest paid to a shareholder is subject to a 3:1 debt to equity restriction, and the rest of taxes as dividends. Further restrictions apply to interest on loans made from a Mongolian individual who controls the entity.

Depreciation

For tax purposes depreciation is calculated using the straight line method over the useful economic life of the asset that depends upon the nature of the asset, ranging from 3 years for IT equipment to 40 years for buildings and constructions.

Non-deductible expenses

Generally, expenses need to be specifically stated as deductible, and so there are not many expenses stated as specifically non-deductible. However, the following expenses are stated in the law as non-deductible:

- Finance lease payments;
- Fines and penalties;
- Expenses incurred for earning exempt income;
- Expenses not supported by documentation, and
- Payments from which required WHT is not withheld .

10.5 Withholding Taxes

Dividend, interest, and royalty income of a Mongolian resident taxpayer are subject to WHT at 10%. Income from sale of right is subject to WHT at 30%. Withholding tax is applied to the gross proceeds on the sale of immovable property at 2%.

Non-resident taxpayer with no presence in Mongolia is subject to WHT at 20% on income sourced from and earned in the territory of Mongolia. This covers the following types:

- Dividend;
- Interest;
- Royalty;
- Rental;
- Management and administrative expenses;
- income goods sold, work or services provided in Mongolia;
- Work or services provided directly or through electronic means.

10.6 Related Party Transactions

In general, the contract prices are used for determining the taxable value of transactions. If prices used in related party transactions are below or above than the prices used in similar transactions between unrelated parties, then the tax authorities have the right to determine the taxable value of the transactions using arm' length price.

The CIT Law provides that a party that holds 20 percent or more of the common stock, or has the right to receive 20 percent or more of the dividends, distributions, or has the right to appoint 20 percent or more of the management of the economic entity or is otherwise able to determine its policies is regarded as a related party of a taxpayer.

However, the General Taxation Law provides for a broader definition of related entities for transfer pricing purposes, which is “entities authorized to directly and indirectly participate in management, control and property rights of any foreign and Mongolian legal entities”.

10.7 Foreign Exchange

Income and expenditure in foreign currencies should be converted into MNT on the date of the transaction. Realized gains (losses) from foreign currency exchange rates are taxable (deductible).

10.8 Losses

Losses can be carried forward for up to two years and use of such losses is restricted to 50% of the taxable profit in any year for economic sectors other than mining and infrastructure.

For mining and infrastructure sectors, losses can be carried forward for 4 to 8 years depending on the investment amount and up the whole taxable profit can be offset in a year.

Entities registered in FTZs can utilise their accumulated tax losses, reflected on their CIT return, within 5 consecutive years after completing the development stage.

10.9 Returns and payments

Taxpayers should submit quarterly and annual returns to the tax authorities by the 20th of the month following the end of each quarter and 10th February for the annual return.

Based on these, the tax authorities issue monthly/quarterly payment schedules and payments must be made by the 25th of each month.

In practice the Mongolian tax authorities allow concessions as follows:

- A company with annual taxable income of less than MNT 500,000 may pay tax on a quarterly basis; or
- Where total tax paid exceeds the tax liability, the excess can be credited against other taxes due or credited against future tax payments. It may also in theory be refunded, practice here is less clear and consistent.

Withholding taxes must be paid within 7 to 10 days of the underlying provision of income/payment (depending upon the nature of the payment) and taxpayers should prepare quarterly and annual returns for submission to the tax authorities by the 20th of the month following the end of each quarter and 10th February for the annual return.

10.10 Other Taxes

Excise Tax

Excise tax is levied on goods manufactured in or imported into Mongolia such as tobacco, alcohol, gasoline and diesel fuel and passenger vehicles. Recent uncertainty over international supplies of gasoline and diesel fuel has led to variations in the levy. Excise tax is also imposed on the physical units of special purpose technical devices and equipment used for betting games and gambling, and activities of individuals and legal entities that conduct such activities.

The Law on FTZs provides an exemption for goods imported to FTZs (*Please see Free trade zones section for details*).

Immovable Property Tax

Immovable property tax is levied from 0.6% to 1% of the value of the immovable property and paid annually. The rate depends on the location of property, usage, size, market demand, supply conditions of the immovable property. For tax purposes, the value used is the value of registration of the property, if the property is unregistered an insured value is used. In the absence of either the registered or insured value, the accounting book value is used.

Under the Law on FTZs, buildings and facilities built and registered in FTZs are fully exempted from the immovable property tax (*Please see Free trade zones section for details*).

Stamp Duty

Stamp duties are imposed *inter alia* on the following under the Law on State Stamp Duties:

- Monitoring of and decisions on matters of legal status by a court of law;
- Registration of business entities and organizations;
- Registration of business entities with foreign investment, foreign organizations, their branches and representative offices;
- Permission to carry out services and production which requires special permission or expertise;
- Grant of certification for copyright, patent or trademarks;
- Registration of copyrights;
- Granting of permission to carry out activities in respect of securities, other.

The amount of duty varies according to the type of services involved.

Customs Duty

A flat customs tariff of 5% applies in respect of most goods imported into Mongolia. Certain imported products and equipment such as wood, gas fuel, its container, equipment, special purpose machineries, and mechanisms are exempt from customs tariff (*Please see Customs Duties section in Importing and Exporting for details*).

Export duties apply to certain exported goods such as unprocessed wool, wood.

The Law on FTZs provides an exemption for goods imported to FTZs (*Please see Free trade zones section for details*).

Air Pollution Payment

The Law on Air Pollution payment came into effect from July of 2010. Produced raw coal, used or imported organic solvents and vehicles are subject to this payment.

10.11 Branch versus Subsidiary

It is not currently possible to establish a branch of a foreign company in Mongolia as discussed in 6.6. *Branch/Permanent Establishments Section* above.

In June 2013, the tax authorities introduced a PE registration as taxpayer only for foreign companies that are residents of DTA countries with Mongolia. However, it should be noted that PEs does not have any legal status in Mongolia apart from mere registration for tax purposes. In addition, the tax legislation itself does not provide clear position on how PEs should be taxed in Mongolia once such PEs are registered. There are many uncertainties over attribution of income to the PE, filing of tax returns, and legal status of PEs etc. The state authorities are now working on the amendments of the existing tax laws and possibly introduction of new tax laws. As a result of these changes, the current situation with taxation of foreign legal entities may change, and taxation of PEs of foreign legal entities would be more clear and practicable in Mongolia.

10.12 Group Taxation

There are no rules permitting grouping for tax purposes in Mongolia.

10.13 Special Taxation Regimes

Foreign Investment

The Investment Law provides investors with tax incentives, and introduced a 'stabilisation certificate' in order to create more stable environment for tax in Mongolia. Investors with a 'stabilisation

certificate' can stabilise applicable rates of CIT, VAT, customs duties, and minerals royalty tax (*Please see New Investment Law section for details*).

Free Trade Zones

FTZs have special regime in terms of tax and customs (*Please see Free trade zones section for details*).

Mining

All exploration costs should be capitalized and then once the production commences amortized on a straight line basis over the life of the mine. License acquisition costs are amortized over the life of the license.

Mining and Exploration License Fee

License fees vary for exploration and mining licenses. Mining license fee is determined per hectare, while exploration license fees are based on hectare and a year of exploration.

Mineral Royalty Fees

Mining license holders should pay Mineral Royalty fees on the sales value of all extracted mining products that are sold, shipped for sale, or used.

The sales value is determined as follows:

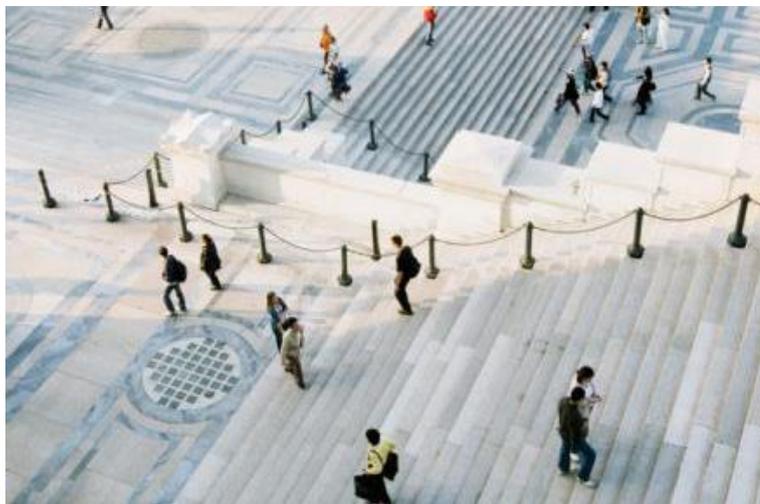
- For exported products the sales value shall be the average monthly prices of the products, or similar products, based on regularly published international market prices or on recognised principles of international trade;
- For products sold or used on the domestic market, the sales value shall be based on the domestic market price for the particular or similar product;
- For products sold on international or domestic markets, where it is impossible to determine market prices, the sales value shall be based on the revenue derived from the sale of the product as declared by the license holder.

The base Mineral Royalty rate for domestically sold coal for energy and as well as sale of gold to the Central Bank and its accredited financial institutions is 2.5%. The base rates for common mineral resources are set at 2.5%-5%.

The base Mineral Royalty for exported extracted products is 5.0% of the sales value of all products extracted from the mining claim that are sold, shipped for sale, or used. At that, mining license holders can export precious metals through the channel of the Central Bank.

Additional rates (ranging from 0% to 30%) vary based on the type and level of processing, and the market price of the mineral sold, shipped, or used.

11. TAXATION OF INDIVIDUALS



11.1 Territoriality and Residence

A permanent resident taxpayer of Mongolia is subject to tax on his/her world-wide income. A non-resident taxpayer of Mongolia is subject to tax on the income earned in the territory of Mongolia in a tax year.

A permanent resident taxpayer of Mongolia is:

- An individual who owns a residence in Mongolia;
- An individual who resides in Mongolia for 183 or more days in a tax year.

A non-resident taxpayer of Mongolia is:

- An individual who has no residence in Mongolia;
- An individual who has not resided in Mongolia for 183 or more days in a tax year.

11.2 Gross Income

Employee Gross Income

This income includes all direct and indirect income received through employment or related activities during a calendar year.

Capital Gains and Investment Income

Gross income from sale of immovable property is taxed at a rate of 2%. Gain from the sale of movable property, including securities, at a rate of 10%.

Dividends and interest income earned by individuals is subject to tax at the rate of 10%, withheld at source.

Interest income of Mongolian citizen on savings in the amount of less than MNT 100 million, or in a total amount of more than MNT 100 million with time deposit of more than a year is exempt from PIT until January 1, 2016.

11.3 Deductions

Business Deductions

There are no business deductions allowed for employees, except for social insurance charges. An individual may claim business deductions if registered as an entrepreneur.

Non-Business Expenses

There are no deductions for non-business expenses.

Personal Allowances

The most notable allowance is a general deduction of MNT 84,000 per annum for employment income.

11.4 Related party transactions

Under the PIT Law a “related party” for a taxpayer defined as:

- The parent, child, grandparent, grandson, or granddaughter of the taxpayer;
- The brother or sister of the taxpayer, or a child of a brother or sister of the taxpayer;
- The spouse of the taxpayer, or a parent, child, brother, or sister of that spouse of the taxpayer;
- The legal entity under the control of the taxpayer or of the individuals’ specified above.

If related parties have sold goods, performed work, rendered services, and transferred property below or above fair market value, the tax authorities have the right to determine the value of such goods, work, and services based on an arm’s length price of similar goods, work and services.

11.5 Tax Credits

A credit is available for individuals who have suffered tax in other countries under a DTA.

Tax credits are also available for agricultural production and educational fees.

11.6 Other Taxes

Social Security Taxes

Citizens of Mongolia, foreign citizens and stateless persons employed on a contract basis by all types of economic entities, organizations, government servants, religious or other organizations and foreign economic entities carrying out activities in Mongolia are subject to the following compulsory insurance:

- Pension insurance (employer: 7%, employee: 7%);
- Benefit insurance (employer: 0.8 %, employee: 0.8%);
- Health insurance (employer: 2%, employee: 2%);
- Industrial accident and occupational disease insurance (employer: 1% to 3%);
- Unemployment insurance (employer: 0.2%, employee: 0.2%).

Employees’ charges are capped at MNT 192,000 per month. Employer charges are not capped. These charges are deductible for CIT purposes.

Social Insurance and Health insurance returns should be submitted electronically and by paper before 5th of the following month on a monthly basis. Payments should be also done by 5th of the following month to the account of the Social Insurance Fund.

Obligatory Pension Contributions

It is included in Social Security Taxes.

Wealth Tax

There is no wealth tax in Mongolia.

Local Taxes

There are no additional local taxes on income.

11.7 Returns and payments

Employment income, interest, dividends, and royalty income are subject to withholding tax. Employers and other business entities that pay income to individuals are defined as tax agents (withholders) and are responsible for withholding the tax and social insurance contribution (if applicable) and remitting them to the state budget and the appropriate authorities.

A withholder shall submit a quarterly report of tax withheld by the 20th of the first month of the following quarter and the annual tax report by February 15th of the following year to the corresponding tax authority.

Income not covered by withholding should be reported by the individual on an annual tax return to be submitted to the tax authorities by February 15th following the end of the tax year.

Tax withheld should be paid to the tax authorities by the 10th of the following month. Tax on other income should be paid by the 15th of the first month of the following quarter. However, per the General Taxation Law, deadline for tax payment and reporting should be the same, and the conservative approach is to follow this rule.

11.8 Tax Rates

Source of income	Applicable tax rate
Employment income	10%
Business and professional income	
Income from property, i.e. dividends, royalty, interest, capital gain from sale of securities/stocks	
Sale of immovable property (gross)	2%
Income from scientific, literary artistic works, inventions, product; designs and useful designs (gross)	5%
Designs and useful designs (gross)	
Income from sports competitions, art performances, and similar income (gross)	
Income from betting games, gambling and lotteries (gross).	40%

12. VALUE ADDED TAX (VAT)



12.1 Introduction

VAT is imposed at the rate of 10% on the supply of taxable goods and services in Mongolia, and on imports into Mongolia.

Legal entities, individuals are required to register for Mongolian VAT purposes when their turnover exceeds MNT 10 million. Taxpayers may also voluntarily register when their turnover reaches MNT 8 million or if they have invested more than USD 2 million in Mongolia.

Although the VAT Law allows registration of foreign companies for VAT purposes, in practice they cannot be registered as a VAT payer in Mongolia.

12.2 Scope of VAT

Unless there is an express exemption in the VAT Law, VAT is levied on the following in Mongolia:

- Works performed and services rendered in Mongolia;
- Goods sold in Mongolia;
- Goods imported into Mongolia to be sold or used;
- Goods exported from Mongolia for use or consumption outside Mongolia.

12.3 Zero-Rating

The following are zero-rated supplies for VAT purposes:

- Export sales of goods;
- International transportation services;
- Services provided outside of Mongolia;
- Services provided to a foreign citizen or legal entity not present in the territory of Mongolia during the provision of services (including tax-exempt services);
- Services provided to domestic or international aircrafts conducting international flights;
- State medals and coins produced domestically;
- Export of finalized mining products (processed rather than raw materials).

12.4 Exempt Supplies

A number of goods are specifically "exempt" from VAT, including:

- Civil aviation aircrafts and spare parts;
- Gas fuel, its containers, equipment, custom machinery, mechanisms, tools, and spare parts;
- Gold sold;
- Products resulting from scientific research;
- Mining products other than those zero rated;
- Certain types of loans;
- Produced or planted cereals;
- Processed meat;
- Processed milk and milk products;
- Equipment and spare parts produced and sold within territory of Mongolia for intended use in small and medium enterprise's production line;
- Raw materials, reagents that are not produced domestically, and required for carrying out production of new goods and products within innovation project for domestic and foreign markets, etc.

Amongst others, the following services shall be exempted from VAT in Mongolia:

- Currency exchange operations and banking transaction services;
- Insurance and property registration;
- Transactions in stocks and securities;
- Transactions concerning issuance and transfer of interest for placement of monetary assets of social and health insurance funds; provision of loan;
- Services in respect of fees for bank or financial lease interest, dividend, credit guarantees or insurance contract;
- Renting of residential accommodation;
- Educational and health services, etc.

Goods, work, or services transferred free of charge, or used for personal purposes other than for production, shall not be exempted from VAT.

12.5 Taxable Amount

VATable Supplies

In general, the taxable amount is the fair market value of the goods sold, work performed or services provided. For imported goods, this should include customs duty, excise tax and other such taxes on customs value of the goods which is determined in accordance with the Law on Customs Tariffs and Duties.

Taxpayers should account for VAT on goods, work or service obtained from non-resident.

Transactions in a foreign currency are converted into MNT at the rate applying on the tax date of the transaction.

VAT Offset

As a company is registered for VAT, VAT paid for goods, work or services can be offset against VAT payable to the budget; this must be substantiated by documentary evidence. Pro-rating is required where VAT is incurred partially for exempt and partially for VATable supplies purposes.

VAT Calculation and VAT Offset Carry-Forward

The VAT liability of a taxpayer is calculated as output VAT (i.e., VAT charged by a taxpayer) less input VAT (i.e., VAT paid by a taxpayer on its purchases) in a reporting period.

The excess of input VAT over output VAT may generally be carried forward against future VAT liabilities or offset against other tax liabilities. In practice refunds are difficult to obtain, although the rules do prescribe a procedure for refunds under certain conditions.

Reverse Charge VAT and Offset

Mongolian companies are required to account for Reverse Charge VAT (also known as self-charge) on services and works received from foreign entities. In practice, such Reverse Charge VAT withheld by Mongolian residents is not allowed for offset against output VAT by the Mongolian taxpayer.

12.6 Non-recoverable Input VAT

VAT paid in the course of import or purchase of the following goods, work or services shall not be credited against total value-added taxes due by a buyer:

- Automobiles and its components and spare parts;
- Goods or services purchased for personal or employee uses;
- Goods, works, or services imported or purchased for exempt supplies.

12.7 VAT Incentives

A number of VAT exemptions have been introduced outside of the VAT Law. These are targeted at specific industries as well as specific projects which have been funded by international institutions (such as the World Bank) or foreign governments.

Also, the Law on Investment provides investors with possibility to apply for a zero VAT and/or to obtain a 'stabilisation certificate' provided certain criteria are met (*Please see New Investment Law section for details*).

In addition, the Law on FTZs provides a range of tax incentives for entities operating in FTZs, for instance, goods imported to FTZs are not subject to VAT (*Please see Free trade zones section for details*).

12.8 VAT Simplification

Group reporting for VAT is possible if one or several entities own more than 66% of property or voting rights of two or more entities. Each entity included in the group should be considered a VAT payer and keep separate accounting books for its transactions.

However, it should be noted that in practice group companies do not apply VAT grouping.

12.9 Returns and payments

VAT is accounted for on a monthly basis and paid by the 10th of the following month. Returns must be submitted by the 10th of the month.

PRICEWATERHOUSECOOPERS IN MONGOLIA

Ulaanbaatar:

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APPENDIX A – *Tips for Business Visitors* –

Visas

Mongolia requires visa to travel to the country, with a few exceptions, including the United States and several Asian countries. While there are a variety of visas, the application process is generally quite easy. Application can take place at any Mongolian embassy worldwide and not necessarily in the home country of the applicant. The application at an embassy generally takes 3-5 business days. Single entry visas are approximately USD 30 while yearlong visas are approximately USD130. For exact details it is advised to contact your local Mongolian embassy.

Transit visas are necessary for passengers traveling by train through Mongolia, according to the Mongolian Law on the Legal Status of Foreign Citizens, but a specific time period is not given.

According to immigration officials it is possible to obtain a visa on arrival if the traveler's home country does not have a Mongolian embassy or consulate. This is only the case for a tourist or a business visa and not applicable to work visas. Prior approval must be obtained from the Immigration Office in Ulaanbaatar, which will then send an approval letter to the airport.

When obtaining a visa through a Mongolian embassy or consulate, an invitation from a host organization in Mongolia, a passport photos and the completed application form (which should be available from the embassy) are usually required. Passports should be valid for at least three months from the end of the visa period. Upon receipt of the visa, confirm that the dates in the visa are correct and cover the period of stay. For more information please visit www.immigration.gov.mn

Travel

Five airlines fly to Chinggis Khan International Airport in Ulaanbaatar and, together, give the traveler the opportunity to fly to and from Mongolia on every day of the week:

- MIAT (Mongolian Airlines);
- Korean Air;
- Turkish Airline;
- Air China;
- Aeroflot.

Customs

The customs declaration describes the currency and amount of money, valuables, and other items being imported. If a customs declaration is submitted, both forms would be stamped and one will be returned. The one that is returned must be submitted upon departure from Mongolia together with a departure declaration. The departure declaration again requests information concerning money and valuables being exported from the country.

Registration

Within seven days of arrival in Mongolia, including weekends, the traveler must register with the Immigration Office if the person will stay in Mongolia over 30 days. Failure to do so may result in a fine upon departure of up to MNT 1,000,000. The registration stamp is dated from the date of registration. Deregistration is not necessary.

Accommodations

There are a number of business quality hotels in Ulaanbaatar. The Best Western Premier Tuushin, Corporate Hotel, Kempinski Hotel Khan Palace, Ramada and Chinggis Khaan Hotel are newer hotels in the centre of town. The Bayangol Hotel, Ulaanbaatar Hotel and The Blue Sky hotel are also centrally located. The Terej Hotel is a five star hotel situated in Gorkhi-Terej National Park, ca. 50 km from the city.

Ulaanbaatar

Ulaanbaatar is the capital and largest city with a population of over one million. Located in the north central part of the country, the city lies at an elevation of about 1,310 meters (4,300 ft) in a valley on the Tuul River. It is the cultural, industrial, and financial heart of the country. It is also the center of Mongolia's road network, and connected by rail to the Trans-Siberian Railway and the Chinese railway network.

Due to its high elevation, relatively high latitude, location hundreds of kilometres from any coast, and the effects of the Siberian anticyclone, Ulaanbaatar is the coldest national capital in the world, with a monsoon-influenced, subarctic semi-arid climate (Köppen climate classification BSk) with brief, warm summers and long, very cold and dry winters. Precipitation, at an annual total of 216 millimetres (8.50 in) is heavily concentrated in the warmer months. It has an average annual of -0.7°C (30.7°F).

Drivers / Car rental

To ensure safe and comfortable trips in and outside Ulaanbaatar, we recommend business travelers to hire an experienced and reliable driver with a reliable car. Drivers are also a necessity for foreign business people in Ulaanbaatar as business hours in Mongolia can be long and sometimes irregular. For travels outside Ulaanbaatar jeeps with four-wheel drive are necessary, since most of countryside roads are not paved. Drivers with cars are most easily and reliably hired through the inviting organization. Very few drivers speak English or any other western European languages, however, more and more do understand directions and one should be able to communicate without a translator.

It is possible to hire a car with a driver from Sixt Mongolia (Tel/ Fax: +976-7011 0304 (Central Branch), +976-7011 8482 (Chinggis Khaan Hotel Branch), e-Mail: info@sixt.mn). Rates start from approx. USD 60 a day for a short-term rental.

Interpreters

Although many business people and government officials in Mongolia speak English, they conduct most meetings in Mongolian. In business negotiations even with English-speaking Mongolian counterparts, foreign business people sometimes find an interpreter useful. Interpreters could be best arranged through the inviting organization. The cost is approximately USD 100 per day. Outside Ulaanbaatar few Mongolians speak a foreign language.

Working Hours

Standard working hours are nine to six, five days a week, with most people working a 40-hour week. Shops tend to be open later on weekdays and on Saturday, while most are also open on Sunday. Most offices close for an hour or so during the day between one and two p.m. for lunch. Banks and shops are usually open during lunch-break time.

Currency

Mongolia has a cash and, increasingly, a credit economy. Plan to have cash (Tugrik) in the event that your credit card does not work at the restaurant or shop.

There are many foreign exchange points around, but it may be more reliable to use the banks or the hotels, where possible, since rates and security measures vary across the country. When changing money, worn or damaged bills should be avoided as most places accept only bills in good condition.

Automated teller machines (ATMs) can now be found in more and more places in Ulaanbaatar. ATMs typically dispense local currency and usually offer a reasonable exchange rate.

Public holidays

Before investing in a round-trip ticket to Ulaanbaatar, it is prudent to be aware of the following official Mongolian public holidays:

2 days between the end of January and early March (dates vary every year)	Tsagaan Sar (Lunar New Year)
March 8	International Woman's Day
June 1	Mother and Child Day
July 11-15	Naadam (Mongolian national holiday)
November (dates vary every year)	Chinggis Khaan memorial day
December 29	Independence day

Christmas and Easter are not public holidays in Mongolia. Also, please be aware that approximately one week after the two-day Tsagaan Sar holidays as well as during summer holiday period (usually July-August) it might be difficult to meet business people and officials in Mongolia.

Safety

In any city where disparities in income levels are large, crime tends to be targeted at the (comparatively) wealthy and Mongolia is no exception. Violent muggings are rare but do occur. Petty crime is common in Ulaanbaatar, particularly in markets or other crowded public places. Watch out for pickpockets.

It is recommended to drink in moderation and to exercise caution when leaving nightclubs and discos late at night. In particular, use known taxis or arrange for a hotel or company car to pick you up. Hotel safes should be used, where possible, to avoid carrying excess sums of cash.

Ulaanbaatar is no different to many other big cities and care should be taken walking alone, especially at night, and in dealing with people who approach you in the street. When staying in a hotel room or apartment, never open the door for anyone who is unfamiliar.

Attractions

Even though business in Mongolia can be time consuming, your schedule may allow you to see something of the city. Here are some ideas for Ulaanbaatar:

Monasteries

Among the notable older monasteries is the Choijin Lama Monastery, a Buddhist monastery that was completed in 1908. It escaped the destruction of Mongolian monasteries when it was turned into a museum in 1942. Another is the Gandan Monastery, which dates to the 19th century. Its most famous attraction is a 26.5-meter-high golden statue of Migjid Janraisig. These monasteries are among the

very few in Mongolia to escape the wholesale destruction of Mongolian monasteries under Khorloogiin Choibalsan.

Bogd Khan's Winter Palace

Old Ikh Khüree, once the city was set up as a permanent capital, had a number of palaces and noble residences in an area called Öndgiin sürgiin nutag. The Jebtsundamba Khutughtu, who was later crowned Bogd Khan, had four main imperial residences, which were located between the Middle (Dund gol) and Tuul rivers. The summer palace was called Erdmiin dalai buyan chuulgan süm or Bogd khaanii seriüin ord. Other palaces were the White palace (Tsagaan süm or Гягaa dejidlin), and the Pandelin palace (also called Naro Kha Chod süm), which was situated in the left bank of Tuul River. Some of the palaces were also used for religious purposes. The only palace that remains is the winter palace. The Winter Palace of the Bogd Khan (Bogd khaanii nogoon süm or Bogd khaanii öwliin ordon) remains as a museum of the last monarch. The complex includes six temples, many of the Bogd Khan's and his wife's possessions are on display in the main building.

Museums

Ulaanbaatar has several museums dedicated to Mongolian history and culture. The Natural History Museum features many dinosaur fossils and meteorites found in Mongolia. The National Museum of Mongolian History includes exhibits from prehistoric times through the Mongol Empire to the present day. The Zanabazar Museum of Fine Arts contains a large collection of Mongolian art, including works of the 17th century sculptor/artist Zanabazar, as well as Mongolia's most famous painting, One Day In Mongolia by B. Sharav.

Pre-1778 artifacts that never left the city since its founding include the Vajradhara statue made by Zanabazar himself in 1683 (the city's main deity kept at the Vajradhara temple), a highly ornate throne presented to Zanabazar by the Kangxi Emperor (before 1723), a sandalwood hat presented to Zanabazar by the Dalai Lama (c. 1663), Zanabazar's large fur coat which was also presented by the Kangxi Emperor and a great number of original statues made by Zanabazar himself (e.g. the Green Tara).

Puzzle Toys Museum displays a comprehensive collection of complex wooden toys to be assembled by players using sophisticated methods.

Opera House

The Ulaanbaatar Opera House, situated in the center of the city, hosts concerts and musical performances.

The Great Chinggis Square

The Great Chinggis Square (previously known as Sukhbaatar Square), in the government district, is the center of Ulaanbaatar. The square is 31,068 square meters in size. In the middle of Sükhbaatar Square, there is a statue of Damdinii Sukhbaatar on horseback. On the north side of Sükhbaatar Square is the Mongolian Parliament building, featuring a large statue of Chinggis Khan at the top of the front steps. Peace Avenue (Enkh Taivny Urgon Chuloo), the main thoroughfare through town, runs along the south side of the square.

Zaisan Memorial

The Zaisan Memorial, a memorial to Soviet soldiers killed in World War II, sits on a hill south of the city. The Zaisan Memorial includes a Soviet tank paid for by the Mongolian people and a circular memorial painting which in the socialist realism style depicts scenes of friendship between the peoples of Soviet Union and Mongolia. Visitors who make the long climb to the top are rewarded with a panoramic view of the whole city down in the valley.

National Sport Stadium

National Sports Stadium is the main sporting venue. The Naadam festival is held here every July.

Surroundings

Gorkhi-Terelj National Park, a nature preserve with many tourist facilities, is approximately 70 km from Ulaanbaatar and accessible via paved road.

Sky Resort, Mongolia's first dedicated ski area is located 13 km (8 mi) from Ulaanbaatar. The resort has 9 runs of varying difficulty, and 7 lifts. It is located on Bogd Khan Uul.

Education

The American School of Ulaanbaatar, the International School of Ulaanbaatar, the Elite School and the British School offer Western-style K-12 education in English for Mongolian nationals and foreign residents.

There are also a number of state and private local schools with instruction in Mongolian (partly in English in some private schools). The standards can be high, but the number of expatriate children in such schools is small.

APPENDIX B – Stabilisation Certificate details

Stabilisation certificate terms for investment projects in mining, heavy industry, infrastructure sectors

Investment amount (MNT in billions)	Term of stabilisation certificate (years)					Investment term (years)
	Ulaanbaatar region	Central region	Khangai region	Eastern region	Western region	
30-100	5	6	6	7	8	2
100-300	8	9	9	10	11	3
300-500	10	11	11	12	13	4
Above 500	15	16	16	17	18	5

Stabilisation certificate terms for investment projects in all others sectors

Investment amount (MNT in billions)	Term of stabilisation certificate (years)					Investment term (years)
	Ulaanbaatar region	Central region	Khangai region	Eastern region	Western region	
10-30	5-15	4-12	3-10	2-8	5	2
30-100	15-50	12-40	10-30	8-25	8	3
100-200	50-100	40-80	30-60	25-50	10	4
Above 200	Above 100	Above 80	Above 60	Above 50	15	5

Stabilisation certificate details

- Name of a legal entity holding a stabilization certificate;
- State registration and registry number of a legal entity holding a stabilization certificate;
- Name, the state registration and registry number of a legal entity;
- Name of an implemented investment project;
- Date of issuance, and duration of the stabilization certificate;
- Rates of the taxes stabilized by the stabilization certificate.

Documentation list for the application for a stabilisation certificate

- Statement by the applicant on the fulfilment of all requirements under the Investment Law for a manufacturer;
- Brief introduction of the company, state registration certificate;
- Information on new techniques and technology;
- Environmental impact assessment;
- Feasibility study.

Invalidation of a stabilisation certificate

- Validity term has expired;
- Holder of the certificate has requested, or is liquidated;
- Others.

APPENDIX C – Tax Rates

CIT	10% for the first 3 billion MNT (USD 1.5m approx) 25% thereafter 10% for investment income (royalties, dividends, interest) Varying rates for other specific types of income
Tax Depreciation	Straight line over useful economic life: 3 to 40 years.
Withholding Tax	Residents 10% Non-residents 20% Varying rates for other specific types of income
Personal Income Tax	10% Varying rates for other specific types of income
VAT	10%
Immovable Property Tax	0.6% -1%

APPENDIX D – Double Tax Treaties⁴²

Recipient	Beneficial WHT rates (%)			
	Dividends	Interest	Royalties	Technical fees
Austria	5/10 (1)	10	5/10	N/A
Belgium	5/15 (2)	10	5	N/A
Bulgaria	10	10	10	N/A
Canada	5/15 (7)	10	5/10	5
China	5	10	10	N/A
Czech Republic	10	10	10	N/A
France	5/15 (7)	10	5	N/A
Germany	5/10 (1, 4)	10	10	N/A
Hungary	5/15 (9)	10	5	N/A
India	15	15	15	15
Indonesia	10	10	10	N/A
Kazakhstan	10	10	10	N/A
Korea, Democratic People's Republic of	5	5	10	N/A
Korea, Republic of	5	5	10	N/A
Kyrgyzstan	10	10	10	N/A
Malaysia	10	10	10	10
Poland	10	10	5	N/A
Russia	10	10	In accordance with domestic legislation	N/A
Singapore	0/5/10 (6, 9)	5/10 (10)	5	N/A
Switzerland	5/15 (5)	10	5	N/A
Turkey	10	10	10	N/A
Ukraine	10	10	10	N/A
United Kingdom	5/15 (3)	7/10 (8)	5	N/A
Vietnam	10	10	10	10

⁴² List of effective double tax treaties as of 1 April 2015.

Notes

1. 5% if the recipient is a company (excluding partnerships) and directly owns at least 10% of the capital of the company paying dividends.
2. 5% if the beneficial owner is a company (excluding partnerships) and directly or indirectly holds at least 10% of the capital of the company paying dividends.
3. 5% if the beneficial owner is a company that directly or indirectly controls at least 10% of the voting power in the company paying dividends.
4. 5% if the beneficial owner is a company (excluding partnerships) and directly owns at least 10% of the company.
5. 5% if the beneficial owner is a company (excluding partnerships) and directly owns at least 25% of the capital of the company paying dividends.
6. No tax if dividends paid to the government/certain public bodies.
7. 5% if the beneficial owner is a company and directly or indirectly holds at least 10% of the capital of the company paying dividends.
8. 7% if interest is paid to a bank that is the beneficial owner of the interest and carrying on a *bona fide* banking business.
9. 5% if the beneficial owner is a company and directly owns at least 25% of the capital of the company paying dividends.
10. 5% if interest is received by a bank or a similar financial institution.

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