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# ***Tax Alert***

## ***Issue 21***



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## **Mongolia and Luxembourg to negotiate the double tax treaty**

According to the Luxembourg Foreign Affairs Ministry, Mongolia and Luxembourg have agreed to negotiate a new tax treaty on the avoidance on double taxation<sup>1</sup>.

The Deputy Prime Minister and Minister for Foreign Affairs and Immigration Jean Asselborn paid an official visit to Mongolia on Tuesday, 30 July 2013 for bilateral meetings with Mongolia's Deputy Prime Minister Terbishdagva Dendev and Minister of Foreign Affairs Luvsanvandan Bold.

During this meeting, Jean Asselborn called for a new agreement on avoidance of double taxation between Luxembourg and Mongolia to allow better access of investment funds and other financial services of Luxembourg to Mongolia. In this context, the Mongolian Ministers agreed to open negotiations upon adopting the new law on foreign investment by the Mongolian parliament<sup>2</sup>.

### **PwC's observation**

In 2012, Mongolia cancelled double tax treaties with 4 countries (UAE, Kuwait, Luxembourg and the Netherlands) and issued a new law on Strategic Entities Foreign Investment to put regulations for specific foreign investments. These actions may have resulted in the decrease of the country's foreign direct investment in last years.

However, in past months Mongolia has been taking forward steps to improve the foreign investment framework. In April, the government revised the law on Strategic Entities Foreign Investment Law (SEFIL) exempting foreign private companies' investment from the parliament approval. In addition, it is understood that the government is expecting to issue a further law on foreign investment to ease the foreign direct investment framework for foreign state-backed firms<sup>3</sup>.

With the recent announcement on commencing negotiations with Luxembourg on the double tax treaty we understand that the Mongolian government is open to taking further actions to improve the foreign investment environment in Mongolia.

Nonetheless, it is still not clear when the two governments would actually start the negotiation as the Mongolian government appears content to open negotiations "after issuing new law on foreign investment". We will keep you updated on the progress regarding the treaty negotiations.

Source: (1) <http://www.mae.lu/fr/content/view/full/934293>

(2) <http://www.taxtreatiesanalysis.com/2013/08/enluxembourg-mongolia-commence-tax-treaty-negotiations>

(3) [http://www.scmp.com/business/commodities/article/1294552/mongolia-simplify-fdi-state-backed-firms?goback=%2Egde\\_3788159\\_member\\_263590458](http://www.scmp.com/business/commodities/article/1294552/mongolia-simplify-fdi-state-backed-firms?goback=%2Egde_3788159_member_263590458)