

Amendments to Tax Laws



The Government approved the “Law on Petroleum” and “Law on Protection of Cultural Heritage” in July and May, 2014 respectively. Following issuance of these laws, it amended the General Taxation law, Corporate Income Tax law, Value Added Tax law and Personal Income Tax law.

Introduction of new taxes

Mongolia issued a new “Law on Petroleum” which replaced the Law on Petroleum of 1991. Parliament then approved introduction of the following new taxes to the General Tax Law (GTL).

Royalty on petroleum

The concept of royalty on petroleum was only available within the old Law. The royalty is now introduced as a separate type of tax in the GTL. The royalty on petroleum is aimed at clarifying taxation of the oil & gas industry. It is separate from mineral royalty.

The royalty on petroleum, natural gas is set at 5 – 15% of the total extracted petroleum, natural gas. The royalty on unconventional oil is 5 – 10%.

The royalty on petroleum return should be submitted within the first quarter of the following year. Further regulations on the petroleum royalties are being developed.

Fees for petroleum/unconventional oil exploration and production licenses

The exploration license fee is set at 3 USD / kilometre² of license area. The production license fee is 100 USD / kilometre² of license area. These license fees are payable annually.

These two taxes are enforced throughout Mongolia and are classified as state taxes. Regulation of the taxes is governed by the new “Law on Petroleum.”

These new taxes are enforceable from 1st July 2014.

Changes to Corporate Income Tax (CIT) law

1. An amendment was made to Article 18.1.2 of the CIT law. Previously the law provided exemption for certain income of a non-resident taxpayer who operated in Mongolia under a production sharing agreement in the oil industry. Following the amendment, this exemption is provided for both resident and non-resident taxpayers.

The amendment is effective from 1st of July 2014.

2. An addition was made to Article 17 of the CIT law. Now, interest income of non-residents from Mongolian Commercial Bank bonds listed on a domestic or foreign Stock Exchange is set at 10%. *Previously, all types of interest (except for interest from Government bonds which is exempt from taxation) of a non-resident were subject to 20% withholding tax.*

This addition is effective from 1st January 2015.

Additions to VAT law

The following are added to the list of VAT exempt goods and services:

Article 13.1.23 – *“Equipment, spare parts, and substances materials that are used for the purpose of research and renovation of cultural heritage”*

The article is effective from 1st July 2014.

Article 13.1.24 – *“[an] International postal parcel which was sent under the name of an individual and the value of which does not exceed 10 times the minimum monthly wages, for notebook not exceeding 30 times of minimum monthly wages and that comprises of similar goods not more than quantity of two”*

The article is effective from 1st January 2015.

Article 13.1.25 – *“Machinery, equipment, spare parts, raw materials, chemical, explosive materials, and tools imported by a contractor or subcontractor for activities related to petroleum oil and non-traditional petroleum oil during the exploration stage and during the first five years of the mining stage”*

The article is effective from 1st July 2014.

Article 13.1.26 – *“Reports, samples and petroleum related to petroleum and unconventional oil”*

The article is effective from 1st of July 2014.

Article 13.6.25-*“Cultural heritage renovation service”*

The article is effective from 1st July 2014.

Addition to Personal Income Tax (PIT) law

A new article 16.1.17 is added as income exempt from tax:

Article 16.1.17 - *“Donation provided for the purpose of protecting or renovating cultural heritage.”*

The article is effective from 1st of July 2014.

Introduction of electronic tax payment system

On 8 August 2014 the General Department of Taxation (GDT) launched an electronic payment system that enables taxpayers to pay taxes using their accounts in Golomt Bank, Khaan Bank, and State Bank. Previously, tax inspectors manually entered payment information to the system based on bank payment slips.

The GDT plans to extend the electronic tax payment system to all commercial banks in Mongolia. It is expected that the introduction of the electronic payment system will reduce tax administration and tax compliance costs for both taxpayers and tax authorities.

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Let's talk

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