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Taxes of expatriates in Mongolia

Taxes everywhere you go are a minefield especially in developing countries.

Are you an expatriate in Mongolia?....Do you know your *Personal Income Tax* obligations?....

Taxes are a minefield for Expatriates to navigate each time you cross borders. One of the most commonly asked questions relate to their tax obligations. In this respect, we discuss your Personal Income Tax ("PIT") obligations in Mongolia.

In Mongolia, there are 2 types of taxpayers:

- Resident Taxpayer
- Non-Resident Taxpayer;

Resident Taxpayer

A Resident Tax payer is defined as;

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



Taxable income

A resident taxpayer is subject to tax on his/her income earned in the territory of Mongolia and on his/her worldwide income. The worldwide income includes any other income such as salary, income from the sale of property and shares, property rental income, dividends and interest income, etc. derived from foreign sources. The PIT rates also differ depending on the types of income and is between 2%-10%.

Filing obligations

The filing obligation of a tax resident is as follows.

For employment income, the Mongolian employer is responsible to withhold, report and transfer the PIT at 10% to the Mongolian Tax Authority ("MTA").

Where the non-resident employee has other non-employment related income, the employee is responsible to declare this income on a self-assessment basis. This may include rental income, self employment business income, dividends and interest income etc.

For worldwide income, it is the individual's obligations to self assess his/her taxable income, report and pay the PIT in Mongolia.

Individuals are required to make the PIT payments on a monthly/quarterly basis depending on the type of income and should file the tax return annually by the 15th of February of the following tax year.



Non-Resident Taxpayer

A Non-resident Tax payer is defined as;

- An individual who has no residence (e.g. does not own home/apartment) in Mongolia; and
- An individual who has not resided in Mongolia for 183 or more days in a tax year (calendar year);

Taxable income

A non-resident taxpayer is subject to tax on his/her income earned in the territory of Mongolia in a tax year. Currently, in practice, income earned in the territory of Mongolia is being understood as employment income received based on an employment contract with a Mongolian company.

Filing Obligation

For employment income, the Mongolian employer is responsible to withhold, report and transfer the PIT at 10% to the Mongolian Tax Authority (“MTA”).

Where the non-resident employee has other non-employment related income, the employee is responsible to declare this income on a self-assessment basis. This may include rental income, self employment business income, dividends and interest income etc.



Employers reporting & filing obligations

In addition to deducting PIT, employers also have an obligation to deduct as well as contribute to Social Insurance (SI).

Employers are required to make the payments of PIT and SI taxes every month before the end of the month. The SI rate for employee is 10%, for employer is 11%-13% depending on the sector.

The SI returns are required to be filed electronically and in paper format on a monthly basis and the deadline for submission is 5th day of the following month.

The withholding PIT returns are also required to be filed electronically and in paper format on a quarterly basis and the deadline for submission is 20th day of the first month of the following quarter. The paper filing requirement is still currently in place but it is being phased out as of 1st January 2013 moving to an electronic filing format.

Therefore as you can see from the above, the processes are not as simple and clear-cut given the manual processes involved including the tight deadlines for lodgement and payment.

If you have any questions or requests regarding this article or regarding Personal Income Tax in general, please do not hesitate to contact us.