

## *The draft law On Amending the Budget Projection*

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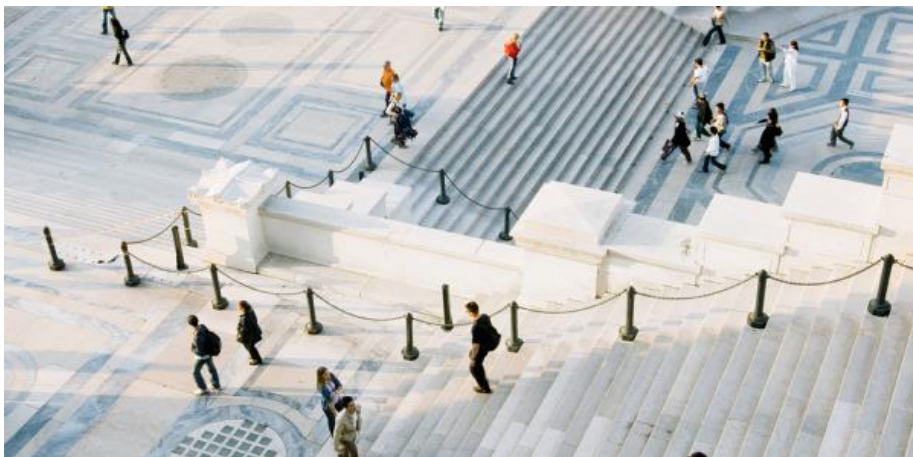
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*The Ministry of Finance have developed the draft law On Amending the Budget Projection (the "Draft law") and submitted it to the Parliament on 23th August 2016. This Draft law introduces a number of changes to the tax and social health and insurance legislation which are aimed at increasing the budget revenues and decreasing the expenses.*

### **Personal income tax:**

- If an individual's annual taxable income is up to MNT 30 million, it shall be taxed at 10 percent. If such income exceeds MNT 30 million, the tax should apply as MNT 3 million plus 25 percent on income exceeding the 30 million threshold.
- Interest income on deposits will be taxable.

### **Mineral royalty tax:**

- According to the current law, a mineral royalty tax on gold is 2.5 percent, if gold is sold to the Bank of Mongolia or its authorized bank, and extra mineral royalty tax rate is zero.
- This zero rate should have been applied until 1 January 2019, however, the Draft law proposes to apply a zero rate until 1 January 2017 only.

### **Excise duty:**

- Excise duty for vodka, wine and tobacco will be increased by 20%. For example, an excise duty for alcohol of 25 to 40 degree will increase from MNT 5,800 to MNT 6,960 per liter.
- Depending on the year of production, excise rate for imported automobiles shall be increased by 3-15 percent.

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- For luxury automobiles with a volume of engine over 4,501 cm<sup>3</sup>, an excise tax rate will be increased. For example, for new automobiles, the rate will increase from MNT 10,500,000 to MNT 15,000,000.
- For hybrid automobiles produced not more than 7 years ago, 100% of excise duty will be exempt. For those which are produced 7 and more years ago, 50% of excise duty is exempted.

### ***Immovable property tax:***

- According to the current law, all kind of apartments are exempt from an immovable property tax.
- However, the Draft law envisages an exemption only for apartments, which are below 150 m<sup>2</sup>.

### ***Social health and insurance contribution:***

- For both employer and insured persons, a pension insurance premium will be increased from 7% to 9.5%.

*The Draft law is expected for discussion during the special Parliament's session which has been already started on 25 August 2016. We will keep you informed about further developments.*

