

# ***Tax Alert#6/2016***

## **Taxation of Foreign Individuals in Mongolia in 2016**

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# Taxation of Foreign Individuals in Mongolia-2017

*As the individual's tax filing deadline is approaching, we would like to present overview of the tax issues applicable to foreign individuals staying in Mongolia. If you have any questions regarding this issue, please contact us to discuss.*



## I. Tax Residency Status

A foreign individual is considered as **Mongolian tax resident** if he or she resides in Mongolia for 183 or more days in a tax year or owns a residence in Mongolia (Article 6.1.1 and 6.1.2 of the Law of Mongolia on Personal Income Tax ["PIT"]). Above days are calculated based on the number of days of a calendar year from the day of entry into Mongolia and in case of multiple entries, it will be determined based on the total days of stays in Mongolia.

A foreign individual is considered as a **non-resident taxpayer** in Mongolia if he or she has no residence in Mongolia and has not stayed in Mongolia for 183 or more days in a tax year (Article 7.1 of the PIT law).

## II. Taxable Income

If foreign individual is **resident taxpayer** of Mongolia, his or her income earned in Mongolia as well as income received from any source outside of Mongolia (i.e. **worldwide income**) is subject to tax in Mongolia (Article 9.1.1 of the PIT law).

Regarding **non-resident taxpayer**, only **income earned in Mongolia** is subject to tax in Mongolia (Article 9.1.2 of the PIT law).

## III. Tax Rates

Both resident and non-resident taxpayers are taxed at 10% on all type of income earned, except following types of income:

- Income from creation of scientific, literary and artistic works, invention, product design and organising and participating in sport competition, art performance, and other similar income is taxable at 5%. Furthermore, income from remuneration for sports competition, art performance, and festival is taxed at 5%;

- Income from sale of immovable property is taxable at 2%
- Income from quiz, gambling, and lottery is taxable 40%.

Please note that these rates could be reduced or waived based on relevant Double Tax Treaties.

## IV. Individual Tax Filing and Payment Requirements

Individual tax filing and payment obligations arise in Mongolia for resident tax payers who have received Mongolian source of income that is not subject to taxation at the source of payment in Mongolia and/or have received income from any sources outside of Mongolia.

Furthermore, non-resident taxpayers who have received Mongolian source income not subject to taxation at the source of payment in Mongolia are also obliged to report and pay PIT on self-assessment basis.

Foreign individuals should comply with their PIT obligations by registering with the Mongolian Tax Authorities for PIT purpose.

## V. Tax Payment and Filing Deadlines

Annual tax return is due by 15th of February of the year following the reporting year (Article 28.2 of the PIT law), so the 15<sup>th</sup> of February in 2017. The annual individual income tax return is form TT-06 (a) and (b).

Tax return should be submitted by online. So, in order to submit the tax return for the first time, the individual should register him or herself as a taxpayer with local resident tax authority office and should be provided online accesses.