ESG-Related Tax Regulations in Mongolia

This Tax Alert provides a consolidated overview of environmental, social and governance (ESG)-related taxes, fees, and tax incentives and exemptions currently in force in Mongolia. This publication is intended to support businesses and individuals in appropriately considering the implications of tax policies in their sustainability initiatives and other decision-making processes.

ONE. Key ESG-Related Taxes

1. Air Pollution Fee

The Air Pollution Fee (APF) Law was enacted in 2010 to support efforts aimed at reducing air and environmental pollution through tax policy measures. The law imposes charges on carbon dioxide (CO_2) and other emissions generated by coal extraction, motor vehicles, organic solvents, and major stationary sources of air pollution. In this regard, the APF may be considered broadly similar to the carbon tax regimes implemented in certain jurisdictions.

The table below summarises the current APF tax base, applicable rates, and other relevant information currently in force in Mongolia.

Taxpayer	Tax Base	Tax Rate/ Payable	Payment Due Date	Reporting Requirement	Type of Emission
Raw Coal Mining Entity	Extracted raw coal (kg)	MNT 1-2 per kg	By the 20th day of the first month of the following quarter	Form TT-24	PM (particulate matter), CH_4
Organic Solvent Manufacturer or Importer	Organic solvents produced or imported (kg)	MNT 10-30 per kg	Prior to obtaining a special permit for chemicals	Form TT-24	VOC (volatile organic compounds)
Owner of a motor vehicle or self-propelled machinery/equipment	Based on Categories A–E and CO_2 emissions (g/km)	MNT 3,600-19,000 annually	Annually, before 1 June	TT-24 certificate notation	CO_2
Operating a major stationary source of air pollution	Air pollutants emitted (kg)	Determined by the Citizens' Representatives Khural of the respective aimag or the capital city, or by the council of a city with national status, within the range of MNT 1-10 per kg	By 10 February of the following year	Form TT-24 and an assessment issued by the Air Quality Authority	SO_2, NOx, CO, PM, VOC

The following are exempt from the APF:

- Manufacturers of new types of fuel produced through the deep processing of raw coal that comply with applicable standards;
- Motor vehicles that emit 120 grams or less of carbon dioxide per kilometre travelled;
- Motor vehicles and self-propelled machinery classified under Categories A and B, during the first four years following manufacture;
- Grain harvesters and track-type tractors used for agricultural purposes; and
- Enterprises and organisations engaged in raw coal extraction or power generation for the purposes of ensuring national security and protecting the public interest.

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2. Excise Tax

Excise Tax (ET) is intended to reduce the adverse social, public health, and environmental impacts arising from the consumption of certain goods, including alcoholic beverages, tobacco products, motor gasoline, diesel fuel, and passenger vehicles.

Among these, the excise tax applicable to motor gasoline, diesel fuel, and passenger vehicles is discussed below, including the tax base, applicable rates, and other relevant information.

For motor gasoline and diesel fuel, the ET rates are determined by the Government within the ranges prescribed below, taking into account industry-specific considerations:

Taxpayer	Tax Base	Rate / Amount Payable (per tonne)
Domestic producer of motor gasoline and diesel fuel	Motor gasoline with an octane rating of up to 90	MNT 0-15,950
	Motor gasoline with an octane rating above 90	MNT 0-17,400
	Diesel fuel	MNT 0-21,750
Importer of motor gasoline and diesel fuel	Motor gasoline with an octane rating of up to 90	MNT 0-750,000
	Motor gasoline with an octane rating above 90	MNT 0-750,000
	Diesel fuel	MNT 0-850,000

For imported passenger vehicles, ET is imposed based on the engine cylinder capacity and the number of years elapsed since the year of manufacture, as set out below:

Engine Cylinder Capacity (cc)	Amount of Excise Tax Payable (MNT)			
	Period Since Year of Manufacture (years)			
	0–3 years	4–6 years	7–9 years	10+ years
1500 or less	750,000	1,600,000	3,350,000	10,000,000
1501-2500	2,300,000	3,200,000	5,000,000	11,700,000
2501-3500	3,050,000	4,000,000	6,700,000	13,350,000
3501-4500	6,850,750	8,000,000	10,850,000	17,500,000
4501 or more	14 210,000	27,200,000	39,150,000	65,975,000

- ✓ Under the amendments to the ET Law effective from 26 June 2026, an additional 33% ET is imposed on the portion of the customs value of an imported passenger vehicle exceeding MNT 360 million, in addition to the amounts set out in the table above.
- ✓ Amendments made to the ET Law in 2017 provide that the Government may set the ET rates applicable to hybrid vehicles, liquefied gas-powered vehicles, and electric vehicles at between 0% and 50% of the amounts specified in the table above.

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3. Vehicle Tax

Vehicle Tax (VT) is imposed on owners of motor vehicles and self-propelled vehicles registered in Mongolia. The tax is intended to generate revenue for local budgets and support the financing of road transport infrastructure. In addition, as the tax is differentiated based on factors such as the type, purpose, and engine capacity of the vehicle, it may be regarded as a tax policy instrument aimed at promoting the use of more environmentally friendly and energy-efficient vehicles.

The amount of tax is determined by the Citizens' Representatives Khural of the respective aimag or the capital city, or by the council of a city with national status, within the ranges set out in the table below (Resolution No. 24/28 of the Citizens' Representatives Khural of Ulaanbaatar dated 4 December 2024):

Type of Motor Vehicle and Self-Propelled Vehicle	Annual Tax Range (MNT)	
	Capital City and Cities with National Status	Local Cities and Soums
Two-wheeled motorcycle	2,000-6,000	1,800-5,400
Three-wheeled motorcycle	1,500-9,000	2,800-8,400
Passenger vehicle (per cubic centimetre (cc) of engine cylinder capacity): a/ 2001 cc Up to б/ 2001-3001 cc в/ 3001 cc and above	Capital City and Cities with National Status 16-96 18-108 22-132	14-42 16-48 20-60
	Other 16-48 18-54 22-66	
Microbus (up to 15 seats)	35,000-105,000	28,000-84,000
Bus	52,000-156,000	40,000-120,000
Truck (depending on payload capacity)	25,000-1,440,000	20,000-1,320,000
Special-purpose vehicle	16,000-48,000	15,000-45,000
Tractor and other self-propelled machinery	14,000-42,000	11,200-33,600
Small tractor	7,000-21,000	5,600-16,800
Trailer (per tonne of payload capacity)	5,500-16,500	5,500-16,500
Electric vehicle	0-100,000	0-80,000

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4. Land Fees

In addition, land fees, water resource utilisation fees, forest resource utilisation fees, water contamination fees, waste service charges, and natural plant resource utilisation fees are fiscal measures that support Mongolia's climate change mitigation and adaptation policies by promoting the sustainable use of natural resources, implementing the polluter-pays principle, and protecting ecosystems.

These fees and charges are intended to contribute to the efficient use of resources and the reduction of waste and pollution by internalising environmental costs into the activities of resource users and consumers.

The items subject to land Fees, the fee base, applicable rates, and other relevant information currently in force are set out in the table below.

Fee Payer	Land Subject to Fee	Fee Base	Rate
Land possessor or user	Pastureland	Per head of livestock, converted into sheep units, as a percentage of the benchmark value of the pastureland unit area[1]	0.01-0.03%
	Roads and utility networks	Per kilometre	MNT 1,500-7,500
	Agricultural land	As a percentage of the benchmark value per hectare of land[2]	0.01-0.03%
	Cities, villages and other settlements		0.1-1.0%[3]
	Other land[4,5,6,7,8,9]		0.01-0.03%

Notes:

1. Livestock numbers are converted into sheep units using the following coefficients: *horses and cattle × 6.0, camels × 5.0, and goats × 0.9.*
2. The benchmark land valuation is determined by the Government.
3. Land use fee rates are determined by the Citizens' Representatives Khural of the capital city and the councils of cities with national status within the limits prescribed by law.
4. Land Fees applicable to mining licence areas are calculated at twice the land valuation applicable to the nearest city of national or local status.
5. Land Fees applicable to land located within land located within the protection zones of the forest fund and water fund are calculated at twice the land valuation applicable to the nearest city zone.
6. Land Fees applicable to specially protected areas are calculated at three times the applicable land valuation category.
7. Land Fees applicable to land used for tourism purposes are calculated at the same rate as land located in the nearest city, town, or settlement.
8. Land Fees for fallow or uncultivated land, where no decision has been issued by the competent authority, are imposed at the rate applicable to cultivated agricultural land.
9. Where sanitation facilities that do not meet applicable standards are constructed within specially protected areas or the green zone of the capital city, the applicable land use fee is doubled.

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4. Land Fees (continued)

The following circumstances qualify for a full or partial exemption from land Fees:

- Pastureland and hayfields used by herder households.
- Land of up to 0.07 hectares possessed and used by a Mongolian citizen for household purposes is eligible for a 90% exemption. Land used for the protection of historical and cultural heritage sites.
- State-owned and locally owned care institutions and educational institutions at all levels.
- Land planted with perennial crops and leguminous plants for the purpose of improving soil quality or converting land into pastureland, for up to the first five years.
- Newly planted perennial crops and fruit orchards until the first harvest is obtained.
- land fees on surrounding land made available to condominium owners' associations (COAs) under a use agreement.
- Land designated for industrial and technology parks is exempt at 100% during the first 10 years.
- High-tech manufacturers operating in remote regions are exempt at 100% during the first five years and 50% during the following five years.
- Businesses engaged in trade, tourism, and hotel services in free zones are exempt at 100% during the first five years and 50% during the following three years.
- Businesses engaged in infrastructure development and manufacturing activities in free zones and in the Capital City's Special Economic Zone are exempt at 100% during the first 10 years.
- Service providers engaged in priority sectors specified by law within the Capital City's Special Economic Zone are exempt at 100% during the first five years and 50% during the following three years.

5. Natural Resource Utilisation Fees

Natural Resource Utilisation Fees (NRUF) are intended to establish a framework for the assessment, collection, and reporting of fees for the use of natural resources, as well as for allocating a portion of the fee revenue towards environmental protection and the restoration of natural resources.

The payer of NRUF is any individual, business entity, or organisation holding a permit to use natural resources. The types of NRUF currently in force, together with the fee base, applicable rates, and other relevant information, are set out below.

i. Plant Resource Utilisation Fee

Item Subject to Fee	Fee Base	Rate[2]
Very rare plant species	The ecological and economic valuation of the relevant plant species, calculated by reference to the quantity of the species per unit of current weight expressed in kilograms[1]	25-30%
Rare plant species		15-20%
Common plant species		5-10%

1. Order No. A/75 of 2025 issued by the Minister of Environment and Tourism, titled "*Ecological and Economic Valuation of Very Rare, Rare, and Certain Common Plant Species*"
2. The fee rate is determined by the Citizens' Representatives Khural of the relevant aimag or the capital city, or by the council of a city with national status, within the limits prescribed by law.

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5. Natural Resource Utilisation Fees (continued)

ii. Water and Mineral Spring Resource Utilisation Fee

The rate of the Water Resource Utilisation Fee is determined by the Government within the ranges prescribed below, while the rate of the Mineral Spring Resource Utilisation Fee is determined by the Citizens' Representatives Khural of the relevant aimag or the capital city, or by the council of a city with national status, respectively.

Water Subject to Fee		Fee Base	Rate (as a % of the ecological and economic valuation)[1]	
			Surface Water	Groundwater
Water used for household and drinking purposes		Per cubic metre of water used	1-10%	5-20%
Water used for industrial purposes	Heavy industry		10-40%	20-50%
	Construction and construction materials manufacturing		10-30%	20-60%
	Road construction and maintenance		10-30%	20-70%
	Light industry		10-30%	10-40%
Water used in food production	Alcohol, beer and other alcoholic beverages		10-40%	20-40%
	Soft drinks and purified water		10-30%	10-20%
	Bread, confectionery, bakery products and other food products		1-10%	1-20%
Water used in mining operations	Mineral extraction and processing		10-40%	20-60%
	Copper concentrate and fluorspar processing		10-50%	20-70%
	Mine dewatering		10-15%	15-50%
	Exploration drilling		10-30%	20-50%
Water used for power generation			10-15%	15-30%
Water used in agricultural production			1-20%	10-40%
Water used in other production and service activities			10-30%	15-50%
Water used for hydroelectric power generation and inland waterway transport services		% of Gross sales revenue	1%-30%	NA
Water used for the breeding of common aquatic flora and fauna, recreational activities, and water sports facilities			1%- 20%	NA
Mineral Spring Subject to Fee		**Fee Base**	**Hot Springs**	**Cold Springs**
Used for medical treatment and rehabilitation purposes		Person-day	MNT 100-500	MNT 50-400
Used for industrial and service purposes		Per cubic metre of water used	MNT 500-1,500	MNT 1,000-3,000

[1] Government Resolution No. 302 dated 26 October 2011, *"Approving the Ecological and Economic Valuation of Water Resources"*

5. Natural Resource Utilisation Fees (continued)

iii. Forest Resource Utilisation Fee

Forest Resource Subject to Fee	Fee Base	Rate (as a % of the ecological and economic valuation)[1]	
		Min	Max
Harvesting standing timber	For merchantable timber and fuelwood, per solid cubic metre; for tops and branches, per loose cubic metre	6%	30%
Collection of stumps, fallen timber, tops and branches	For fuelwood obtained through the clearing of stumps, fallen timber, tops, branches and twigs, per loose cubic metre	2%	10%

[1] Order No. A/176 dated 16 March 2023 of the Minister of Environment and Tourism, "Ecological and Economic Valuation of Forest Resources"

Where timber or fuelwood is harvested through forest sanitation activities, including forest tending, collection of stumps, fallen timber, tops, branches, and twigs, the applicable fee may be reduced.

iv. Wildlife Resource Utilisation Fee

Wildlife Resource Subject to Fee	Fee Base	Rate (as a % of the ecological and economic valuation)[2]	
Fish captured for cultural and scientific purposes	Per kilogram	MNT 700	MNT 1000
Other wildlife hunted for cultural and scientific purposes	Per animal	20%	40%
Wildlife captured alive, domesticated and bred for the production of medicinal or other raw materials	As a percentage of sales revenue from the raw materials produced	10%	20%
Wildlife purchased alive from the State and taken into ownership	Per animal	80%	90%
Wildlife hunted by foreign nationals	Current international market value of the game animal or the benchmark value determined by the competent authority[3]	80%	90%
Wildlife exported alive	Current international market value of the wildlife	80%	90%

[2] Government Resolution No. 260 dated 5 July 2023, "Ecological and Economic Valuation of Wildlife"
[3] Government Resolution No. 339 of 2017, "Standard Prices, Fees and Charges for Hunting Game Animals Subject to Special Fees"

The following activities are exempt from natural resource utilisation fees:

1. Capturing wildlife for the purpose of breeding and reintroduction;
2. Organised hunting and culling carried out by authorised professional organisations for the purpose of eradicating wildlife disease outbreaks;
3. Hunting wolves for the protection of livestock or for the purpose of controlling population numbers within a specific area;
4. Temporary capture of wildlife for scientific research purposes, including the collection of specimens and samples, conducting measurements, tagging, banding, or attaching research equipment; and
5. Fees may be reduced by up to 80% for hunting conducted for the purpose of population control, sex ratio management, selective culling within a specific area, or for cultural and scientific purposes.

6. Other Environmental Fees and Charges

i. Water contamination Fee

The Water contamination Fee is intended to create an economic mechanism for preventing water pollution, protecting water quality, and reducing pollution by imposing charges on persons that discharge pollutants into water resources.

The fee is payable by individuals, business entities, and organisations discharging wastewater into water bodies. The fee base, applicable rates, and other relevant information are set out in the table below.

Fee Type	Fee Payer	Pollutant Subject to Fee	Rate[3]
Water contamination Fee	Water polluter	Suspended substances, per kilogram	MNT 50-1,000
		Organic substances, per kilogram	MNT 50-1,000
		Mineral substances, per kilogram	MNT 20-400
		Heavy metals, per kilogram	MNT 500-10,000
		Hazardous substances, per gram	MNT 1,000-10,000

ii. Waste Service Fee

The Law on Waste regulates matters relating to reducing the adverse impacts of waste on human health and the environment, preventing such impacts, incorporating waste into the economic cycle, conserving natural resources, improving public awareness of Waste, and reducing, sorting, collecting, transporting, storing, reusing, recycling, recovering, disposing of, and exporting waste, as well as prohibiting the import and transboundary transportation of hazardous waste.

The law defines the Waste Service Fee as a charge determined with reference to the costs associated with the collection, transportation, and disposal of waste.

Under the law, the amount of the Waste Service Fee is determined by the Citizens' Representatives Khural of the relevant aimag or the capital city, or by the council of a city with national status, based on the applicable methodology (Joint Order No. 192/A243 dated 19 July 2018 of the Minister of Finance and the Minister of Environment and Tourism, "Methodology for Calculating Waste Service Fees").

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TWO. ESG-Related Tax Incentives and Exemptions

In addition, Mongolian tax legislation contains various tax incentive and exemption provisions aimed at supporting environmental protection and restoration, the sustainable use of natural resources, the development of renewable energy, energy efficiency, and the implementation of ESG objectives and initiatives. Selected provisions are summarised below.

Corporate Income Tax (CIT) Incentives

1. A CIT incentive for qualifying projects, activities, financial support, and donations implemented as part of a company's corporate social responsibility (CSR) initiatives became effective in 2025 and will remain available until 2034. The amount of the incentive may be up to 1% of the taxpayer's taxable income for the relevant tax year and represents one of the key tax measures supporting ESG and sustainable development initiatives. The CIT Law specifically identifies the types of projects and activities eligible for the incentive, including:
    - Activities aimed at protecting, restoring, increasing, and sustainably utilising natural resources such as forests, water resources, and wildlife, reducing air, water, and soil pollution, and combating desertification;
    - Activities relating to care, protection, and rights of elderly persons, persons with disabilities, and children, the creation of accessible environments, and the establishment and operation of children's playgrounds, camps, and public parks;
    - Activities involving the construction and improvement of public roads, public spaces and parks, the development of green spaces, and support for public transportation.

The requirements applicable to qualifying projects and activities are further regulated by sector-specific ministerial regulations and guidance issued by the General Department of Taxation. For further information, please refer to our previously published Tax Alert: (*PwC Tax Alert No. 4 (November 2025), "Requirements for Claiming CIT Incentives for Corporate Social Responsibility Projects".*)

2. Income derived from the sale of environmentally friendly equipment and technologies that promote the efficient use of natural resources and reduce environmental pollution and waste is eligible for a full CIT exemption. The list of qualifying equipment, products, works, and services was approved by Government Resolution No. 468 of 2019.
3. A 90% CIT reduction is available for income derived from the manufacture of primary and auxiliary equipment for energy generation facilities with a capacity exceeding 5 MW of electricity or 1.5 MW of thermal energy.
4. Tax is reduced on income corresponding to expenditures incurred to improve the quality of natural water resources and restore rivers and streams for the purpose of increasing water resources and ensuring reliable water supply within a specific region.

VAT / Customs Duty

✓ Equipment, spare parts, and accessories used for renewable energy research, development, and production are exempt from VAT and Customs Duty. The list of qualifying equipment was approved by Government Resolution No. 198 of 2016.

Personal Income Tax (PIT)

✓ Where a taxpayer purchases, for personal use, solar, wind, geothermal, or other renewable energy equipment; equipment for producing semi-coke fuel, gas fuel, or liquid fuel from coal; standard-compliant stoves; low-pressure boilers; insulation materials; or electric and gas heaters, where a taxpayer purchases the specified equipment for personal use, the tax imposed on an amount of the taxpayer's income for the relevant year equal to the documented purchase cost is eligible for relief.

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TWO. ESG-Related Tax Incentives and Exemptions (continued)

3. Personal Income Tax (continued)

- ✓ A resident taxpayer engaged in the cultivation of tree seedlings is entitled to a 50% reduction of the PIT imposed on income derived solely from the sale of such tree seedlings.
- ✓ A resident taxpayer engaged in the production or cultivation of the following products is entitled to a 50% reduction of the PIT imposed solely on income derived from such production or cultivation activities: Cereals; Potatoes, vegetables, and their seeds; Fruits, berries, and their seeds and seedlings; Fodder crops; and Tree seedlings.

If you would like to obtain more detailed advice on ESG-related tax regulations, or explore how tax incentives, exemptions, and other tax measures may be effectively aligned with your business objectives and sustainability goals, please feel free to contact us.

We would be pleased to assist you.

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