

Tax law amendments submitted to Parliament for discussion during the 2026 Spring Session



Summary

The newly constituted Government has withdrawn the draft amendments to the tax legislation previously submitted to Parliament on 30 December 2025 and has, on 7 May 2026, submitted revised draft laws for parliamentary consideration. It is currently anticipated that these revised draft laws will be reviewed and potentially enacted during the 2026 spring session of Parliament, with entry into force expected from 2027.

Through this tax alert, we are providing a summary of the key amendments and changes reflected in the new draft laws, as well as the provisions that were removed from the draft previously submitted by the former Government on 30 December 2025.



1. Key amendments proposed to the General Tax Law:

- › The extent to which a taxpayer complies with tax legislation will be determined based on the "Taxpayer Compliance Level" and assessed on a scale of up to 100 points. In determining the level, criteria such as the taxpayer's registration, filing, tax assessment, payment, and history of violations will be taken into account. Based on the resulting score, taxpayers will be classified as very good, good, average, or poor. The compliance level will be determined quarterly and annually and communicated to taxpayers through the integrated tax system.
- › Penalties and fines assessed under additional tax assessment acts that are under review by the Dispute Resolution Council or the courts will not be collected from the taxpayer until a final decision is made.
- › The amount of tax debt that may be recovered from funds credited to a taxpayer's frozen bank account without dispute may not exceed 80% of that income. It will be prohibited to make payments from the frozen account for dividends, payments to related parties, or expenditures connected with liabilities arising from the taxpayer's own wrongful acts.
- › The total late-payment interest charged on taxes not paid within the statutory deadline may not exceed 50% of the unpaid tax amount.
- › A taxpayer may amend a tax return within the following two tax years.

The following provisions from the draft law of 30 December 2025, which was withdrawn by the Government have been removed.

- ✗ The tax authority will provide support, guidance and advisory services to help taxpayers prevent risks and voluntarily comply with tax laws.
- ✗ Tax dispute resolution proceedings will be conducted on an adversarial basis, and at the taxpayer's request, meetings of the tax dispute resolution council will be held openly and made available to the public through audio and video recording.
- ✗ If the tax authority issues a reassessment act using the comparable price method, a transfer pricing adjustment method, or the general anti-avoidance rule, it will attach to the reassessment act a report and conclusion describing the method of rule applied.
- ✗ The deadline for submitting the Local File and the Master File transfer pricing reports to the tax authority will be extended to June 30th of the following year

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2. Key amendments proposed to the Corporate Income Tax Law

- › To reduce the corporate income tax burden on business activities, the current two-tier progressive tax rate will be changed to three tiers as follows:

Annual taxable income amount (MNT)	Tax rate
Up to 6 billion	10%
Exceeding 6 billion up to 10 billion	15%
Exceeding 10 billion	25%

- › Except for businesses operating in the sectors listed below, entities with annual taxable income below MNT 2.5 billion will be subject to 10% tax on taxable income, and 90% of the tax assessed and paid in the final tax return will be refunded:
 - Exploration, extraction, use, transportation, and sale of minerals and radioactive minerals;
 - Cultivation of alcoholic beverages and tobacco plants, tobacco manufacturing, and importation;
 - Production of petroleum products and the import, wholesale, and retail sale of all types of fuel.
- › Corporate income derived by legal entities registered in a virtual zone under the Law on Supporting the Information Technology Industry will be eligible for tax credit.
- › For servers and supercomputers equipped with graphics processors and intended for high-speed storage and automated processing of large volumes of data, depreciation will be allowed over a three-year useful life.
- › The deadline for filing the semi-annual corporate income tax return will be extended to the last day of July of the relevant tax year, and the deadline for filing the annual corporate income tax return will be extended to the last day of February of the succeeding year.



The following provisions from the draft law submitted on 30 December 2025 and later withdrawn by the Government have been removed:

- ✗ The current MNT 50.0 million sales revenue threshold for using the simplified regime would be increased to MNT 400.0 million, with taxable income determined as 10% of operating income and subject to 10% corporate income tax.
- ✗ Where a holder of a mineral or land license increases its paid-in capital by issuing additional shares, a change in the ultimate beneficial ownership stake or voting rights structure would not be considered a transfer of rights.
- ✗ Expenses incurred for employee training, professional development, and qualification enhancement up to 10% of the total payroll expense of the preceding 12 months, and employee welfare expenses up to 5%, may be deducted from taxable income.
- ✗ The maximum deductible cap for insurance premium expenses would be increased and capped at 20% of taxable income in 2027, 25% in 2028, and 30% from 2029 onward.

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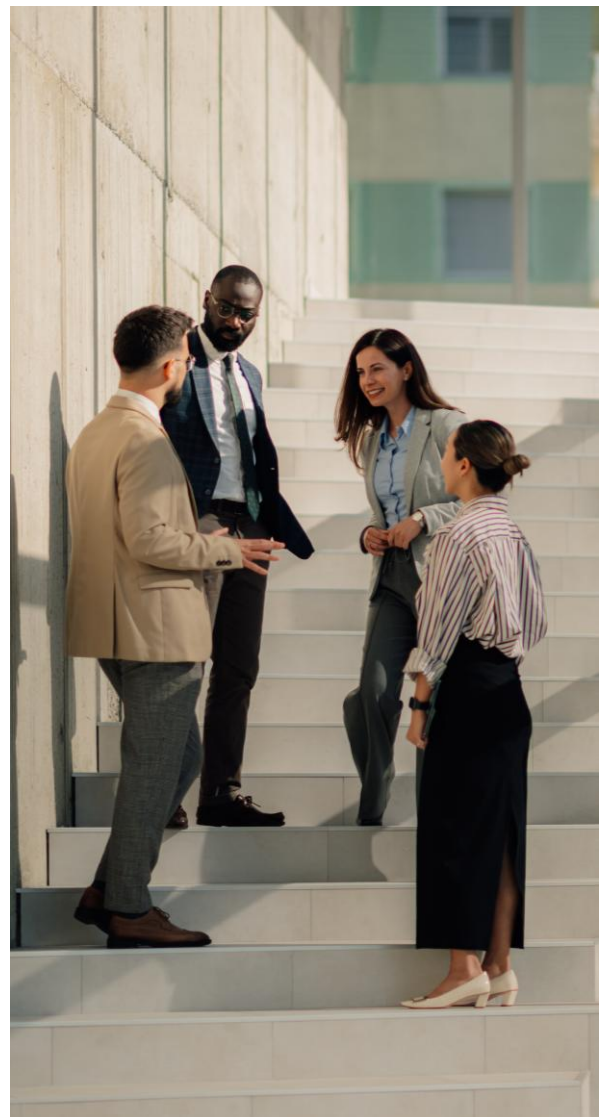
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3. Key amendments proposed to the Value Added Tax law

- A person whose operating sales revenue reaches MNT 400 million or more during a consecutive 12-month period shall register as a VAT withholding taxpayer.
- If a taxpayer's tax scoring (full payment of taxes and level of legal compliance) is rated "good" or higher, upon request payment may be deferred by 1 month, and if payment performance is good, then again for up to an additional 2 months with equal monthly payments (this also applies to VAT paid on imported goods). The amount of tax eligible for deferred payment may not exceed the monthly average VAT paid on the same type of goods imported by that taxpayer in the most recent quarter.

The following provisions were removed from the draft law of 30 December 2025 that was withdrawn by the Government :

- ✗ VAT paid on the purchase of fixed assets shall be deducted immediately in full.
- ✗ A business entity operating in sectors other than those listed below, with operating sales revenue of up to MNT 400 million over a consecutive 12-month period, may opt into the simplified tax regime at its own request: - conducting exploration, extraction, use, transportation, or sale of minerals and radioactive minerals; - cultivating tobacco plants, manufacturing or importing tobacco, and producing or importing alcoholic beverages; - producing petroleum products, importing all types of fuel, and engaging in wholesale or retail trade thereof.
- ✗ A withholding taxpayer under the simplified regime shall determine its tax by deeming that purchases equal to 90% of the sales made during the relevant quarter were made, and shall report quarterly. The quarterly return shall be submitted electronically to the tax authority by the 20th of the following month.
- ✗ For CIT and VAT purposes, the timing for recognizing sales revenue would be aligned, and VAT would be imposed upon issuance of the sales invoice or payment receipt.
- ✗ A VAT withholding taxpayer may deduct VAT imposed and paid on works and services purchased from a non-resident, where payment was made on a non-cash basis.
- ✗ If a VAT withholding taxpayer purchases goods or services without VAT from a resident, unrelated party and settles the payment on a non-cash basis, the taxpayer may calculate an input deduction by deeming that 10% VAT was embedded in the payment amount.
- ✗ For VAT paid on ceremonial events, employee training, and personal use, an input deduction may be claimed up to 15% of the monthly average salary expense over a consecutive 12-month period.



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4. Key amendments proposed to the Personal Income Tax Law

- The threshold for applying the simplified taxation regime will be MNT 1 billion. Taxable income will be imposed on the gross amount of business income.
- Personal will be fully exempted on up to MNT 9.5 million of annual income derived from a taxpayer's business activities and employment.
- Income earned by a Mongolian citizen from the sale of a residential apartment that has been owned for at least five consecutive years and used as the citizen's principal place of residence will be exempt from personal income tax.
- The filing and payment of personal income tax will be simplified, and the deadline will be extended until the end of the following year.

The following provisions from the draft law submitted on 30 December 2025 and later withdrawn by the Government have been removed:

- ✗ The threshold of simplified taxation regime will be MNT 400.0 million. Taxable income will be determined at 10 percent of operational income, and PIT will be levied at a rate of 10percent on the resulting amount.
- ✗ A Mongolian citizen will be granted a one-time tax credit of up to MNT 15 million on income equal to the following documented expenses incurred for purchasing or constructing a residential dwelling for owner-occupation, or for improving housing conditions. This includes:
 - Expenditures incurred for the purchase or construction of residential housing that meets energy-efficient or green building standards;
 - Expenses for purchasing renewable energy equipment such as solar, wind, geothermal, and other systems, insulation materials, electric and gas heaters, and heat pumps to reduce heat loss and improve energy efficiency in ger-area households;
 - Capital expenditures for the first-time purchase or construction of residential housing within the administrative boundaries of aimag or soum centers, cities with national classification, or the satellite cities and districts of the Capital City, including Baganuur, Bagakhangai, and Nalaikh districts.
- ✗ To simplify taxpayers' activities related to the determination, assessment, and reporting of taxes, and to prevent potential tax risks, the Mongolian Tax Administration will prepare a draft PIT return in advance based on information available in the Integrated Tax Registration and Information Database and deliver it to the taxpayer through the electronic tax system. The taxpayer may make corrections to the return if necessary.

Contact Information:



Sergi Kobakhidze
Partner
Tax and Legal Services
sergi.kobakhidze@pwc.com



Tsendmaa Choijamts
Executive Director
Tax and Legal Services
tsendmaa.choijamts@pwc.com



Enkhzul Jambal
Tax Senior Manager
Татварын зөвлөх үйлчилгээ
enkhzul.jambal@pwc.com



Enkhsanaa Erdene-Ochir
Tax Senior Manager
Tax Consulting Service
enkhsanaa.erdene-ochir@pwc.com

If you need advice on the above topic or any other issues, please contact us.

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