



Virtual Zone: Operational Rules and Applicable Tax and Non-Tax Incentives

In Brief

On 5 June 2024, the Parliament of Mongolia enacted the Law on Supporting Information Technology Production (**SITP Law**). The SITP Law introduced the legal framework for establishing a Virtual Zone for Supporting Information Technology Production, which constitutes a core pillar for the effective implementation of the Law. After a considerable period following the adoption of the Law, the Government of Mongolia, by Resolution No. 98 dated 17 September 2025, approved two key implementing regulations: the Regulation on the Operation of the Virtual Zone for Supporting Information Technology Production (**Virtual Zone Regulation**) and the Regulation on the Provision of Tax and Non-Tax Incentives to Legal Entities Registered in the Virtual Zone (**Incentive Regulation**). Through this legal alert, we would like to highlight and share with you the key regulatory features of these newly approved regulations.

About Virtual Zone

Pursuant to the SITP Law, a zone established for the purpose of providing the incentives, based on the electronic registration of legal entities engaged in information technology production, is defined as the “Virtual Zone for Supporting Information Technology Production” (**Virtual Zone**). The activities of the Virtual Zone are to be managed and coordinated by the National Council (**Council**). The Council is chaired by the Prime Minister of Mongolia, with the Minister of Digital Development, Innovation and Communications serving as the Deputy Chair.

Virtual Zone Regulation

Virtual Zone Regulation governs the relationships arising in connection with registration in the Virtual Zone, the conclusion of relevant agreements, and deregistration from the Virtual Zone. The operations of the Virtual Zone are to be administered through an electronic system.

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Virtual Zone Regulation (cont.)

Legal entities are required to submit their application for registration electronically through the unified government services platform, E-Mongolia.

| Activities | Form | |
|---------------------------------|------------|--|
| Submit a request | Electronic | <ul style="list-style-type: none"> The followings shall be accompanied with the application: <ol style="list-style-type: none"> The legal entity's registration details; a reference confirming the legal entity's payment of social insurance contributions for its employees; and the legal entity's opening balance sheet or, as applicable, its financial statements for the preceding financial year. |
| Review and make decision | Electronic | <ul style="list-style-type: none"> The application will be reviewed within 3 business days, and Council's Working Office ("CWO") notify the applicant whether the requirements for registration in the Virtual Zone have been satisfied. If the application does not meet the prescribed requirements, the submitted materials will be returned with a clear explanation and specific grounds for rejection. In such case, the applicant may resubmit the revised application within 5 days, after addressing the identified deficiencies. |
| Conclude an agreement | Electronic | <ul style="list-style-type: none"> The legal entity will be notified electronically of the conclusion of an agreement in accordance with the standard agreement template approved by the Council. Within 5 business days from receipt of such notification, the legal entity must submit the following documents and information to the CWO: <ol style="list-style-type: none"> details of the information technology products, services, and scope of activities, together with the business plan, a detailed description of the proposed activities, and the budget estimate; information on the organizational structure and human resources of the legal entity; and copies of certificates evidencing ownership of copyrights, patents, or utility models, if applicable. Upon mutual agreement on any special terms in accordance with the agreement, the agreement shall be executed and validated by the electronic signature of the individual authorized to represent the legal entity without a power of attorney. |

Legal entities registered in the Virtual Zone are required to submit their annual financial statements and tax returns to the CWO by 15 March of each year.

A registered legal entity may be deregistered from the Virtual Zone on any of the following grounds:

- failure to engage in information technology production activities as stipulated in the agreement and internal rules within 1 year from the date of registration in the Virtual Zone;
- carrying out activities other than information technology production through the Virtual Zone;
- although having engaged in information technology production as provided in the agreement and internal rules, suspension or cessation of operations for a continuous period exceeding 12 months due to reasons attributable to the legal entity; or
- liquidation of the legal entity.

A notice of deregistration from the Virtual Zone on the above grounds shall be delivered to the relevant legal entity within 5 business days following the completion of the assessment of the agreement's implementation. Upon receipt of such notice, the legal entity has the right to submit an explanation within 5 business days. If no explanation is submitted within this period, the legal entity shall be deemed to have accepted the deregistration, and the deregistration shall be effected accordingly.



Incentive Regulation

Details of the tax and non-tax incentives available to legal entities registered in the Virtual Zone are set out below. With respect to non-tax incentives, the regulations provide that the financing plan, aligned with the approved state budget for the relevant year, shall be approved by the Council by February of each year.



Tax Incentives

- Tax incentives shall be granted in accordance with the relevant tax laws and regulations that specifically govern the applicable tax relationships.
- Applications for tax incentives must be submitted to the competent tax authority.
- The CWO shall provide legal entities with advisory support and assistance in connection with the application of tax exemptions and tax reliefs.
- Tax exemptions and reliefs shall be applied in accordance with the procedure for granting tax exemptions and reliefs prescribed under Article 10.2 of the General Taxation Law.



Non-Tax Incentives



The non-tax incentives and the relevant provisions of the regulation are outlined below.

| Non-Tax Incentive Types | Provisions of the Incentive Regulation |
|---|--|
| <ul style="list-style-type: none"> • Financing, in the form of grants, the costs incurred by information technology manufacturers in collaborating with domestic and foreign organizations | Grants shall be provided from the funding sources prescribed by law |
| <ul style="list-style-type: none"> • Financing, in the form of grants, the costs incurred for international quality and standards certification of information technology products exported abroad | Grants shall be provided from the funding sources prescribed by law |
| <ul style="list-style-type: none"> • For information technology manufacturers registered in the Virtual Zone, the amount of social insurance contributions paid by the employer for the relevant year shall be refunded | The amount of employer-paid social insurance contributions for the relevant year shall be refunded |
| <ul style="list-style-type: none"> • Financing, in the form of grants, the total estimated cost of projects and activities based on artificial intelligence, as well as investments made through other sources | Grants shall be provided from the funding sources prescribed by law |
| <ul style="list-style-type: none"> • Providing awards and incentives to patent holders who have created products and services based on advanced technology | Monetary incentives shall be granted |
| <ul style="list-style-type: none"> • Issuing loan guarantees in accordance with the conditions and procedures set out in the Law on the Credit Guarantee Fund | Loan guarantees shall be issued in accordance with the Law on the Credit Guarantee Fund. |
| <ul style="list-style-type: none"> • Providing a one-time grant to a domestic IT startup company equal to up to 70% of the research and development costs for each product or service that has been exported and registered as intellectual property | Grants shall be provided from the funding sources to startup companies |
| <ul style="list-style-type: none"> • Financing a certain percentage of the interest on a loan taken out to implement an IT product or service project | It will be determined within the scope of the loan obtained after registration in the Virtual Zone |
| <ul style="list-style-type: none"> • Applying accelerated depreciation to the assets of startup companies engaged in IT manufacturing | Grants will be granted to startup companies |

Let's talk!

Access the approved regulations by clicking [here](#). If you have any questions about this Alert, feel free to reach out to us.

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