Key Amendments to the Tax laws in 2026

Summary

As part of the tax reform initiative, the Parliament approved amendments to various tax laws on 26 June 2026 during its spring session. These amendments will take effect from 1 January 2027.

In addition, amendments to the Corporate Income Tax Law accompanying the Law on Economic Freedom enacted on 3 July 2026 introduced a 5% tax rate on interest income derived from loans and debt instruments raised from domestic and foreign sources by financial institutions. These provisions apply from the effective date of the Law on Economic Freedom.

Further amendments to the Excise Tax Law adopted on 26 June and 2 July 2026 increased taxation on passenger vehicles exceeding MNT 360 million and revised the tax base and tax rates applicable to cigarettes and similar tobacco products. These provisions became effective from the dates on which the respective amendments entered into force.

Through this Tax Alert, we provide a brief overview of these key amendments to the tax legislation.

1. Key Amendments to the General Tax Law:

- A taxpayer compliance rating system will be introduced to assess compliance with customs and tax legislation on a scale of up to 100 points. The rating will be determined based on factors such as taxpayer registration, filing, tax assessment, customs clearance, tax payment, and records of non-compliance. Compliance levels will be assessed 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 70% 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.
- No late-payment interest will accrue on unpaid taxes during a tax audit until a final decision is made.

These additional provisions will come into effect on 1 January 2027.

2. Key Amendments 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:

<table>
<tr><th>Annual taxable income amount (MNT)</th><th>Current Tax rate</th><th>Tax rate (effective from 2027)</th></tr>
<tr><td>Up to 6 billion</td><td>10%</td><td>10%</td></tr>
<tr><td>Exceeding 6 billion up to 10 billion</td><td rowspan="2">25%</td><td>15%</td></tr>
<tr><td>Exceeding 10 billion</td><td>25%</td></tr>
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Amendments effective from the date the Law on Economic Freedom entered into force:

- A 5% tax rate shall apply to interest income derived from loans and debt instruments raised from domestic and foreign sources by Mongolian commercial banks and financial institutions.
- A 90% tax incentive shall apply during 2024-2034, and a 50% tax incentive during 2035-2040, on corporate income tax payable on income derived from the sale of bonds, shares and other securities publicly traded on the primary and secondary domestic securities markets.

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2. Key Amendments to the Corporate Income Tax Law (cont'd):

- Furthermore, the tax incentive threshold for small and medium-sized enterprises has been increased, and the following changes have been introduced to the tax depreciation provisions:

Provisions	Current tax law effective from 1 January 2020	Amendments effective from 1 January 2027
Tax incentive for SMEs	Entities with annual taxable income of up to **MNT 1.5 billion** are eligible for a 90% CIT incentive	Entities with annual taxable income of up to **MNT 2.5 billion** are eligible for a 90% CIT incentive
Tax incentives for Information Technology Industry	NA	Tax incentives are available for operating income earned by legal entities registered in a virtual zone established under the Law on Supporting the Information Technology Industry.
Depreciation and amortization	NA	Equipment used for high-speed data storage and automated processing, including servers equipped with graphics processing units and supercomputers, may be depreciated over a period of three years.

- The filing and payment deadlines for corporate income tax returns have been extended as follows:

Tax payment deadline	Current tax law effective from 1 January 2020	Amendments effective from 1 January 2027
The tax payment schedule established in advance	• By the 25th day of the month • By the 20th day of the month following the quarter • By 10 February of the following year	• By the last day of the month • By the last day of the month following the quarter • By 5 March of the following year
The deadline for submitting the CIT return to the tax authority	• Half-year return: by 20 July of the year, • Annual return: by 10 February of the following year	• Half-year return: by 5 August of the year • Annual return: by 5 March of the following year

3. Key Amendments to the Value Added Tax Law:

Amendments to the Value Added Tax Law introduced on 3 July 2026 include the followings:

- The mandatory VAT registration threshold has been increased from MNT 50 million to MNT 400 million of operating sales revenue during any consecutive 12-month period. The voluntary VAT registration threshold remains MNT 10 million.
- 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 provisions introduced by these amendments shall take effect from the date the law entered into force.

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4. Key Amendments to the Personal Income Tax Law:

Amendments to the Personal Income Tax Law introduced on 26 June 2026 include the followings:

Provisions	Current tax law effective from 1 January 2020	Amendments effective from 1 January 2027
Simplified regime	At the taxpayer's request, the taxable base for an individual's business income may be determined on a gross basis and taxed at a 1% PIT rate.	At the taxpayer's request, the taxable base for an individual's business income of up to MNT 1 billion may be determined on a gross basis and taxed at a 1% PIT rate.
PIT on sale of immovable property	A 2% tax is imposed on the gross proceeds from the sale of immovable property.	Income derived from the sale of a residential property shall be exempt from Personal Income Tax if the property is the taxpayer's first owner-occupied residence and is not located within a national tourism zone or a specially protected area.
Payment and reporting	By 15 February of the following year	By 5 March of the following year

- The tax credit currently available in respect of such income will cease to apply from 2027.

Annual taxable income amount (MNT)	Tax rate (Current tax law)	Tax rate (effective from 2027)	Tax rate (effective from 2028)
0 - 9,504,000	10%	0%	0%
9,504,001 - 24,000,000	10%	10%	1%
24,000,001 - 120,000,000	10%	10%	10%
120,000,001 - 180,000,000	15%	15%	15%
Exceeding 180,000,000	20%	20%	20%

5. Key Amendments to the Excise Tax Law

- An amendment introduced on 26 June 2026, which imposes an additional 33% tax on the portion of the customs value of imported passenger vehicles exceeding MNT 360 million, has already entered into force.
- Pursuant to amendments introduced on 2 July 2026, the tax base and tax rates applicable to cigarettes and other similar tobacco products have been revised as follows:

№	Product Category	Tax base	Current tax rate	New tax rate
1.	Cigarettes and similar tobacco products	Combined (specific and ad valorem) excise tax shall be imposed based on both the physical unit and either the selling price of goods manufactured and sold within Mongolia or the customs value of imported goods.	MNT 4,180	30%
2.	Loose tobacco products		MNT 3,130	30%
3.	Snuff tobacco		MNT 3,130	20%

The provisions introduced by these amendments shall take effect from the date the law entered into force.

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If you would like more detailed advice on the tax implications of these legislative amendments, or wish to explore and discuss the available tax incentives, exemptions and other relevant provisions, please contact us.

We would be pleased to assist you.