

Proposed Tax Law Amendments submitted for Parliament's discussion



Contact us:

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

Tax Consulting Services

enkhzul.jambal@pwc.com

Enkhsanaa Erdene-Ochir

Tax Senior Manager

Tax Consulting Services

enkhsanaa.erdene-ochir@pwc.com

PwC Tax TMZ LLC

Central Tower, 6th floor

Suite 601, Ulaanbaatar

14200, Mongolia

Tel : + 976 70009089

Fax : +976 11 322068

www.pwc.com/mn

In brief

In accordance with the Government of Mongolia's 2024–2028 Action Program, which mandates the renewal and improvement of tax legislation, the Government has drafted amendments to several tax laws and submitted them to the Parliament for discussion on December 30, 2025.

The Parliament is expected to discuss and approve these draft laws during the 2026 spring parliamentary session, and the implementation of the amended laws is planned to begin on January 1, 2027.

With this tax alert, we are providing a summary of the key amendments and changes included in the draft tax laws prepared by the Government.

1. Key proposed changes to the GTL law

- The extent to which a taxpayer complies with tax legislation shall be determined based on the "Taxpayer Compliance Level" and shall be assessed on a scale of up to 100 points. In determining the compliance level, the taxpayer's registration, reporting, tax assessment, tax payment history, and records of violations shall be taken into account. Based on the numerical score, taxpayers shall be classified as excellent, good, average, or poor. The taxpayer's compliance level shall be assessed quarterly and annually and shall be communicated to the taxpayer through the Integrated Tax System.
- The tax authority shall provide support, guidance, and advisory services to help taxpayers prevent tax-related risks and promote voluntary compliance with tax legislation.
- A taxpayer may amend or correct its tax returns within the following two tax years.
- The deadline for submitting the Local File and Master File transfer pricing reports to the tax authority is extended to June 30 of the following year.
- Where the tax authority issues a reassessment act by applying the transfer pricing adjustments or the general anti-avoidance rule (GAAR), it shall attach to the reassessment act a report and conclusion explaining the respective transfer pricing method or rule applied.
- Penalty and fine imposed under a reassessment act that is under discussion by the Tax Dispute Resolution Committee or the administrative courts shall not be collected from the taxpayer until the complaint has been finally resolved.
- The tax dispute resolution process shall be conducted on the basis of adversarial proceedings. At the taxpayer's request, the meeting of the Tax Dispute Resolution Committee shall be held publicly and made accessible to the public through audio-visual recordings.
- When a taxpayer's bank account is frozen, the amount of tax debt to be collected on a non-contentious basis from future incoming funds shall not exceed 80 percent of such funds. Disbursements from the frozen account for dividend payments, payments to related parties, or liabilities arising from the taxpayer's own wrong actions shall be prohibited.
- The total amount of fines imposed on taxes not paid within the statutory deadline shall not exceed 50 percent of the unpaid tax amount.

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

This Alert is produced by PwC Tax TMZ. The material contained in this alert is provided for general information purpose only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© 2026 PricewaterhouseCoopers Tax TMZ. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Tax TMZ, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

2. Key proposed changes to the CIT law

To reduce the corporate income tax burden on business operations, the current two-tier progressive tax rate is changed to three tiers as follows:

Net annual taxable income (in MNT)	Tax rate
Up to 6 billion	10%
Exceed 6 billion up to 10 billion	15%
Over 10 billion	25%

- Small and medium-sized company with annual taxable income of up to MNT 2.5 billion is granted a tax refund starting from the reporting period immediately following the first realization of taxable income, with the 90% tax refund for the first three years and 50% relief for the subsequent three years.
- The current sales revenue threshold of MNT 50 million for applying the simplified tax compliance procedure is increased to MNT 400 million. For entities falling within this threshold, net taxable income is determined as 10% of operating revenue, and CIT is levied at the rate of 10%.
- Changes in shareholding structure due to an increase in share capital of the right holding company through issuance of additional shares will not be considered a transfer of rights and will not be taxed.
- Expenses related to employee training, professional development, and qualification improvement can be deducted from taxable income, provided that such expenses do not exceed ten percent (10%) of the total payroll cost for the preceding twelve (12) months. Employee welfare expenses may also be deducted, within a limit of 5% of the total payroll cost for the preceding 12 months.
- The maximum deductible cap for insurance premiums will be increased to 20 percent of taxable income for the 2027 tax year, 25 percent for the 2028 tax year, and 30 percent from the 2029 tax year.
- 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.

3. Key proposed changes to the VAT law

- Input VAT paid for capital expenditure is deductible or can be fully claimed.
- A business entity operating in sectors other than those listed below and having up to 400 million MNT in operating revenue over a continuous 12-month period may, upon request, be included in the simplified tax regime: -Exploration, extraction, use, transportation, and sale of minerals or radioactive minerals; -Cultivation of alcohol-producing plants, tobacco production, and tobacco import; -Production of petroleum products, and the import, wholesale, and retail trade of all types of fuel.
- A taxpayer under the simplified regime shall calculate its tax by assuming that 90% of its quarterly sales amount has been used for purchases, and shall report taxes on a quarterly basis. The quarterly tax return must be submitted electronically to the tax authority by the 20th of the following month.
- For CIT and VAT purposes, the timing of revenue recognition shall be aligned, and VAT becomes chargeable upon issuance of a sales invoice or payment document.
- Based on the request of a VAT-registered taxpayer with a good or higher compliance rating, the payment deadline for VAT (including import VAT) may be deferred by 1–2 months.
- A VAT-registered taxpayer may deduct VAT paid on goods and services purchased from a non-resident entity, provided that payment was made through non-cash means.
- If a VAT-registered taxpayer purchases VAT-exempt goods or services from a resident, unrelated entity and makes payment through non-cash means, they may treat 10% of the payment amount as embedded VAT and deduct it.
- For value-added tax paid in relation to ceremonial and hospitality events, employee training, or personal use, a deductible amount may be claimed not exceeding 15 percent of the average monthly payroll cost for any consecutive twelve-month period

4. Key proposed changes to the PIT law

- The current threshold of MNT 50.0 million in operational income for applying the simplified taxation regime will be increased to MNT 400.0 million. Taxable income will be determined at 10 percent of operational income, and PIT will be levied at a rate of 10 percent on the resulting amount.
- PIT will be fully exempted on up to MNT 6 million of annual income derived from a taxpayer's business activities and employment.
- A citizen of Mongolia will be entitled, on a one-time basis, to a PIT credit of up to MNT 15 million, equal to the amount of expenses substantiated by payment documents for the purchase, construction, or improvement of residential housing intended for permanent residence. Eligible expenses include:
 - Expenditures incurred for the purchase or construction of residential housing that meets energy-efficient or green building standards;
 - Expenses for the purchase of solar, wind, geothermal, or other renewable-energy equipment, insulation materials, electric or gas heating systems, and heat pumps intended to reduce heat loss and improve energy efficiency in residential dwellings 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.



Our team:



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
Tax Consulting Services
enkhzul.jambal@pwc.com



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

This Alert is produced by PwC Tax TZM. The material contained in this alert is provided for general information purpose only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© 2026 PricewaterhouseCoopers Tax TZM. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Tax TZM, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.