



With this Tax and Legal Alert, we present you some of the main amendments and changes made to the tax legal environments approved by the Parliament of Mongolia effective 2023.

The purpose and main outcomes of these amendments and changes in the tax legal environment can be summarised as follows:

- Provide tax policy supports on movement of factories and warehouses from Ulaanbaatar to rural areas, creation of new assets in rural areas, and hiring new employees in rural areas;
- Provide tax policy supports for investment funds, start-up companies producing innovative products, works, and services, heat and electricity generation projects, and initial public offerings of shares on foreign and domestic stock exchanges;
- Introduction of progressive Personal Income Tax rates for the employment income;
- Enhance information exchange system of tax authorities, expansion of information collected in the integrated database of tax registration and information; and
- Establishment of legal framework for asset valuation for tax purposes.

1. Amendments and changes to the Corporate Income Tax (CIT) Law

Applicable sections	Amendments and changes	Requirements
a) Deductible expenses	When a taxpayer moves its plant or warehouse, which is located in the capital city, to outside of the capital city limits, other than Baganuur, Bagakhangai and Nalaikh district, expenses incurred related to the relocation (meeting the general requirements for the deductible expenses) shall be deductible from taxable income with additional 50 percent deductibility ;	1) Not applicable for taxpayers holding minerals, radioactive minerals, oil exploration and mining licence; 2) Must meet the general requirements for deductible expenses.
	One-off salary expense (of the local employee hired) shall be deductible from taxable income with additional 20 percent deductibility , for a taxpayer, if all the following conditions are met: <ul style="list-style-type: none"> - carries out its basic business activities outside of the capital city limits other than Baganuur, Bagakhangai and Nalaikh district, - registers in the local territory, in which a general administration of the business entity operates - registers in the local tax department - hires a job seeking citizen under an employment agreement for a period 183 days or more during the course of consecutive 12 months; 	
	If a taxpayer residing in Mongolia issues securities that are offered and traded publicly within domestic and foreign primary securities market, expenses incurred in direct connection with process of issuing securities shall be deductible from taxable income with additional 20 percent deductibility .	
	If a taxpayer resided in Mongolia has provided public transportation tickets which will be used within capital city to its employees, expenses incurred for purchase of such ticket shall be deductible from taxable income with additional 50 percent deductibility .	Must meet the general requirements for deductible expenses.

Please contact us if you need the assistance of the qualified tax advisers to discuss the changes in tax legislation or to assess the impact on your business operations.

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1. Amendments and changes to the Corporate Income Tax (CIT) Law (cont'd)

Applicable sections	Amendments and changes	Requirements
b) Tax depreciation	A taxpayer can choose to depreciate its newly built property in Baganuur, Bagakhangai and Nalaikh district of the capital city and other aimags and sums from 1 January, 2023 for 15 years on a straight-line basis.	<ol style="list-style-type: none"> 1) Not applicable for taxpayers holding minerals, radioactive minerals, oil exploration and mining licence; 2) Taxpayer is obliged to inform the relevant tax authority before electing such depreciation
c) Tax credits	The primary activity income, of a heating and electric power production project which commenced January 1, 2023 onwards, shall receive a tax credit of 90 percent for the first 3 years and of 50 percent for the following 3 years starting from subsequent reporting period of gaining profit.	Tax calculations (such as income, deductible expenses, losses, discounts, and exemptions) related to the project will be made and a separate tax report for the project shall be prepared.
	Tax is exempted on income from the sale of innovative products, works and services, specified in the Innovation Law and newly created by a start-up company within 5 years from the date of its registration.	Applicable to the start-up companies that are specified in the Innovation Law.
d) Tax exempted income	Operating income of an investment fund.	
e) Tax rates	Software licence fee and server renting fee income transferred to a non-resident legal entity by a resident taxpayer in Mongolia that is engaged in primary activities of software development shall be imposed with a 5 percent tax rate.	<ol style="list-style-type: none"> 1) Not applicable for taxpayers holding minerals, radioactive minerals, oil exploration and mining licence; 2) The customer must be a resident taxpayer entity in Mongolia, and the service provider must be a non-resident taxpayer entity.
	Dividend income earned from publicly traded shares issued by a Mongolian resident taxpayer entity at the domestic or foreign primary and secondary securities market shall be taxed at 5 percent.	Not applicable for shares issued by Mongolian resident taxpayers holding minerals, radioactive minerals, oil exploration and mining licence.

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2. Changes and amendments made to the Personal Income Tax Law (PIT) effective 2023, employment income taxes will be taxed at progressive rate:

Annual taxable income (MNT)	Tax rate (%)
0 - 120 million (0-10 million per month)	10%
120 - 180 million (10-15 million per month)	12 million MNT plus 15% on income exceeding 120 million MNT
More than 180 million (more than 15 million per month)	21 million MNT plus 20% on income exceeding 180 million MNT

For more details, please visit our website for December 2022 [Tax and Legal Alert Issue #11](#).

3. Amendment made to the General Taxation Law (GTL) effective from 2023

Information relating to productions of, sales of, import of, export of goods, products, and minerals shall be registered with the tax registration and information database at each stage based on the electronic payment receipts, customs declarations, and conclusions of customs laboratory. The regulation for registration will be approved by the Ministry of Finance.

4. Amendments and changes made to the Immovable Property Tax (IPT) effective from 2022

a) Tax exempted income

- buildings and structures registered in the special zone of the capital city;
- two apartments owned by a citizen or legal entity in the soum, aimag, or in the capital. Prior to this, all apartments were exempted from IPT;
- real estate located in the territory of the industrial and technological park will be exempted from IPT for the first 5 years and 50 percent exempted for the following 5 years. This amendment is effective as of August 1, 2022.

b) Tax rates

- IPT rate has been increased to 0.6%-2.0% from 0.6%-1.0%. Actual tax rate shall be determined within this range by the Citizens Representatives Khurals of the Aimag and Capital City, by taking into account of location, designation, size, status of the market needs and requirements of such immovable property.

5. Revision of the Asset Valuation Law

The revised law on Asset Valuation was approved by the Parliament on June 17th, 2022, and it is effective from January 1, 2023. The revised law introduces a concept of asset valuation for tax purposes and detailed secondary regulation will be issued by the Ministry of Finance.

6. Amendments and changes made to the Law on Minerals effective from 2023

a) Royalties for mineral resources

The minerals extracted and traded during a trial mine would be subject the mining royalty. However, such trade is only permitted upon the holder registering the type, amount, and size of the mineral with competent government authority charged with mineral matters. The maximum amount of mineral to be extracted and sold as part of the trial mine shall be regulated with resolution of the government.

b) Termination of the license

If the state administration terminates a special license for exploration, mining, or use of derivative deposits, it shall be notified to the MTA and published in the daily newspaper.

c) Information delivered to the tax office

- Additional information will be provided by the administrative body in charge of geology and mining minerals matters:
 - within 7 working days after the issuance of a special licence for use and use of derivative deposits;
 - immediately after the issuance of the exploration permit;
 - Immediately upon the extension of the exploration licence
- Additional information will be provided by a license holder:
 - the exploration work plan within 30 days from the date of issuance of the licence, and for the subsequent years within April 15;
 - the annual report of the exploration work shall be issued in accordance with the instructions approved by the state administrative organisation, within February 15 of the following year;
 - information on security operations by January 20 of each year.



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