

General Law on Social Insurance

to take effect from January 1, 2024

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In brief

On July 7, 2023, the Parliament of Mongolia passed the General Law on Social Insurance ("GLSI") which will replace the existing Law on Social Insurance (1994) effective from January 1, 2024. The law aims to improve management and structure of the pension and social insurance system as well as regulate late payments and resubmission of reports etc.



Key changes for businesses

SOCIAL INSURANCE CONTRIBUTION RATE

Pursuant to the GLSI, some changes were made to the contribution rates, specifically the reduction of the rate for industrial accidents and occupational diseases and increase of the rate for unemployment. The rate for industrial accidents and occupational diseases insurance will be up to 2.5 percent, determined at a different rate depending on occupational health and safety requirements. Accordingly, the Government of Mongolia will approve a list of job and occupation along with applicable rate. Additionally, the health insurance rate will be determined by the Government each year at a rate less than 4%.

Social insurance types	Existing law		The GLSI	
	Employer	Employee	Employer	Employee
Pension	8.5	8.5	8.5	8.5
Benefit	1.0	0.8	1.0	0.8
Health	2.0	2.0	2.0	2.0
Unemployment	0.2	0.2	0.5	0.2
Industrial accidents and occupational diseases	0.8-2,8	-	0.5, 1.5, 2.5	-
Total	12.5-14.5	11.5	12.5-14.5	11.5

SCOPE OF MANDATORY SOCIAL INSURANCE

Under the GLSI, several changes were made to the scope of mandatory insurance. The key changes include:

- Pension recipients are now required to pay all social insurance contribution except unemployment insurance if they work under employment agreement, work for hire agreement and similar agreements;
- Employees under dual employment are now have to only pay pension and health insurance from an income earned from their secondary employment;
- Employees who work under work for hire agreement, service agreement, and similar agreements are required to pay pension, benefits and health insurance as opposed to the current practice.



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Key Changes for Businesses (Cont'd)

REASSESSED PAYMENT FOR NON-REPORTED OR UNDER-REPORTED SOCIAL INSURANCE CONTRIBUTION

The GLSI aims to reduce the reassessed payment instances for social insurance contribution. Thus, according to the GLSI, reassessed payment for social insurance contribution is acceptable only in the following circumstances:

Employer concealed or intentionally reduced the salary fund and equivalent income

Court has rendered a decision that affirmed the unlawful dismissal

Court has resolved that a person was wrongfully convicted and imprisoned

Employer did not pay the social insurance contribution in full or within the specified time

Voluntary insured did not pay the social insurance contribution in accordance with the contract

RESUBMISSION OF SOCIAL INSURANCE CONTRIBUTION REPORT

In accordance with the GLSI, businesses must resubmit their social insurance report if a state inspector issues an act on the following three infringements. Whilst the resubmission is not regulated by the Law on Social Insurance (1994), in practice, social insurance authorities require resubmission of the report if necessary.

- 01 Employer concealed, intentionally reduced, or misreported the salary fund and equivalent income;
- 02 Employer did not pay the social insurance contribution in full;
- 03 Employer did not pay the social insurance contribution within the period specified in GLSI.

MANDATORY CONTRIBUTION AND REPORTING OBLIGATION

Under the GLSI, foreign entities that earn income sourced from Mongolia are required to report and pay social insurance contribution in addition to the entities such as companies, representative offices and permanent establishment operating in Mongolia.



LIMITATION PERIOD

Limitation period is introduced the social insurance system under the GLSI. The general limitation period is set out as 10 years while special limitation periods vary between 3 to 6 years. We note that the law also provides several exceptions where the limitation period will not be applicable.

DISPUTE RESOLUTION COMMITTEE

Distinctive from the current Law on Social Insurance (1994), the GLSI contains the latest changes on in the social insurance dispute resolution. In 2022, two-phase dispute resolution mechanism was introduced in social insurance disputes. Accordingly, social insurance disputes have to undergo the reviews of sub-committees at respective level, followed by the central committee before any court proceedings.



NEWLY ADDED INFRINGEMENTS

With the adoption of the GLSI, the Law on Infringements was amended as to include new infringements. Some examples include:

- Failure to correctly determine monthly and quarterly salary fund and equivalent income and accurately calculate the contribution according to the rate specified in law;
- Failure to duly keep basic records and accounting records of salary and equivalent income and submit accurate social insurance report.