

# The Law on Permits effective from 1 January 2023



## Contact us:

**Michael Ahern**  
Eurasia Partner  
Tax and Legal Services  
michael.ahern@pwc.com

**Tsendmaa Chojamts**  
Director  
Tax and Legal Services  
tsendmaa.chojamts@pwc.com

**Munkhjargal Ragchaakhuu**  
Legal Manager  
Tax and Legal Services  
munkhjargal.ragchaakhuu@pwc.com

**Amarjargal Batchuluun**  
Senior Legal Consultant  
Tax and Legal Services  
amarjargal.batchuluun@pwc.com

**PwC Legal LLP**  
Central Tower, 6<sup>th</sup> floor  
Suite 603, Ulaanbaatar  
14200, Mongolia  
Tel : + 976 70009089  
Fax : +976 11 322068  
[www.pwc.com/mn](http://www.pwc.com/mn)

On 17 June 2022, the Parliament of Mongolia adopted the Law on Permits (the “PL”) which will come into force on 1 January 2023. The PL will precede the Licensing Law (2001) and intends to provide a unified framework for all licenses and permissions that are currently regulated under numerous different regulations approved by various authorities. The PL aims to reduce the burden on businesses by bringing down the number of licenses and permits (approximately 914 licenses and permits are effective at the moment but will be reduced to 363). We highlight the key changes of the PL and their impact on businesses in the below summary.



## Scope of application of the law

In Mongolia, individuals and legal entities can carry out business activities freely unless an activity is prohibited by the law or subject to a license or permission under the Law on Licensing (2001) or other laws and regulations. The main purpose of the PL is to regulate all licenses and permissions under one legislation to the effect that business activities that require a license or a permit are listed under Articles 8.1 and 8.2 of the PL respectively.

The PL will not apply to grant permissions in certain relations such as land ownership rights, visa and immigration related permits, IP rights, permits required for organizing meetings, gatherings, demonstrations and other public events, the establishment of churches or other religious organizations, representative office or branch of an international or foreign registered NGO.



## Key changes

### 1. Categories of permits

The PL classifies all permits as set out below based on the purpose, terms and conditions, characteristic of business operations, and risk level:



#### License

- activities that pose a risk to national security, public interest, public health, environment or financial stability
- professional activities requiring special conditions and terms
- activities requiring limited use of natural resources and public property for profit and industrial purposes.



#### Permit

- one-off activities
- additional activities to be conducted on the basis of a license
- activities requiring limited use of natural resources and public property for household purposes.



**pwc**

This Alert is produced by PwC Legal LLP. The material contained in this alert is provided for general information purposes 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.

© 2022 PricewaterhouseCoopers Legal LLP. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers Legal LLP, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

# The Law on Permits effective from 1 January 2023



## Key changes

### • Licenses

Article 8.1 of the PL provides a list of business activities that requires a license classified by economic sector as well as an authority competent to grant such a license. In general, the list of licensed activities under the PL mimics the existing list of activities under the Licensing Law (2001) but provides a more detailed classification as well as includes activities that are subject to permission requirements under other laws.

### • Permits

The key factor for determining whether a business activity is subject to a license or permit is a level of risk associated with the business activity and whether the business activity requires the use of natural resources under the PL. Whilst permits are regulated under different laws and regulations at the moment, the PL now provides a list of permits required for business activities meaning that a business owner can check whether its activity is subject to certain permits in Mongolia.

## 2. Reducing the regulatory burden on businesses

The PL prohibits creating or requiring new types of licenses or permits by state authorities unless an amendment is made to the PL. Any amendment to the PL creating new types of licenses or permits would need to be discussed and recommended by a council consisting of representatives of the state authorities, private sectors, and non-governmental organizations.

The PL also introduces a unified online database of licenses and permits which will show all decisions of granting, suspending and revoking licenses and permits meaning that all such decisions will need to be registered and monitored. Whilst the PL provides for an online system for license application, it is unclear at the moment whether each license issuing authority will have its system or all applications will be submitted through a unified portal.

## 3. Terms of permits

Unless otherwise provided by the law specifically governing a certain industry, a license will be granted for at least 5 years, and a permit for at least 3 years. This means that in relation to the existing licenses, their terms may still be regulated by the industry-specific law regulating the existing licenses. Pursuant to the PL, it is possible for licenses and permits to be extended for the period equal to their original term. The PL also introduces favorable extension conditions if the permit holder meets certain criteria including meeting terms and conditions set by law, having no tax debt, having a stable operation, and having a good record of employment.

## 4. Procedure to grant/extend licenses and permits

Under the PL, licenses and permits will be issued according to the procedure below.

	To review the completeness of the application documents	To verify whether the permit applicant meets the requirements	Extension of verification period	To make a decision on whether issue or not
 License	2 business days	10 business days	5 business days	5 business days
 Permits	2 business days	5 business days	5 business days	5 business days



# The Law on Permits effective from 1 January 2023



## Key changes

It is important for businesses to well prepare before applying for a license because the application is denied, the applicant cannot re-apply within six months. The PL creates an obligation for the competent authorities to notify holders of licenses and permits at least 45 days before the expiration date of the license or permit. A license or permit holder will need to apply to extend the permit at least 30 days before the expiration date. Depending on the type of license or permit, the extension application shall be resolved within 10-12 business days. If the competent authority does not respond to the application for an extension of a license within the period specified by law, it will be deemed that the application has been granted and the license will be extended for a period originally issued.

### 5. Revocation of licenses and permits

The grounds for revocation of licenses and permits are one of the crucial terms for businesses. The PL introduces the following new revocation grounds in addition to the grounds set out in the Licensing Law (2001):

- In case a competent body proves that a license or permit holder caused harm and extensive damage to national security, public interests, human life and health, or environment; and
- In case the license and permit, and its certification documents are sold, donated, pledged, or transferred in any manner other than permitted by law.

If a license or permit is revoked, the revocation will trigger termination of existing commercial contracts entered based on the license and permit. Furthermore, the license or permit holder is obliged to compensate for damages due to the revocation.

 For more in-depth discussion and any other questions you may have, please do not hesitate to contact us.

For further details, please visit: <https://legalinfo.mn/mn/detail?lawId=16530780109311>



This Alert is produced by PwC Legal LLP. The material contained in this alert is provided for general information purposes 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.

© 2022 PricewaterhouseCoopers Legal LLP. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Legal LLP, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.