

Amendments to the Law on Personal income tax and changes to the monthly minimum wage

Contact us:

Michael Ahern

Partner
Tax and Legal Services
michael.ahern@pwc.com

Tsendmaa Choijamts

Director
Tax and Legal Services
tsendmaa.choijamts@pwc.com

Munkhtuya Mishig

Manager
Tax and reporting services
munkhtuya.mishig@pwc.com

Enkhzul Jambal

Manager
Tax consulting services
enkhzul.jambal@pwc.com

PwC Tax TMZ

Central Tower, 6th floor
Suite 601, Ulaanbaatar
14200, Mongolia
Tel : + 976 70009089
Fax : +976 11 322068
www.pwc.com/mn

The Parliament of Mongolia has approved the 2023 Budget Law and accompanying draft laws submitted by the Government on November 11, 2022, and we highlight the amendment made to the Law on Personal Income Tax.

Amendment to the Law on Personal Income Tax (“PIT Law”)

To align with the international tax practice and to reduce income inequality, the Parliament has approved introduction of a progressive PIT rate on salaries, wages, equivalent income and indirect income starting from 2023. According to the Ministry of Finance (“MOF”), the aforementioned reform will impact only 0.1 percent of taxpayers.



What are the changes?

Per the amendment to the PIT law, annual taxable income from salaries, wages, similar employment income and indirect income will be taxed at the following progressive rates:

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 example, an individual with a monthly taxable income of MNT 15 million will be subject to PIT of MNT 1,750,000 as per the above progressive rates, and accordingly, the effective tax rate for the individual would be 11.67%.

Additionally, in accordance with the amendment, the withholder (e.g., employer) shall be responsible for withholding the taxes and remitting them to the state budget. Furthermore, the withholder also bears the responsibility of final estimation (at year-end) and reporting duty (including any necessary adjustments) of the taxes imposed on salary, wages, similar employment income, and indirect income.

Please contact us, if you have any questions regarding PIT and SHI or require professional assistance

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Amendment to the PIT Law (Continued):



Scope of the amendment and effective date

These newly introduced progressive rates are only applicable to a resident taxpayers of Mongolia. A resident taxpayer of Mongolia refers to an individual who meets any of the following conditions

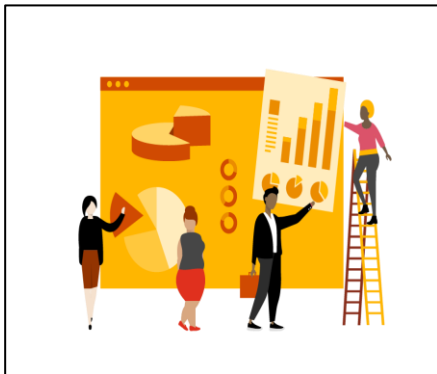
- Resided in Mongolia for 183 days or more within a period of continuous 12 months
- 50 or greater percent of gross taxable income is composed of income earned in Mongolia or income sourced from Mongolia

This law amendment shall be effective from January 1, 2023.

A non-resident taxpayer of Mongolia is subject to a flat tax rate of 20% on income earned in or sourced from Mongolia.



Changes to the monthly minimum wage



In addition to the aforementioned amendment to the PIT Law, in accordance with Resolution No.10 dated May 4, 2022 issued by National Tripartite Committee on Labor and Social Consensus, the minimum wage will be changed to MNT 3,273.80 per hour or MNT 550,000 per month, **effective from January 1, 2023.**

As result of this change, the monthly cap of the employee's social insurance contribution will be changed to MNT 632,500 starting from January 1, 2023. Currently, the minimum monthly wage is MNT 420,000 and the employee's social insurance contribution is capped at MNT 483,000.



Please do not hesitate to contact us if you have any questions.

For more details on Amendment to the PIT Law, please [click here](#).

For more details on changes to the monthly minimum wage, please [click here](#).



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