



Open Society Forum

CITIZEN AND TAX

(Guide for taxpayer citizens)

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REASONS FOR GUIDING YOU – THE CITIZENS

The Open Society Forum has been issuing a series of guidebooks on certain topics for citizens, in order to increase their participation in policy making and policy implementation monitoring processes and support the development of a system of transparency and accountability. This time we present you with one of this series: the ‘Citizen and Tax’ guidebook.

The guidebook aims at providing You - the citizen - with complex information on tax and tax-related issues in a simple, comprehensive and interesting way. Within these pages you can gain diverse knowledge and information important to your life and business, including why you should pay tax, the benefits and opportunities of paying tax, the consequences of not paying tax, what kind of laws you should know as a taxpayer, what kind of legislation requires you to pay tax etc. In order to make legal phraseology, tax and tax-related terminology and concepts simple to understand, we have tried to include as many cases as possible, plus explanations and drawings, and have endeavored to explain each type of business tax and service-related tax in a separate topic designed for all ages of people and taxpayers, in the hope it will prove helpful and important for you as a reader. Everyone interested in this topic, including academic researchers, students and decision makers, can use this guidebook.

We would like to express sincere gratitude to the staff of the Union of Women Lawyers, led by D. Dugerjav, for their successful contract performance and in enabling the opportunity to present to you this guidebook.

We welcome comments on the quality and content of this guidebook at our address osf@soros.org.mn.

P. Erdenejargal

Executive Director
Open Society Forum

FOREWORD

Everyday we feel enormous changes and reforms as a result of our choice for market relations based on human rights, freedom, respect of laws and fair competition, which are common rules of humanity's social development.

The Constitution of Mongolia states that paying tax levied by law is a basic duty of a citizen. Tax does not create such a good impression due to the duty for compulsory payment and collection for the State budget, regardless of the desire of owners of private property and income earners. However, if we think carefully in a deeper sense that it is spent in providing all normal living conditions of our lives, then it is our inevitable duty as well as a motive that causes the feeling of our citizenship of Mongolia.

The goal of this guidebook 'Citizen and Tax', presented to you on the initiative of the Open Society Forum and by the performance of the Mongolian Union of Women Lawyers, is to enhance citizens' awareness of tax and to help taxpaying-citizens by explaining the function of tax and the consequences of not paying tax in a practical and realistic manner. As well as explaining to citizens about what kind of tax is imposed, what rate of tax we should pay as a citizen, and the consequences if we don't pay any tax; we have sought to direct your attention to the point that citizens' control and participation in monitoring the processes of public service quality and budget expenditure efficiency are important for them as taxpayers.

The women lawyer members of the MUWL have devoted their time and effort in preparing this guidebook. Topics 1-6, 10-15 & 18-25, Questions & Answers, Glossary of Terms and Appendices of this guidebook were written by D. Dugerjav, Executive Director of the MUWL and Lecturer of the University of Finance and Economy; Topics 8, 17, 20 & 23 were written by L. Byambaa, Judge of the Capital City Court; Topics 7, 16 & 21 were written by M. Altangerel, Officer of the Civil Service Council; and Topics 9, 22 & 24 were written by S. Tsemelmaa, Legal Advisor of the MUWL.

If You – the active citizens participating in an open society - are proud of your contribution to the State budget and if this guidebook helps you in monitoring the quality of public service and efficiency of budget expenditure, which is comprised of tax paid by you; then it means we have reached our collective objectives.

Let the blessings of the book benefit all.

D. Dugerjav

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1. What is tax?

Before considering tax in detail, let us consider what problems does a citizen, Mr. Jargal, face. Perhaps many people will agree that such problems are fairly common for many of us.

Date: 03/22/2004

“Mars” Co. Ltd.

Salary for March 2004

Department: sales department

Name: S.Jargal

Data	Value
Base salary	132,000 MNT
Additional benefits	34,800 MNT
Total estimated salary	166,800 MNT
Prepaid salary	65,000 MNT
Social and Health Insurance premiums	16,680 MNT
Income tax	11,012 MNT
Total withheld	92,692 MNT
Total salary payable to the employee	74,108 MNT

Signature

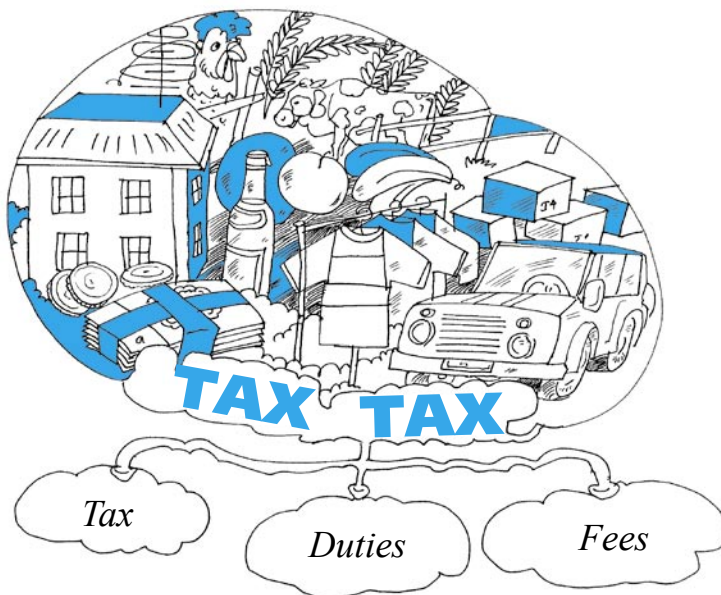


Jargal really needs to know about tax. Since Social and Health Insurance premiums, income tax as well as prepaid salary were withheld from his total receivable salary and benefits, it is clear that Jargal will not receive his planned full amount of money.

In this guidebook, we will help you to become aware of the most crucial tax-related issues and be able to use them in your daily life. We will discuss in later topics how you should calculate such deductions, and at what rate and by what procedure you should pay them.

Citizens and legal entities pay tax that comprises the State budget, which is financial source of smooth operation of government and public services for the benefit of citizens. We will discuss this in more details in Topic No.3.

Tax is imposed on your income and property in accordance with legislation; and the tax income goes to the State and local budgets. The taxation system is composed of tax, duties and fees.

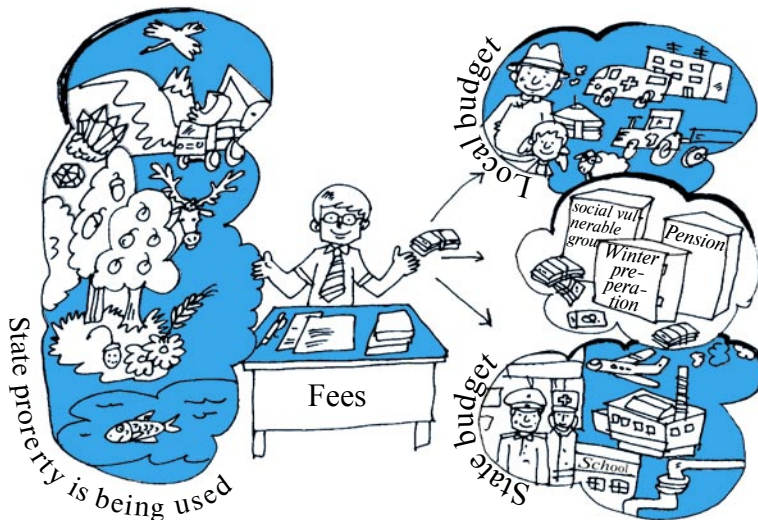


TAX is the money transferred to the State budget and local budget without repayment by imposing a duty at a specified rate, within a specified period of time, upon income, property, goods, products and services of citizens, business entities and organizations in conformity with legislation.

For example, a total of 11,012 MNT of personal income tax was imposed on Jargal's salary income of March 2004, which was withheld by the Company Accountant to transfer to the budget. This is clearly stated in the Personal Income Tax Law, where it is indicated what kind of personal income shall be subject to tax, how calculations shall be made about the actual amount of taxable income, together with how and at what percentage tax is to be paid from income.

DUTY is the money collected from citizens, business entities and organizations each time for the services rendered by Government organizations and the duty is transferred to the State budget and local budget.

For example, if a citizen submits a claim to a court to resolve a civil dispute, he/she pays State Stamp Duty depending on the claimed amount of assets. Similarly, one shall pay Registration Duty in order to register on the State Register a newly-established business entity or non-government organization. These are called 'State Stamp Duties' and are regulated by the Law on State Stamp Duties.



FEES are the money collected from citizens, business entities and organizations for their use of State property - land (other than that owned by citizens), subsoil and its natural riches, forest and water reserves - and transferred to the State budget and local budget or to Special Purpose Funds.

For instance, if catching fish for production or scientific purposes, one shall pay fees of 20-30 MNT for each kilogram of fish. Particular types of such fees are regulated by the relevant laws of Mongolia.

Have you noticed similarities and differences between tax, duties and fees?

They are similar by virtue of the requirement for compulsory payment obligation in accordance with legislation. Tax is imposed without repayment, while duty is collected for a service rendered by a governmental organization, and fees are collected for the use of State property.

It is rarely possible for a taxpayer to directly feel the benefits of tax to an extent equal to what he/she paid to the State or local budget. However, the taxpayer certainly benefits from the budget indirectly to some extent. But not everybody always feels or perceives the benefit.

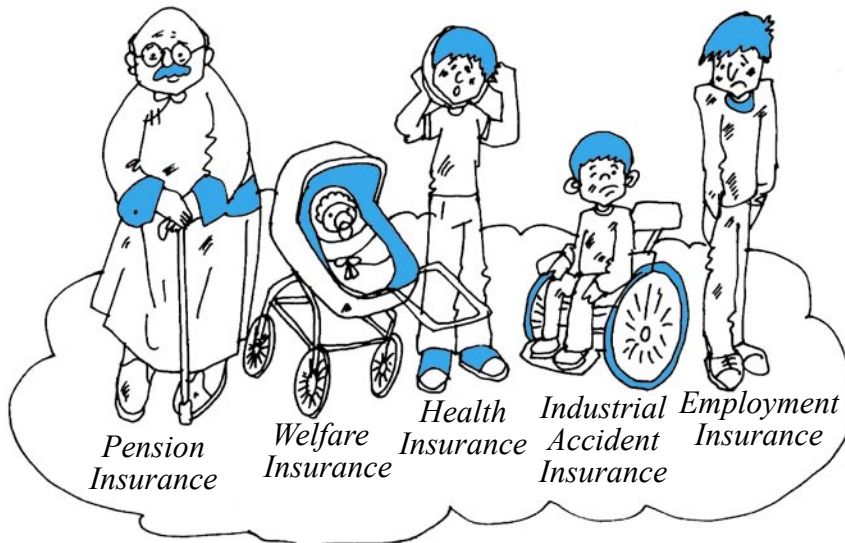
2. Is the social and health insurance premium a tax?

“Social Insurance premium is a form of tax in the sense of payment” - this is the common usage often talked about among people. But, perhaps you have noticed that such kinds of premiums are not included in the taxation system as described above.



Social insurance premium enables you to have the opportunity to have a financial source whereby you can compensate for damage incurred by you from potential future risks. According to the law, employers and citizens shall pay Social Insurance premiums. That means you are able to get compensation for the damages incurred to you due to risks, once you have created an accumulation of a certain amount by your regular payment of premiums.

Social Insurance is of the following types:



Pension Insurance, Welfare Insurance, Health Insurance, Industrial Accident Insurance, and Employment Insurance

For example, in certain cases stipulated by legislation - including temporary loss of working ability and hospital treatment, pregnancy and post-natal welfare benefits, disability due to professional and ordinary diseases, retirement etc. - you are eligible to receive welfare benefits because you regularly paid Social and Health Insurance premiums.

In the first Topic presented Mr. Jargal's salary table for March 2004, from which you can see that 16,680 MNT or 10% of his total estimated salary and similar income was withheld as Social and Health Insurance premiums. As required by the Social Insurance Law, 5.5% of pension insurance, 1% of welfare insurance and 0.5% of unemployment insurance premiums are withheld from the insured person's salary and similar income and are then transferred

to the Social Insurance Fund by the employer organization. Also, according to the Health Insurance Law, the Government Cabinet shall determine the rate of Health Insurance premium; and, at the time of writing, the premium was 3% for employees. Therefore a total of 10% in Social and Health Insurance premiums were withheld from Jargal's total estimated income of salary and benefits.

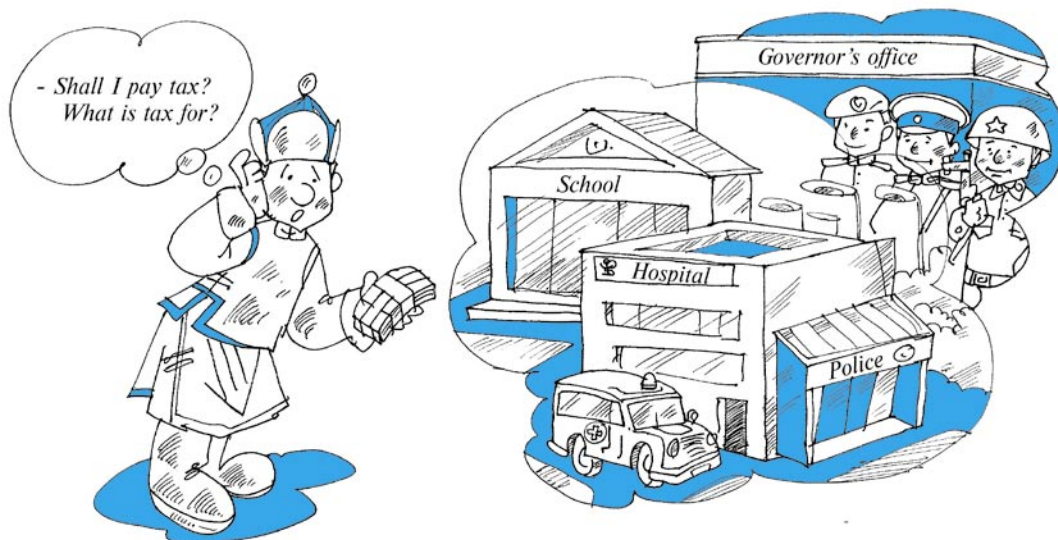
According to legislation, contract workers and civil servants are required to be covered by compulsory insurance. For other citizens conducting production, business and service, they can decide themselves whether they should be insured by Social Insurance and what types of Social Insurance premiums they should pay. In such voluntary insurance, one should define the terms of the insurance policy made between the person and the insurance organization.

Compulsory withholding of a certain percentage of salary and wages for the purpose of Social and Health Insurance premium is similar to taxation, but their purposes are different. Tax is spent for the benefit of the whole of society and citizens - including taxpayers - whereas Social Insurance funds are spent only for you and your family after a certain period of time. So therefore the amount of pension and welfare allowances to be received for the insurance case (risk) directly depends on the amount of insurance premiums paid. Those who did not pay insurance premiums at all are ineligible to benefit from Social and Health Insurance funds, whereas budget resources are spent for Government services delivered for all citizens.

Tax is put in a big fund, called the 'treasury' or 'budget', whereas Social and Health Insurance premiums are collected in insurance funds.

3. Why should we pay tax? What is tax for?

Maybe, you do not like to have a certain percentage of your money withheld as tax. But let us discuss now what benefits the tax you have paid can bring. Tax paid by citizens, business entities and organizations go to the State budget and local budget where it is redistributed to allow you benefit from following services:



The tax you pay is spent for educating your children in schools.

Do you receive services from medical organizations? Most of the cost necessary for rendering this type of service are financed by State and local budgets, thereby protecting your health.

All levels of state organizations - including the State Great Khural, Government and all levels of local administrative organizations, courts, police and prosecutor's offices - are financed by our tax and serve us.

We finance all the necessary costs of homeland defense from our paid tax.

Supposing we assume we didn't pay any tax and all of the above services were no longer available. That would mean we would stop sending our children to school, instead we would have to teach them ourselves or have to hire private teachers. If ill, we would have to go to private hospitals and make payments. We would be unable to have a civil identity card because there would be no such administration. There would be no policemen to protect you if someone beats you. If you wanted to take back your money by force from a borrower who didn't repay his loan, there would be no court to settle the dispute. If many foreigners came and started digging out natural resources, gold and silver from our soil, we would be unable to prevent them because we didn't have any national border guards, customs, army or police.

Maybe now you can see why we should pay tax. We pay tax and create budgets in order to provide the smooth operation of central and local government organizations and to get basic services necessary for human life such as schools and hospitals.

Therefore, because we finance these services, it is always important to remember that you are entitled to request and control how all of these organizations spend our money efficiently and correctly and to see how they provide high-quality public services and treat us fairly, without bureaucracy and discrimination. The more active participation of citizens in budget control, the better Government services you may expect.

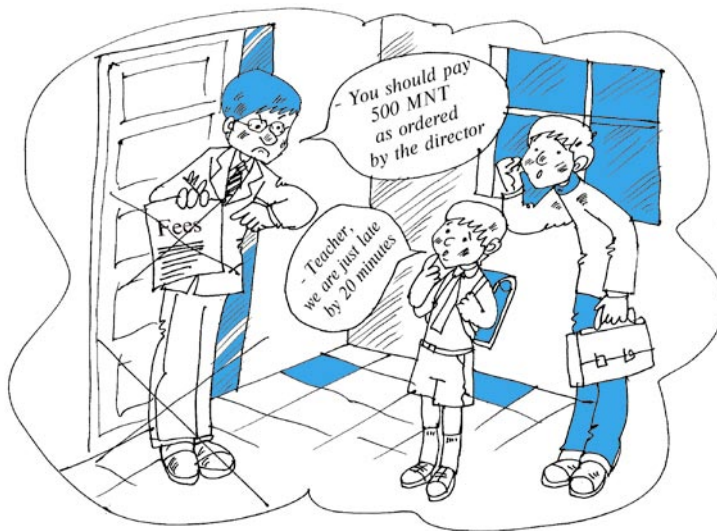
Tax is the basis for the existence of the state. You - the taxpayer contributing to the creation of this basis - are entitled to control the budget expenditures.

All level of government organization officials and officers SERVE YOU –the taxpayer citizens. Your participation in the process to control government service quality and budget expenditure efficiency means you are contributing to the fight against bureaucracy and combating unfair treatment by some civil servants.

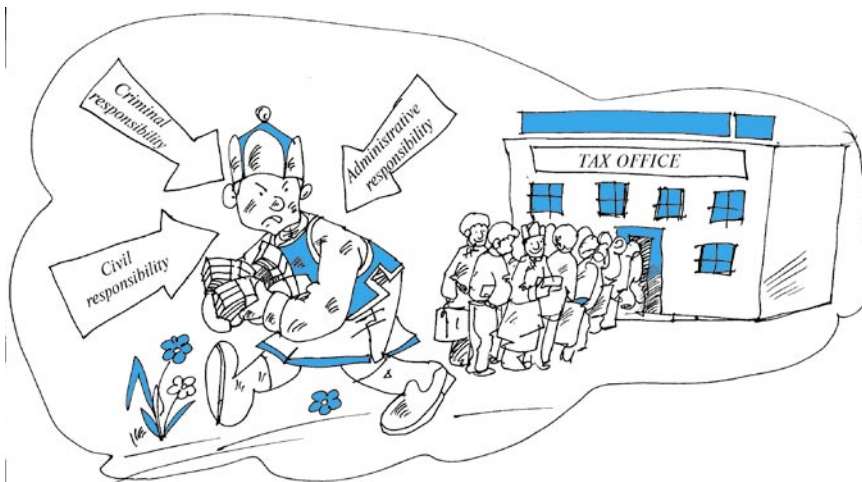
4. What does the Constitution say about taxation?

Article 17 of the Constitution of Mongolia states that paying tax levied by laws is a basic duty of a citizen of Mongolia. Here we can draw following conclusions, where:

1. Tax is only levied by law. No official is authorized to levy and collect tax, fees and duties unless specified by law. Some organizations and officials often make decisions or orders to create various fees and duties to be enforced. It's an illegal action. Moreover, the General Law on Taxation stated that any rules for creating tax, tax relief and exemption are only regulated by special tax laws. This is to counteract and stop practices that various sectoral laws create new types of tax or any tax relief and exemption for the narrow sectoral interests; and it becomes a regulation enables to operate the nationwide unitary tax policies.



2. Since paying tax levied by laws is a basic duty of a citizen of Mongolia, one should bear responsibility for tax evasion. The consequences of not paying tax is prescribed in the General Law on Taxation and other tax laws, the Law on Administrative Responsibilities and the Criminal Code.



Please read details in Topic 25 on what the legal consequences may be caused and what types of legal responsibilities that he may bear, if this person carries out what he thinks.

According to provision 7, Article 25 of the Constitution, the State Great Khural exercises the authority to define State financial, loan, taxation and monetary policies as well as economic and social development priorities and approve the Government Action Plans, State Budget Plans and Budget Performance Reports. State

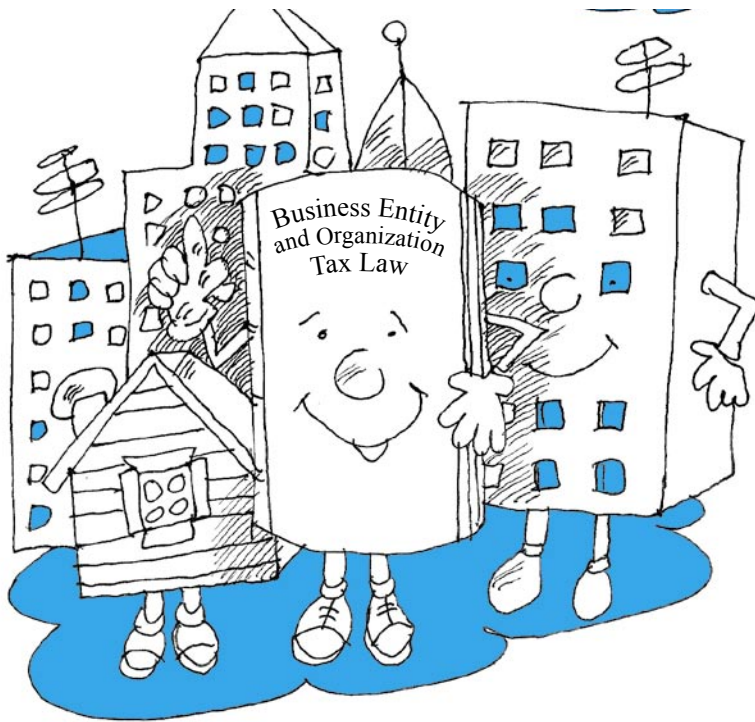
financial, fiscal, loan and monetary policies are closely linked with tax policies. The territorial unit or local administration bodies and local self-government bodies should also approve budgets of the respective level, organize their implementation and collect tax income. Therefore, budget and tax issues are the concern of every citizen.

5. What kind of legal acts on tax you should know at first as a citizen?

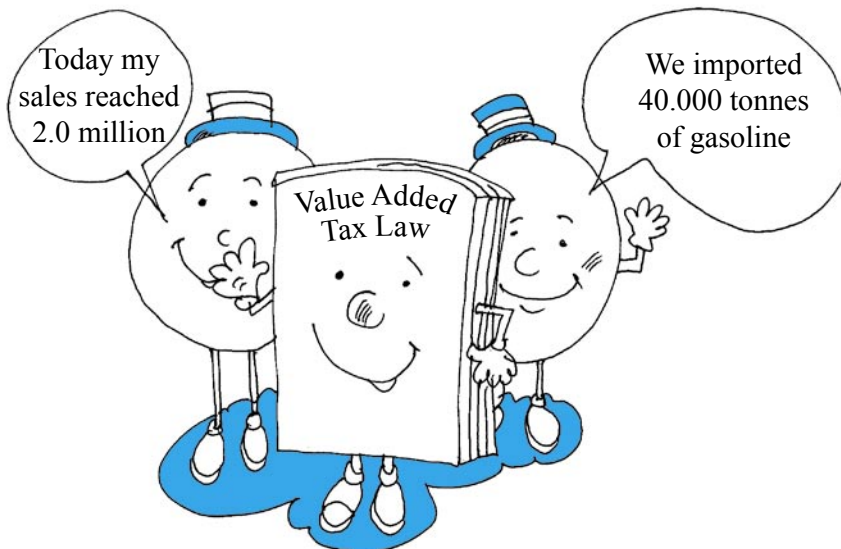
After approval of the Constitution in 1992, the State Great Khural enacted a set of tax laws in its fall session. Since then a significant amount of reforms and amendments have been made in the set of laws. Currently over 20 laws have been implemented on tax, duties, fees, tax payment control and tax collection. Here it is not important to go into details of all of them. Instead, we mention here some laws that are worth knowing by every citizen. You can read these laws in the ‘State Information Bulletin’ – the formal publication of the State Ikh Khural (Parliament) - and in booklets of tax laws issued by the National General Taxation Authority.



Personal Income Tax Law (enacted on 14th December 1992 and effective on 1st January 1993)



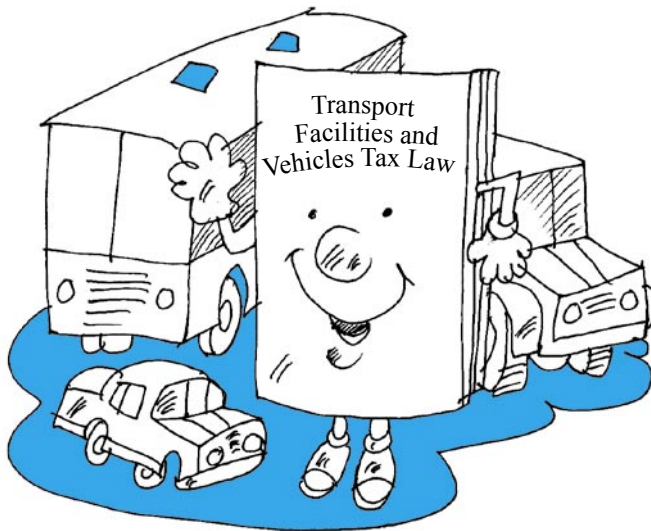
Business Entity and Organization Income Tax Law (enacted on 14th December 1992 and effective on 1st January 1993)



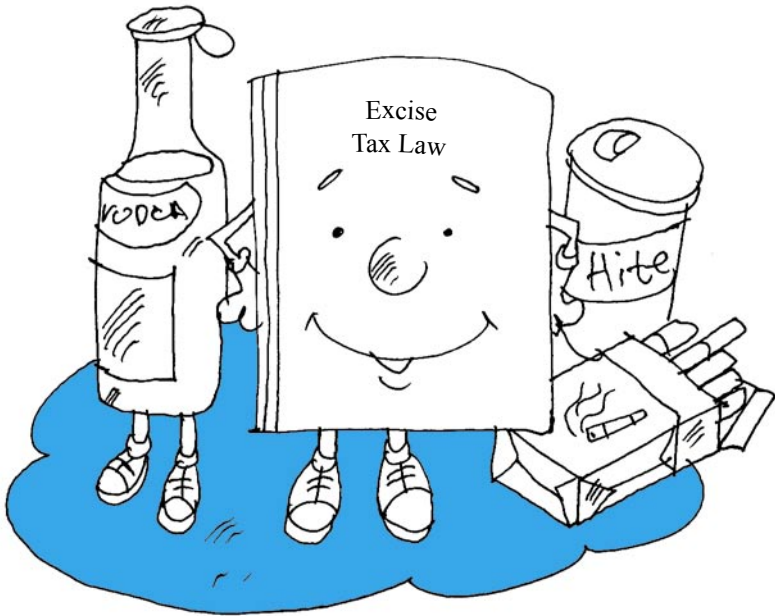
VAT Law (enacted on 15th January 1998 and effective on 1st July 1998)



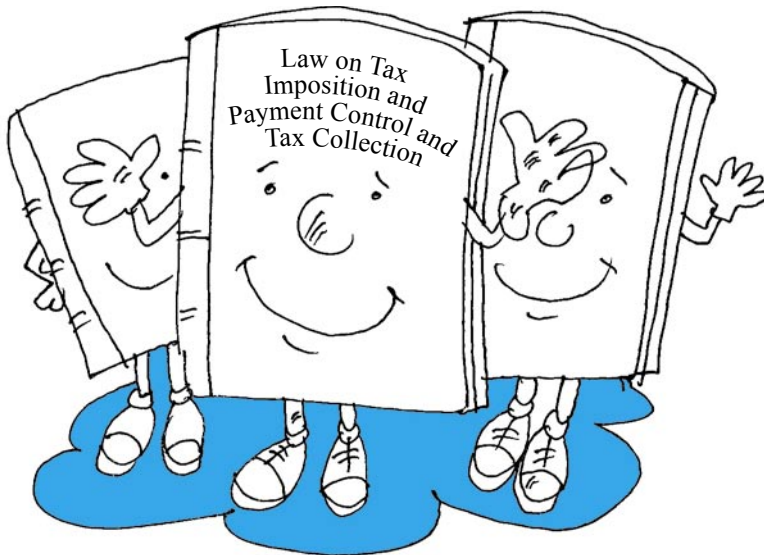
Real Estate Tax Law (enacted on 17th November 2000 and effective on 1st January 2001)



Transport Facilities and Vehicles Tax Law (enacted on 1st December 1992)



Excise Tax Law (enacted on 21st January 1993)



Law on Tax Imposition and Payment Control and Tax Collection (enacted on 18th April 1996 and went into effect on 1st July 1996)

The tax authorities take measures to raise awareness and build the capacity of taxpayers by issuing methods, rules and procedures illustrated by 'case examples' plus explanations on how to implement these laws in practice. In this guidebook, we have tried to explain these laws and regulations in more a comprehensive manner, on the basis of the most common situations and usual practices.

6. Is it enough if we just know well the basic tax laws that affect our interests the most?

For a person who manages a company, first of all he/she needs to know the Business Entity and Organization Income Tax Law and the VAT Tax Law; while for those who privately import goods from foreign countries then the Customs Tariff Law and the VAT Law are the most important to know.



What kind of tax does Mr. Dorj pay as a citizen?

- Income Tax for a Citizen with Animal Husbandry;
- Transport Facilities and Vehicle Tax;
- Gun Tax, as seen from the above picture.

Then it raises the questions: under what laws, when, how and how much tax shall he pay? We will discuss these and other more detailed issues in our next topics.



For example, let's assume you paid 350,000 MNT in tuition fees for your son's education. In this case, this amount should be deductible from your taxable income and you should enjoy tax relief. Do you know these rights? When you enjoy these rights and pay your tax liabilities, you are eligible for the refund to you of your overpaid tax. In order to do this, where should you go and with what documents?

First of all, you should collect the documents that show you paid annual tuition fees in the year and show the payment in your Tax Assessment List. Later, when you submit your annual Personal

Income Tax Return to the respective Tax Department by 10th February of the following year, you may conclude your tax liabilities and enjoy the tax relief.

If tax was regularly withheld each time from your earned salary and income and the 350,000 MNT is deductible from your annual taxable income according to law, then you are eligible to a refund of your overpaid tax or eligible for a tax credit for the following year. Even if you had the lowest income, you would be eligible for a refund of 10% (35,000 MNT) or for a deduction of the amount from your tax liabilities incurred in the following year.

This is the tax relief on tuition fees for students studied in universities and professional schools as prescribed in paragraph 13, provision 1, Article 9 of the Personal Income Tax Law.

Maybe in this instance you can understand the significance to such taxpayers of keeping proper records in your 'Citizen's Income and Tax Record Book', timely submission of tax returns with your 'Citizen's Income and Tax Assessment List', and conclusion of your tax liabilities.

Please note, you are rendered ineligible to enjoy tax relief if you failed to submit your tax return within the specified time period.

Let us assume that someone imported tobacco or a car from abroad. Or is a vodka producer. For such importers and vodka producers, they are required to comply with the Excise Tax Law.

There are other laws, including the Law on Land Fees, Law on Fees for Using Hunting Resources, Law on License Fees for Hunting and Catching Wild Animals, Law on Fees for Using Water and Mineral Springs, Law on Fees for Using Wood and Fuel from Forest, and Law on Fees for Using Natural Plants.

If you make use of forest, water, wild animals or other natural resources, then you should follow these laws and pay the relevant fees.

Certainly, you will have noticed here that only knowing well just one tax law is not enough, although everyone should not need to memorize each and every tax law. Instead you may ask for help and consult with lawyers and Tax Officers.

The National General Taxation Authority also publishes methodologies and recommendations regarding the implementing of tax laws; and periodically issues a series of publications entitled ‘Aid for Taxpayer Citizens, Business Entities and Organizations’, including a set of tax laws and how they are implemented. In addition, the Supreme Court issues official interpretations on how to understand legal acts.

All laws are published in the ‘State Information Bulletin’, issued by the State Ikh Khural Secretariat. Once a law becomes open and transparent to the public, a lack of awareness is not justification for disclaiming responsibility. Here in this guidebook, we also include reference telephone numbers of all capital city, district and aimag Tax Departments.

If You – the citizens - have any tax-related issues and questions, please call these telephone numbers to get the necessary information.

7. Citizen’s income and tax registration

In all countries of the world with a developed market economy a fair and common principle is practiced, whereby citizens define their own income and pay the tax themselves.

According to the Personal Income Tax of Mongolia, taxpayers are:

- Mongolian citizens with taxable income;
- Non-resident body earning income in Mongolia;
- Foreign citizens and stateless persons residing in Mongolia.

Citizens' income tax is imposed by two methods:

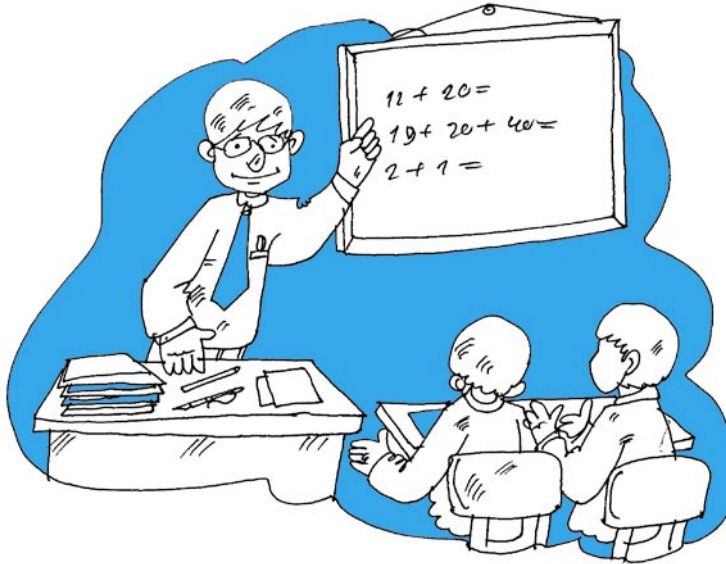
1) A business entity or organization that provides income to a citizen shall impose and withhold tax at the rate prescribed by law and transfer it to the budget. This method shall apply to a citizen with a single income source; and the amount of tax withheld shall be the final payment.

2) A citizen can determine income and pay herself/himself. To enjoy lawful tax relief, each taxpayer shall define his/her income and tax and shall conclude tax liabilities by means of the Citizen's Income and Tax Assessment List.



A citizen is required to register with the appropriate territorial Tax Office and get a 'Citizen's Income and Tax Record Book'. He/she shall define total amount of following annual income and conclude tax liabilities in accordance with the Citizen's Income and Tax Assessment List. The income includes:

1) Any salary, wages, remuneration, allowances, benefits and other similar income earned by performing jobs and duties under a contract made with another business entity, organization and citizen outside of the main job. For example, income earned by:



Visiting or part-time teachers and lecturers that teach in other universities, colleges, professional and general education schools outside their main jobs.



Consulting and visiting doctors of clinical hospitals, medical centers and clinics that undertake medical examination and treatment outside their main job.

- Members of the Board and Controlling Committee of a shareholding company;
- Members of the State Property Committee and National Audit Office;
- Board members of universities and colleges;
- Attorneys and notaries;
- Various informal professional advisors (legal, economic, financial, technical, technological etc.) of a business entity or organization.



2) Income from private sale of goods and raw materials. For example, income earned by citizens who privately supply goods and raw materials to business entities and organizations.

3) Income from private conduct of business. For example, income earned by citizens planting crops and vegetables; breeding pigs

or chickens; doing handicrafts, goldsmith and silversmith activity; repairing furniture and house decoration; privately transporting freight or passengers; retailing; hairdressing; doing handiwork, metalwork and woodwork, organizing paid games etc. This is specified in the Law on Income Tax for Citizens with Indefinite Income, for those who conduct private businesses and services.

4) Income from property leasing. For example, income earned by citizens that leased any of the following property:

- Movable property (industrial equipment, machinery and mechanisms, vehicles etc.)
- Real estate (building, construction, land etc.)

5) Income earned by Mongolian citizens who work for foreign embassies, international organizations in Mongolia as well as projects implemented by foreign countries and international organizations.

NATIONAL TAXATION AUTHORITY



*Income registration notebook of
tax payer citizen*

All such citizens are required to make records of tax, imposed and withheld by law, in their Citizen's Income and Tax Record Book each time they earn income, and ensure that the records are certified by the organization that withheld the tax.



The business entity or organization that provided income to the citizen, and imposes and withholds tax shall transfer the withheld tax to the budget by the 10th of the following month and is required to prepare and submit a Tax Return quarterly to the respective Tax Office within the time period specified by law.

A citizen can enjoy these rights of tax relief after receiving and completing the Citizens Income and Tax Record Book, keeping record of each income, and making paid tax is certified:

To make part of income, equal to the money spent for purchase and building of private living house from their own income and loan resources; and paying tuition fees for his/her children's study in universities and professional schools, deductible from annual personal taxable income at the Tax Administration.

To receive a refund of overpaid tax or to take a tax credit for the following fiscal period, in a situation where he/she paid tax that exceeded the amount prescribed by law.

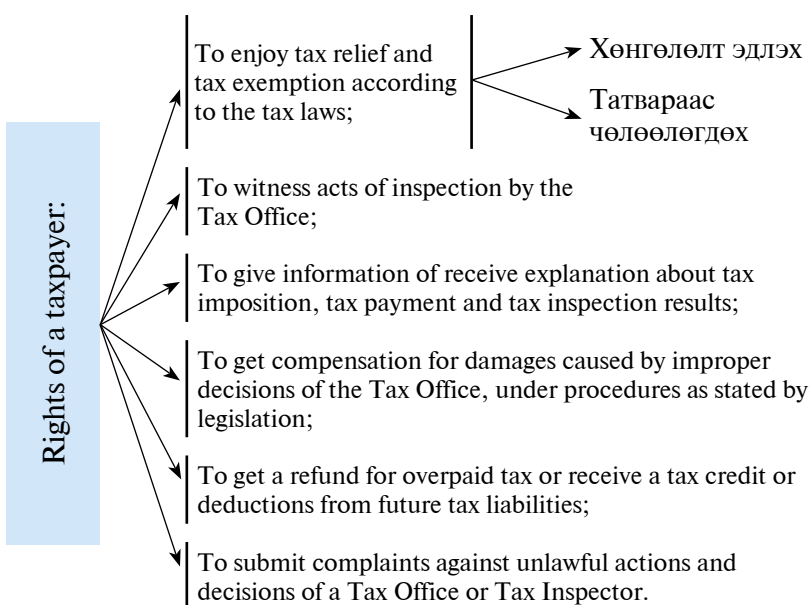
There is a general tax relief of 48,000 MNT for the annual taxable income of each taxpayer citizen. You can read more details in Topic 18 in this guidebook.

For a citizen, defining his/her own income accurately and paying tax levied by law is a matter of dignity in performing his/her constitutional duty to the country and in making a contribution to the development and prosperity of the homeland. Please see the Citizen's Income and Tax Record Book and the Citizen's Income and Tax Assessment List in APPENDIX 2 of this guidebook.

8. Rights and duties of a taxpayer

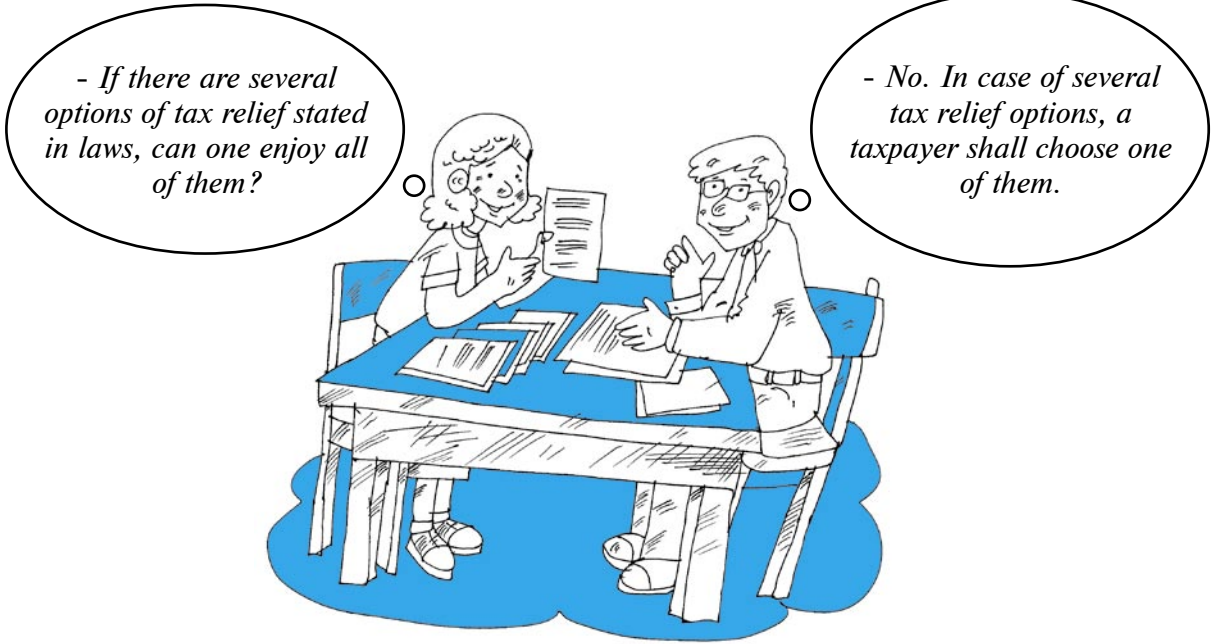
In involving social relations regulated by legal standards of the tax laws, you shall enjoy rights as a taxpayer, and fulfill your duties as a taxpayer.

a) Your rights as a taxpayer:



For example, if you could not carry out your rights to enjoy lawful tax relief and exemption, you can notify the relevant Tax Office and receive a refund of your overpaid tax or take a tax credit from your tax liabilities. But, if the Tax Office does not take any measures to enable you to enjoy these rights, then you can submit your complaint in accordance with legal procedures.

A Tax Office checks whether the taxpayer has applied tax correctly on his/her income and whether he/she paid the tax within the specified period of time. Taxpayers have the right to hear justification of Tax Inspector's acts and present their own explanation. Relations between the taxpayer and the Tax Office can be based on mutual understanding and cause less trouble, once the taxpayer knows well and aspires to know the laws.



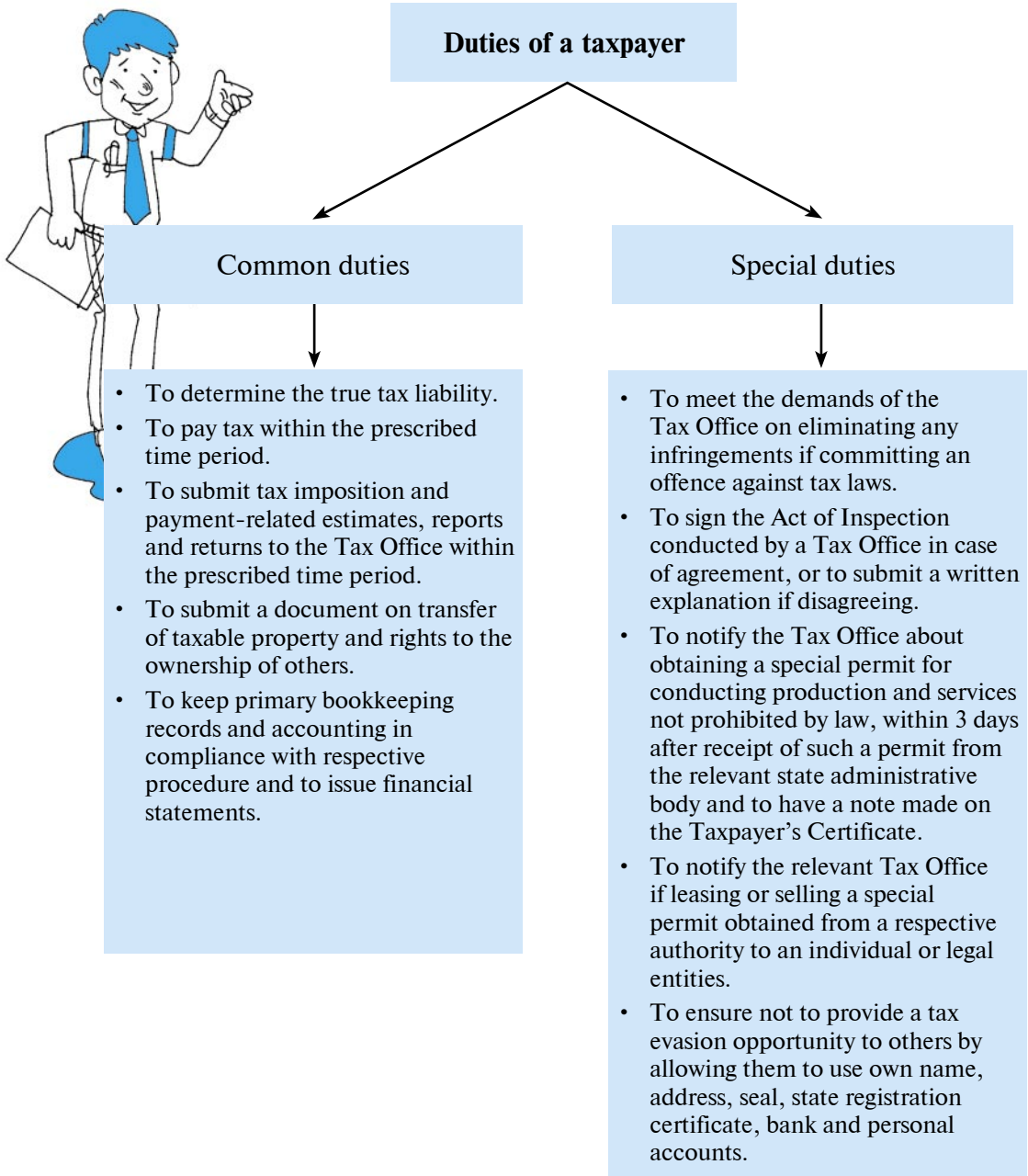
Where can one submit a complaint against illegal actions and decisions of a Tax Office?

If a taxpayer does not agree with a State Tax Inspector's actions, he/she can submit a complaint within 14 days to the Tax Dispute Resolution Council at the aimag or capital city Tax Administration or Tax Department.

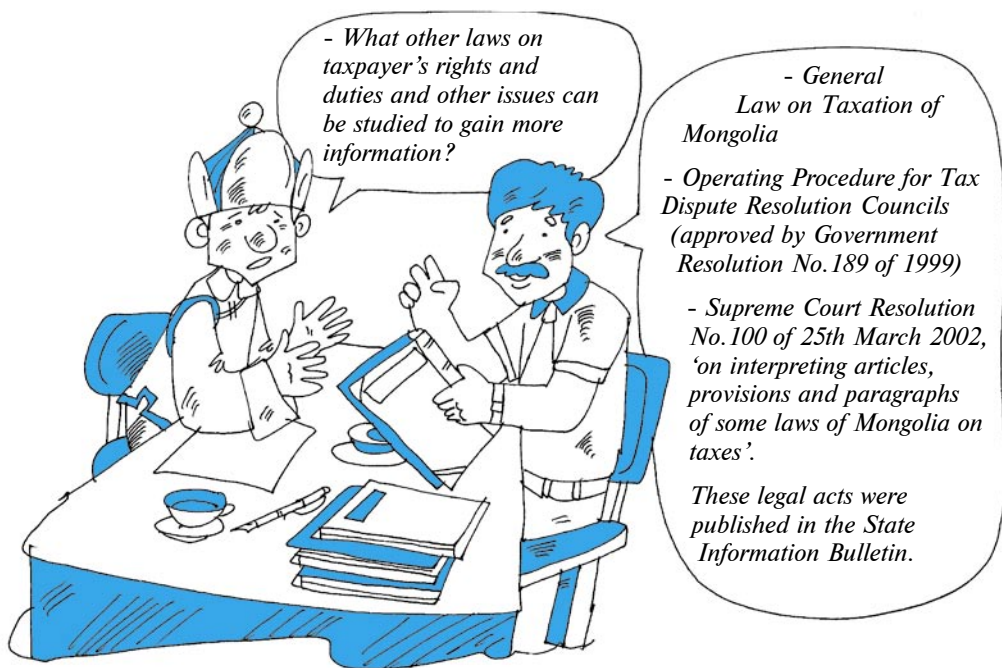
If the taxpayer considers the decision of the aimag or capital city Tax Dispute Resolution Council to be unreasonable, then he/she may appeal to the upper level Tax Dispute Resolution Council or to the Court of Administrative Cases within 14 days.

The complaint is not a justification for stopping paying tax. But according to Article 69 of the Law on Dealing with Civil Cases, a judge may suspend a tax payment by his/her 'order'. We will discuss in our last Topic the specific issue of how to resolve tax disputes.

b) Your duties as a taxpayer:



Duties that are required to be fulfilled by every taxpayer are called **COMMON DUTIES**, while duties related to particular situations are called **SPECIAL DUTIES**.



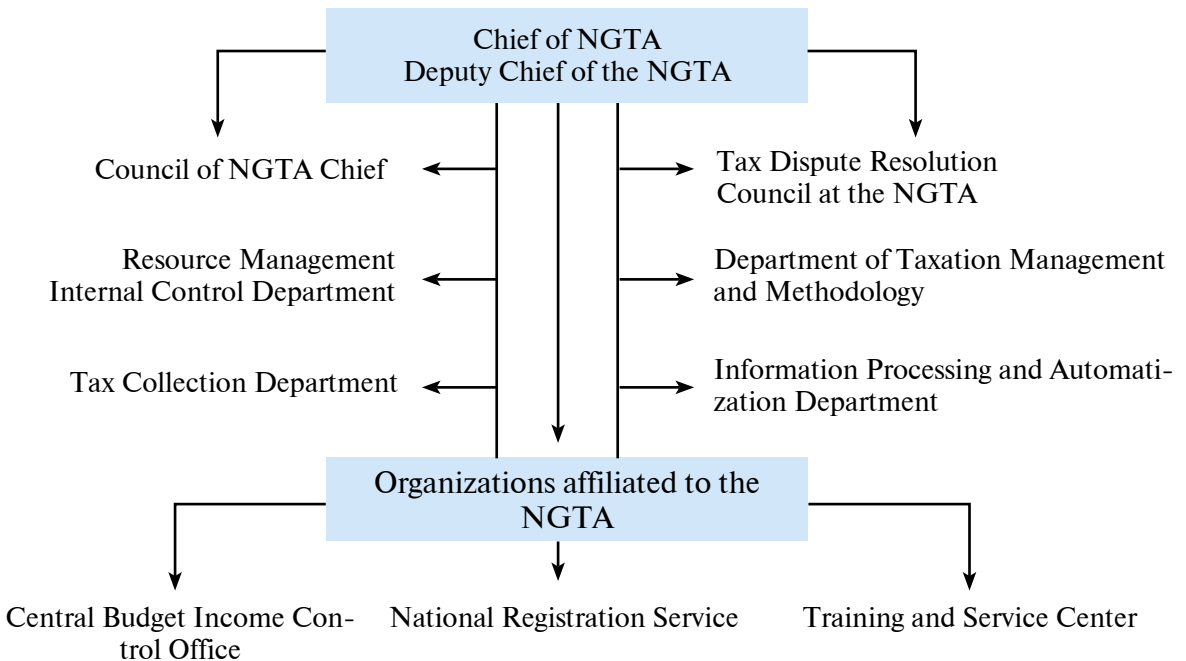
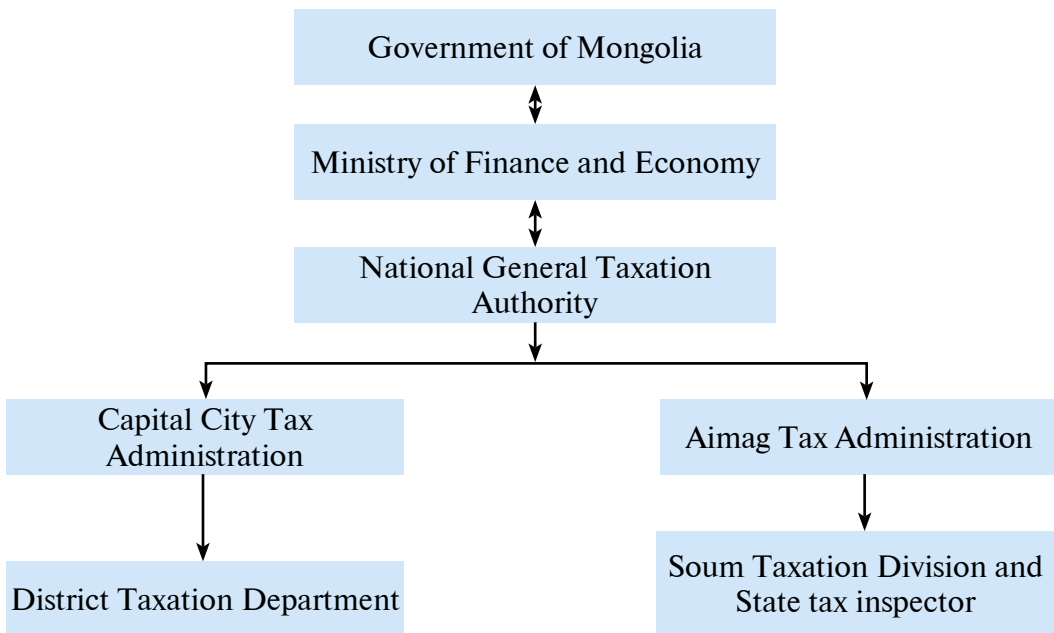
9. What should you know about tax authorities?



The 'Tax Authority' is a system of government organizations with tax-related functions.

The National Tax Authority has a unitary centralized management structure; and its lower level organizations are administered by upper organizations.

Organizational chart of tax authorities of Mongolia



Functions of tax administration

- Monitoring and implementation of tax legislation
- Issuing implementation procedures, instructions and methodologies of tax legislation
- Organizing training and promotion activities
- Collecting state and local budget income

Authorities of tax administration

- To provide tax relief and exemption as stated by legislation
- To impose benchmark taxes
- To suspend bank account transactions of a business entity that failed to pay tax
- To perform tax collection activities in accordance with proper procedures; if tax, interest and penalty are not paid within the specified time period
- To withhold and refund overpaid tax
- To claim legal responsibility against tax law offenders
- To invalidate or revise unreasonable decisions of a lower level tax administration
- To take necessary information, survey and documents from citizens, business entities and organizations free of charge on official request

To appeal to the Court on following cases where a taxpayer has seriously violated laws:

- To stop business operation of a taxpayer that seriously violated laws
- To confiscate income, equipment and raw materials of a taxpayer gained by running prohibited activities
- To confiscate the income of a taxpayer that runs prohibited production without permission
- To confiscate income gained by invalid contracts and agreements
- To impose a penalty on guilty parties that posed hindrance, resistance or damage against a State Tax Inspector



A State Tax Inspector is a public administration officer in charge of implementing tax administration.

Working principles of a State Tax Inspector:

- Respect for laws
- Impartiality
- Respect for legal interests of a taxpayer

Authority of a State Tax Inspector:

To check and inspect documents, to take copies of reference materials and documents on demand and free-of-charge and to take documents away;

To keep confidentiality of taxpayer's property, production and trade secrets;

To request tax repayment from a business entity or organization that didn't withhold and transfer tax to the budget from income provided to others;



To claim lawful administrative responsibility against tax law offenders;

To examine and inspect taxable items used for income generation purposes, going into the taxpayer's buildings, warehouse and storage places;

To inform respective organizations in instances of revealing any illegal activity;



A STATE TAX INSPECTOR:

Shall bear responsibility, in the following cases of abusing one's authority and violating laws:

- Hiding illegal activity of a taxpayer;
- Using tax income for private purposes;
- Taking bribes;

Administrative responsibility

If a State Tax Inspector's offence against the law is not a case of criminal responsibility, shall impose administrative responsibility on him/her

Disciplinary responsibility

- To caution
- To reduce the amount of job salary up to 20% for up to 6 months
- To fire with no rights to return civil service for one year

Property responsibility

Property responsibility can be imposed on a State Tax Inspector, regardless of whether disciplinary and administrative responsibility is imposed on him/her

Criminal responsibility

If a Tax Inspector's offence against the law was considered by a court in a criminal case, shall impose on him/her criminal responsibilities, stated in the Article 263 (for abusing one's authority and position), Article 264 (for excessive use of authority), Article 265 (for taking bribes) and Article 272 (for negligent attitude toward official duties).

10. Private business people and tax

Our Constitution has legislated a citizen's right to conduct private business, accepted all types and forms of property ownership and be guaranteed protection of ownership rights. The private ownership rights become the basis for enjoying many other rights and freedoms, including rights of education, travel, immigration, conduct of business etc.

Conduct of private business is a very important mechanism for improving living standards, starting from satisfying basic needs to the enrichment of private property.

There are two basic principles for imposing tax on income earned from private conduct of business.



First, for those business people that regularly conduct the business of an agricultural farm – or the business of pig-rearing, fowl-rearing, rabbit-rearing or bee-keeping - or other production and services and who pay tax determined by primary bookkeeping of

earned income; then the taxable income is determined by deducting expenses confirmed by documents, transportation facilities and vehicles tax, excise tax and fees for using natural resources from total income, in accordance with the Personal Income Tax Law.

The abovementioned EXPENSES deductible from total income include:

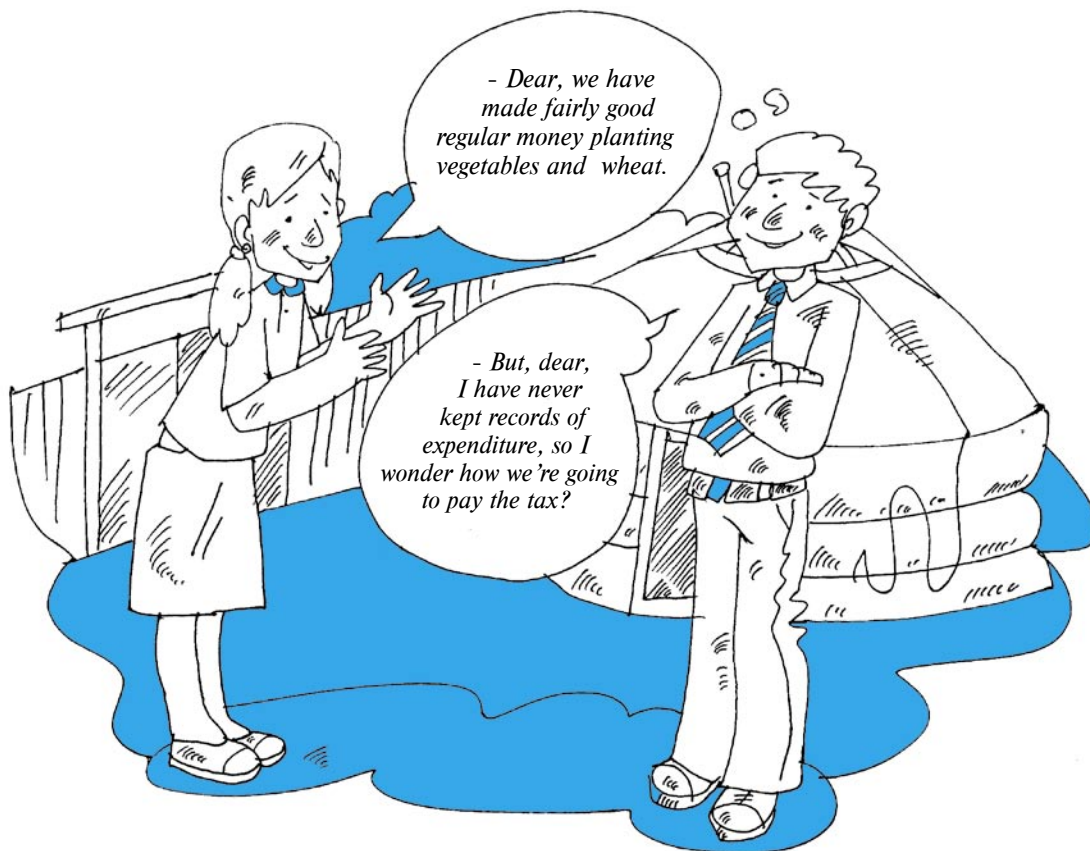
- Raw materials, primary and auxiliary materials;
- Semi-processed items;
- Steam and electricity;
- Fuel and petrol;
- Spare parts;
- Packages and wrappings;
- Rental and bank interest payment;
- Remuneration for work or service performed by others;
- Travel expenses;
- Social and health insurance premiums and depreciation of fixed assets.

They shall pay income tax from the above-determined amount of taxable income, at the following rates:

Amount of annual taxable income (in MNT)	Amount and rate of tax
0-2,400,000	10%
2,400,001 – 4,800,000	240,000 MNT plus 20% of income exceeding 2,400,000 MNT
Over 4,800,001	720,000 MNT plus 30% of income exceeding 4,800,000 MNT

If a business person supplies wages to his/her family members, then the income shall be regarded as a deductible expense calculated proportionally with the payment of social insurance premiums. Therefore, if a business person provides income to family members, but did not pay social insurance premiums, then the wage income shall not be regarded as an expense.

Also if a business person spent a portion of produced goods, performed works or services for his/her family needs, then they shall not be regarded as an expense.



- Dear, we have made fairly good regular money planting vegetables and wheat.

- But, dear, I have never kept records of expenditure, so I wonder how we're going to pay the tax?

If a taxpayer did not determine taxable income, or it was impossible to determine, then the tax administration shall determine the taxable income by comparing with other benchmark producers with similar natural, climatic and market conditions.

Second, today it is common for people to earn income and to support their livelihoods by running a taxi service with private cars, shoe polishing, book selling etc. Such kinds of people are deemed to be taxpayers - including Mongolian citizens, foreign citizens and stateless persons residing temporarily and permanently in Mongolia and conducting various private works and services not regulated by any contracts made with business entities, organizations and citizens.

For these people, they have less chance to record and document their income all the time and do not need to perform complex tasks like providing remuneration for others; so that nobody other

than themselves can determine their income. In this case, relations concerning tax payment are regulated by the Law of Mongolia on Income Tax for Citizens with Indefinite Income from Private Conduct of Businesses and Services

The amount of monthly income tax for citizens with indefinite income earned by private conduct of following businesses and services are set as follows:

Type of business or service		Ulaanbaatar	Nalaikh, Baganuur districts, Darkhan-uul, Orkhon aimag center soums and other soums with regular operation of ports	Other aimag center soums	Other places
1.	Sales of paintings, sculptures, souvenirs, ornaments and various toys	3000	2000	1000	500
	Sales of decorative and indoor flowers and planted plants	1200	900	600	200
	Writing and editing memo on souvenirs	2400	2000	1000	200
2.	Repair of home appliances, tools and furniture	4500	3500	2500	1500
	Repair of radio and TV sets	6000	4000	2000	1000
	Repair of clocks and watches	3000	2000	1000	500
3.	Metalwork service:				
	<input type="checkbox"/> Goldsmith and silversmith	16000	14000	12000	10000
	<input type="checkbox"/> others	8000	7000	6000	5000
4.	Teaching, training, layout making, copying	2000	1600	1200	1000
5.	Photographing, contracted filming and video recording, renting video cassettes and displaying videos	7000	5500	4000	2000
	Renting audio cassettes	2400	2000	1600	1000
	Copying and sales of video and audio records	10000	6000	4000	1000
6.	Organizing paid games (except for billiards)	12000	9000	4500	3000
7.	Repair of shoes and clothes:				
	<input type="checkbox"/> repairing and dying	4000	2800	2400	2000
	<input type="checkbox"/> sewing and selling	6000	4000	3000	25000
	<input type="checkbox"/> shoe polishing	900	400	200	100

8.	Car washing	3000	2000		
9.	Packing, loading, unloading, delivering loads	2800	2000	1200	
	Serving with carts or carriage	5000	3000	1500	1000
10.	Storing goods and raw materials	15000	10000		
11.	Kiosk sales	6000	4000	2000	1000
12.	Counter sales	6000	4000	2000	1000
13.	Foreign currency exchange	25000	15000	10000	5000
14.	Fortune telling	1200	1000	800	400
15.	Retailing (nuts, fruits, milk, yogurt, airag, ice-cream, books, newspapers, journals, fuel, coal, oil for automobiles etc.)	2400	2000	1600	600

Perhaps you have easily found from this table the amount of tax payable by a citizen depending on where and what type of business he/she conducts. For example, a person that conducts currency exchange service shall pay each month 25,000 MNT in Ulaanbaatar, 15,000 MNT in any border port area, 10,000 MNT in aimag center soums and 5,000 MNT in soum centers.



You can easily find out from this table that a citizen engaged in radio and TV repairing service in a rural aimag center is liable for tax of 2,000 MNT each month.

If conducting a business or service for less than one month, there is a procedure to determine the amount of monthly tax, by dividing the monthly tax by the number of calendar days and multiplying the result by the number of days during which was conducted the business or service.

A citizen who privately conducts any of the above businesses or services is required to register with the territorial Tax Administration, and pay tax in cash or via bank accounts, and to receive a Tax Certificate. The taxpayer is required to place the Tax Certificate at his/her workstation or vehicle during the conduct of the business or service or to keep it in hand when crossing a particular street, area or border port. The Tax Certificate is effective in the capital city and in the soum territory. Income earned by the business or service for the period stated in the Tax Certificate shall not be included in the annual income determined by the Income and Tax Assessment List according to the procedure of the Personal Income Tax Law. Once a taxpayer has paid tax when he/she received the Tax Certificate, then double tax cannot be imposed on him/her.

However, the Cabinet member in charge of Finance approves the methodology to determine the benchmark of taxable income for those citizens conducting the following services; and income tax shall be imposed at the rate prescribed in provision 1, Article 7 of the Personal Income Tax Law (described in the table in Topic 13).

The types of services include:

1. Repair and service for automobiles and other means of transport, not regulated by any agreement or contract made with a business entity, organization and citizen;
2. House and construction design, decoration, repair, service and architectural drawings;
3. Operating billiards;
4. Operating food shop, tea shop, buffet, cafe;
5. Sales from a container or van;



6. Clinical and health services, and sales of medicine;
7. Production and sales of various food products;
8. Passenger and freight transport inside a city or soum, and passenger and freight transport between aimags, soums and cities;
9. Operating a vehicle parking area;
10. Intermediary collection and sales of livestock skin, wool, cashmere and other raw materials;
11. Electric and gas welding;
12. Woodcutting;
13. Sale, repair and service of various mobile phones;
14. Sale of transport facilities and spare parts;
15. Internet service;
16. Sales, repair and service of eyeglasses;
17. Hairdressing and beauty salon service.

A citizen, who shall pay benchmark tax from conducting any of the above types of business or services as indicated by law, is required to register with the respective territorial Tax Administration; and

to pay a monthly tax of 10,000 MNT in Ulaanbaatar city, 8,000 MNT in Nalaikh, Baganuur districts and Darkhan-Uul, Orkhon Aimag center soums, 6,000 MNT in other aimag center soums, or 4,000 MNT in other places, in cash or in advance payment; receive a Taxpayer's Certificate; and make later payment by tax return (quarterly and annually). Later payment means making additional payment in case of underpaid advance payment or receiving a refund or tax credit in the case of overpaid tax.

For international passenger or freight transportation service, the following amount of tax is imposed:

Type of business or service	Amount of tax (in MNT)	
	via Zamyun-ud and Altanbulag ports	via other ports
1. In each case of international passenger transportation		
a) by automobile with up to 4 seats	10,000	6,000
b) by automobile with up to 8 seats	12,000	8,000
c) by automobile with up to 16 seats	14,000	10,000
d) by bus	18,000	12,000
2. In each case of international freight transportation		
a) by truck with a capacity of 1-3 tonnes	16,000	10,000
b) by truck with a capacity of 3-5 tonnes	18,000	12,000
c) by truck with a capacity of 5-8 tonnes	20,000	14,000
d) by truck with a capacity over 8 tonnes	22,000	16,000
e) by tractor	10,000	4,000

If the number of seats and capacity of an automobile match two classifications at the same time, then the previous classification shall be taken for tax imposition.

11. Shareholders, depositors and tax

There is a basic principle that if you gain income then you are liable to pay tax. Sometimes it is expressed by a phrase "Only human birth, death and tax are certain".



(Please refer to provision 4.1.5b of Article 4, provision 5.3.e of Article 5 and provision 8.4 of Article 8 of the Personal Income Tax Law, from Appendix 3)

The above dialogue shows the tax payable by shareholders and depositors. But it has been legislated not to collect tax imposed on income from interest on loans and deposits, and on income from dividend and gains of shareholders, until 1st January 2005. This was with the intention of raising people's desire to deposit money in banks and to support investment. In terms of tax legislation, it is called a 'tax break'.

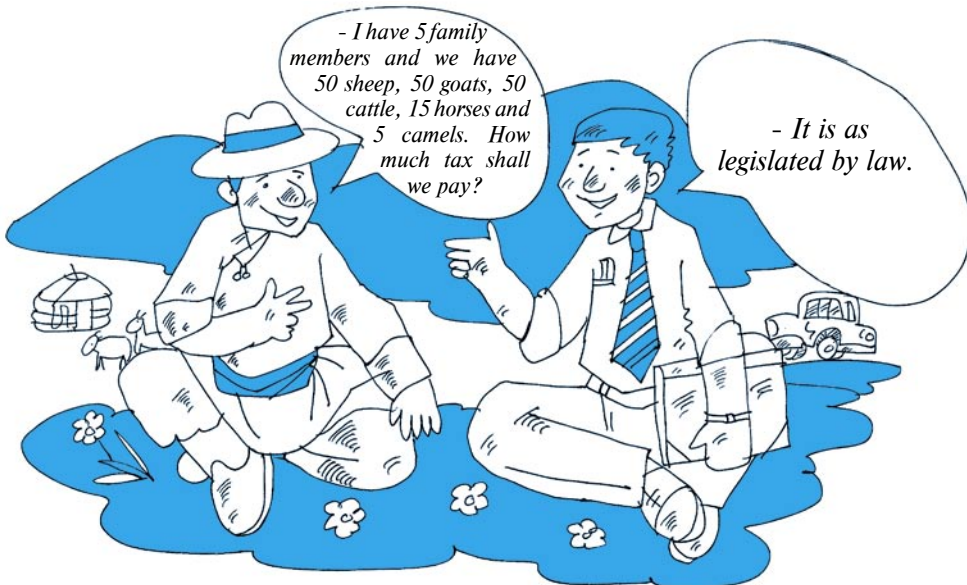
There's a term 'interest income' in legislation. Apart from the abovementioned income from interest from deposits held at a bank or financial institution, it can also be income from interest from loans lent to others and interest of notes payable or securities. However, interest income from Government borrowing is tax exempt.

A shareholder receives dividends by law if the company operates profitably. But the money received by investors of a partnership or cooperative when they share profits is called 'gains of shareholder'. Also citizens may share their profits made by concluding business cooperation contracts without establishing any legal entity. We also consider this money as gains of shareholder.

A business entity, organization or individual person that provides dividends, gains of shareholder, loan and deposit interests to a citizen, shall withhold 15% of tax legislated by law and write a record of such in the Citizen's Income and Tax Record Book. The organization shall transfer the withheld tax to the budget by the 10th of the following month. A business entity, organization or citizen that fails to withhold income tax in such a manner is liable to pay the tax as well as an equal amount of penalty.

12. Herdsman and tax

Animal meat, milk, wool and cashmere are typical income earned by a citizen engaged in animal husbandry. So it raises a question, how much tax one should pay in accordance with the principle of paying tax from earned income.



The taxable number of livestock owned by a citizen with private livestock is determined by a proportionate number expressed in terms of heads of sheep. For tax calculation purposes, each head of cattle, horse or camel is equal to 5 heads of sheep and a goat is equal to 1.5 heads of sheep. The taxable number of livestock for a fiscal year is based on the number of livestock counted at the end of previous year. (Article 6 of the Personal Income Tax Law)

So let us calculate how much livestock Dorj has in terms of taxable units, i.e. sheep head equivalents.

$$50 \text{ sheep} + (50 \text{ goats} \times 1.5) + (20 \text{ cattle} \times 5) + (15 \text{ horses} \times 5) + (5 \text{ camels} \times 5) = 325 \text{ heads of sheep equivalent}$$

According to legislation, the following amount of annual tax is imposed on the number of heads of sheep as determined in the above calculation.

Aimag and capital city	Amount of tax (in MNT)
Selenge, Tuv, Darkhan-uul, Ulaanbaatar, Orkhon	100
Arkhangai, Bayankhongor, Bulgan, Govi-sumber, Dornogovi, Dornod, Dundgovi, Uvurkhangai, Umnugovi, Sukhbaatar, Khuvsgul, Khentii	75
Bayan-Ulgii, Uvs, Khovd, Govi-Altai, Zavkhan	50

The table shows that the amount of tax per taxable per head of sheep is 75 MNT for a herdsman in Uvurkhangai Aimag. However, provision 1.7, Article 9 of the Personal Income Tax Law states that 20 small animals for each member of herder household are tax exempt. Therefore, 100 small animals (5 persons * 20 small animals) are deductible from the taxable number of 325 small animals and Dorj's family therefore has to pay an annual tax of 16,875 MNT (225 small animals * 75 MNT) = 16,875 MNT.

A herder is required to pay the annual tax in two installments, by 15th July and by 15th December, to the local budget of the territorial administration in which they are permanent residents.

By means of the above table, you are now able to determine the annual tax payable by a citizen engaged in animal husbandry in any region of our country.

13. Employee with labor contract and tax

An employee with a labor contract receives a wage and other benefits.

Let us assume that Ms. Dolgor works in a factory and does not also work in other places. According to the Personal Income Tax Law, she is required to pay tax from her salary, wage, bonus, benefit, welfare allowance and other similar income earned by working for a business entity or organization under a labor contract in the form of her main job. Then Dolgor's taxable income is determined by deducting the Social and Health Insurance premiums from her total income of salary, bonus, benefit, welfare allowance and other similar income.

The following table shows you how much tax she should pay from her taxable income as determined by the above calculation. There is a procedure to determine personal income tax by imposing a certain percentage of tax on total annual income.

The amount of tax shall be imposed on the total annual taxable income of a permanently residing taxpayer of Mongolia is shown in the following table.

Amount of annual taxable income (in MNT)	Amount and rate of tax
0 - 2,400,000	10%
2,400,001 - 4,800,000	240,000 MNT plus 20% of income exceeding 2,400,000 MNT
over 4,800,001	720,000 MNT plus 30% of income exceeding 4,800,000 MNT

These amounts of tax are set out in provision 1, Article 7 of the Personal Income Tax Law.

The above amounts of tax are imposed on the following income of a taxpayer:

1. Salary, wage and other similar income:
 - a) salary, wage, bonus, benefit, welfare allowance and other similar income earned by working for a business entity

- or organization under a labor contract in the form of the main job (after deduction of Social and Health Insurance premiums).
- b) salary, wage, bonus, benefit, welfare allowance and other similar income earned by performing work and duties in other business entities and organizations on the basis of a contract outside of the main job (by total amount).
 - c) pension, pension benefits and welfare allowance (by total amount);
2. Income from conduct of a business (after deducting expenses confirmed by documents, paid tax, fees and duties);
 3. Income from private sales of goods, products and raw materials (after deducting expenses confirmed by documents);
 4. Income from leasing property and transfer of ownership rights (after deducting expenses related to the leasing) and other similar income.

A business entity or organization that supplies income to an employee shall withhold and transfer the income tax to the budget. In doing so, it calculates tax on the basis of a table issued by the Tax Administration. However, in most cases such tax payment exceeds the exact amount of tax determined at the end of year by the tax return of the citizen, on the basis of a correctly recorded 'Citizen's Income and Tax Record Book'. Since the table issued by the Tax Administration is based on the assumption that a monthly income will be earned for each of the 12 months, there are some cases where an excessive amount of tax is withheld in some high-income months (e.g. when teachers receive overtime benefits or salary of the 13th month). Therefore, it is beneficial for every taxpayer to record their income and tax correctly, to submit a tax return each year by 10th February, and to conclude their final tax liabilities.

14. Contracted and hired workers and tax

Those who earn income outside of their main employment by performing jobs and duties under a contract made with another business entity, organization or citizen are required to pay an amount of income tax as prescribed in provision 1, Article 7 of the

Personal Income Tax Law (see the Table in Topic 13). In practice, a business entity or organization estimates the tax at 10% of the wage or remuneration payable to a contracted or hired worker, and then withholds and transfers this amount of income tax to the budget.

The main difference between the income tax of these people and those employees working under a labor contract is the common practice whereby tax is imposed at the specified rate on total income received by the contract or hired worker without deduction of Social and Health Insurance premiums. However, the Law on Social Insurance states, “a citizen that conducts production, business and service shall decide whether to insure oneself to social insurance under terms and procedures stated by the law and shall select types of social insurance”, and therefore contract and hired workers that earn income from performing contract or hired work under contracts made with others outside of their main jobs can voluntarily get Social and Health Insurance and pay insurance premiums from their income. It is significant for them by allowing them the opportunity to protect themselves against insurance cases. Also, as we mentioned before, the amount of money receivable as ‘payout’ from an Insurance Fund depends directly on the amount of insurance premiums paid in.

Making records of tax paid in their Income and Tax Record Book, and issuing and submitting an Annual Tax Return to their respective Tax Administration is important for contract and hired workers. At the same time, necessary measures are taken to correct under- or over-payment of tax withheld at 10%.

Your Income and Tax Record Book is required to contain information on all of your income and paid tax. Understating your income in the Book may result in incurring the disadvantage of losing your right to receive a refund of overpaid tax.

Even if you had to repay your underpaid tax during the estimation process, you should be proud of fulfilling your sacred duty as stated by the Constitution.

For public officials, for them to pay fairly estimated tax becomes a mirror to show how they work for the people, and not be subject to corruption.

15. Briefly about Excise Tax and Customs Duty

Issues related to Customs Duty are regulated by the Customs Law and Customs Tariffs Law. The State Great Khural approves the amount of Customs Duty, which is currently 5%. The laws set out several methods of determining taxable valuations for Customs Duty, on which Custom Offices base their calculations.

Citizens are required to declare imported goods and pay Customs Duties to the Customs Office at the customs border when they import goods and products. In addition to Customs Duty, they also shall pay 15% of Value-added Tax (VAT) for imported goods. The Customs Office collects Customs Duties and VAT for the State budget in each case of imports.

The Customs Tariffs Law sets out a list of goods exempt from Customs Duty, including:

- Special purpose appliances designed for disabled persons and equipment or parts and raw materials necessary for making such appliances;
- Humanitarian assistance or grant aid goods;
- Passenger's personal belongings;
- A car imported for the private needs of a citizen repatriated from official appointment to abroad for more than one year in diplomatic and consular offices of Mongolia or in intergovernmental international organizations in foreign countries;
- Diagnostic facilities, chemicals, equipments, appliances and packages required for safe and guaranteed transportation and reservation of blood, blood products, cells and body parts for the use of medical purposes.

Excise Tax is aimed at limiting consumption of some kinds of products and to ensure the principle of fair and equal tax. Excise Tax is imposed on all types of alcoholic beverages, tobaccos, auto and diesel fuel and cars.

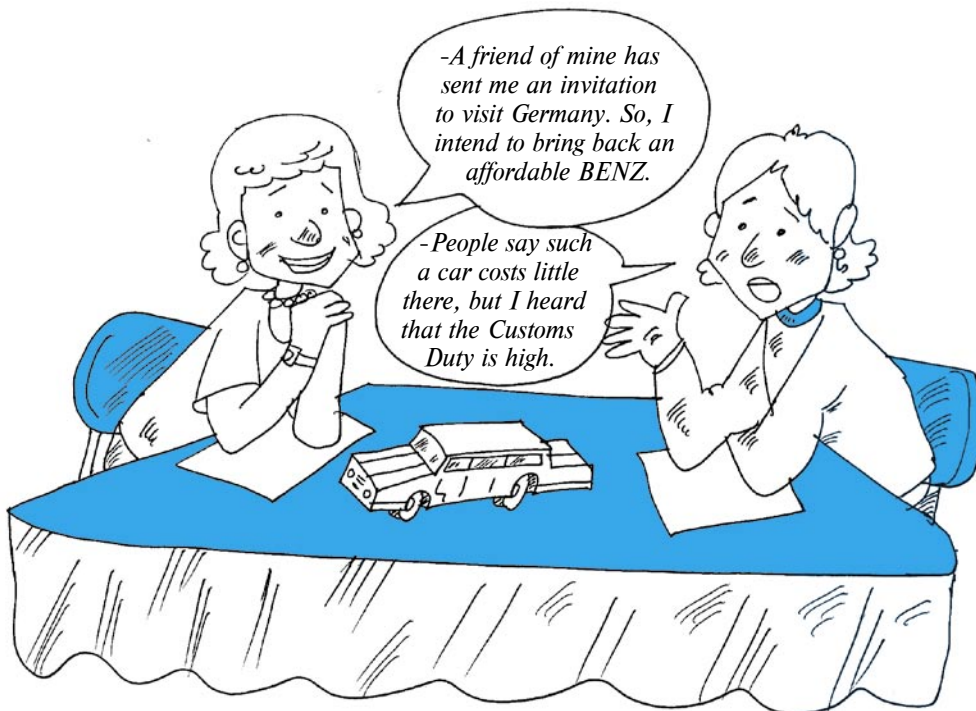
The taxable value used for calculating the amount of Excise Tax

imposed on products produced in Mongolia is determined on the basis of the sales price of the product. However, a special unit of measurement for the product is set in imposing Excise Tax on imported goods.

The following table shows how the amount of Excise Tax is determined:

Name and type of goods subject to Excise Tax		Amount and rate of Excise Tax		
		for domestic products		for imported products
		Rate of Excise Tax (estimated from taxable value that includes the Excise Tax)	Excise Tax per unit (in USD)	Excise Tax per unit (in USD)
1. Food spirits		85%	-	7\$ per liter
2. Vodka	up to 40% alcohol by volume	80%	-	5\$ per liter
	over 40% alcohol by volume	80%		6\$ per liter
3. All kinds of wine		30%	-	0.75\$ per liter
4. All types of cigarettes and other tobacco		-	0.30\$ per 100 boxes	0.30\$ per 100 boxes
5. Tobacco and other similar tobacco		-	0.15\$ per kilo	0.15\$ per kilo
6. Beer		-	0.20\$ per liter	0.20\$ per liter
7. Petrol	up to 90 octane	-	11\$ per tonne	-
	over 90 octane	-	12\$ per tonne	-
8. Diesel fuel		-	15\$ per tonne	-

The Government Cabinet has the authority to reduce the amount of Excise Tax on domestically produced food spirits and all kinds of vodka and wine by up to 20 units, taking due regard of the profitability of the production, market supply and demand as well as consumption of the products.



Excise Tax is imposed on each imported car at the following amount depending on number of years passed since its year of manufacture.

Years since year of manufacture	Excise Tax (in USD)
0-3 years	500\$
3-10 years	1000\$
Over 10 years	2000\$

Legislation exempts some types of goods from Excise Tax, which include:

- Exported goods produced in Mongolia;
- Domestically produced beer;
- Milk vodka distilled at home domestically;
- Limited amount of vodka and tobacco for private consumption of passengers as permitted by the Customs Office;
- Snuff;

- A car imported for private needs of a citizen repatriated from an official appointment abroad for more than one year in diplomatic and consular offices of Mongolia or in intergovernmental international organizations in foreign countries.

16. Civil servants and tax

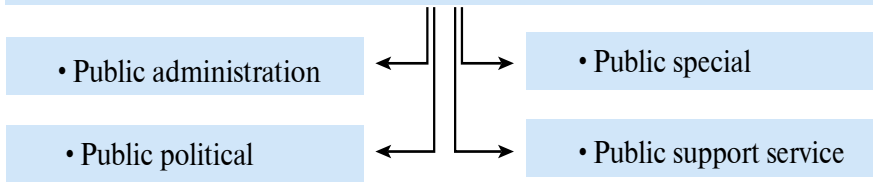
According to legislation, a citizen, business entity or organization that has taxable income, property, particular rights or possesses and uses property shall be a taxpayer, including:

- Citizens of Mongolia;
- Foreign citizens and stateless persons residing in Mongolia and non-resident persons gaining income in Mongolia;
- Domestic and foreign business entities, organizations and funds located in Mongolia; and non-resident legal entities gaining income in Mongolia;
- Representative offices of foreign business entities and organizations that gain income in Mongolia.



Provision 11.1 of the Civil Service Law states *“A civil servant is a State employee that receives salary and job guarantee from the Government for the exercise of one’s authority”*.

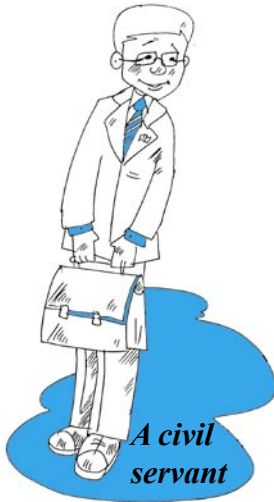
According to the Civil Service Law, civil service positions are classified as follows:



The salary and benefits of civil servants are regulated by legislation.

Public political positions include:

- Speaker of the State Great Khural of Mongolia;
- Prime Minister of Mongolia;
- Vice Speaker and Member of the State Great Khural of Mongolia;
- Cabinet Member of the Mongolian Government;
- Chief of the Cabinet Secretariat;
- Vice Minister;
- Advisor to the Prime Minister;
- Chief of President's Office;
- Advisor to the President;
- Secretary of the National Security Council of Mongolia;
- All levels of Governors;
- Heads of diplomatic missions or representative offices of Mongolia in a foreign country and international organizations;
- Positions of advisor, assistant and press officers who directly serve the



The salary of a civil servant appointed to a political position is composed of the employment salary and benefits for special working conditions and doctor's degree.

Public administration positions include:

- Management and executive positions of the State Ikh Khural, President, Government, Court and Prosecutor's offices;
- Positions of General Election Committee office;
- Management and executive positions of Bank of Mongolia, Securities Exchange Committee and National Statistical Office;
- Management and executive positions of National Security Council;
- Management and executive positions National Human Rights Commission;
- State Secretary of Ministry and management and executive positions of government agencies;
- Official members of the Civil Service Council;
- Management and executive positions of the Civil Service Council;
- Secretary of aimag and capital city Citizens' Representative Khural and management and executive positions of aimag, capital city, soum and district Citizens' Representative Khural and Governor's Offices;
as specified in provision 7.1 of the Civil Service Law.

The salary of a public administration officer is composed of an employment salary plus benefits for special working conditions, service term, title, rank and doctor's degree.

The salary of a public special officer is composed of an employment salary plus benefits for special working conditions, service term, title, rank, doctor's degree and professional expertise.

State-supported service positions

The following positions aimed to support implementation of objectives and functions of State-supported organizations, whereby officers are recruited on the basis of a labor contract:

- Positions to support normal and smooth operation of public organizations;
- Management, executive and supporting positions of public support budget organizations in education, science, health, culture and art sectors;
- Management and executive positions of other public administration organizations established by the government, and local administration organizations at aimag and capital city Governors, unless otherwise stipulated by laws;
- Management and executive positions of state-budgetted organizations under ministries and government regulatory and implementation agencies.

Civil servant-citizens shall determine their taxable income by deducting social and health insurance premiums from their salary, remuneration, bonus, benefit, welfare allowance and other similar income and shall pay tax with the rate and terms as specified in the Personal Income Tax Law.

Remuneration includes payment for performing contract work, giving lectures, teaching part-time and replacing positions.

A civil servant is required to pay the proper amount of tax from the annual total of all income.



For example, if the annual total income of Mr. T. Zorig, a public administration officer, earned by giving lecture and seminar, teaching, writing articles for newspapers and periodicals and writing books, is less than 2.4 million MNT, then he shall pay 10% tax from this income.

But, if the total annual income exceeds this amount, then he shall pay tax at the rate prescribed in provision 7.1 of the Personal Income Tax Law.

17. Are we liable for tax on our pension and welfare allowances?

Perhaps you have noticed from previous topics that tax is imposed on pensions and welfare allowances, as they are income similar to salary and wages.



Tax is imposed on the total amount of pension and welfare allowances, in accordance with provision 1 of Article 7 of the Personal Income Tax Law (see table in Topic 13). You may think that elders don't pay tax from their pension and welfare allowances and they receive their money in its entirety. Yes, most do, as tax is not imposed on the wages of low-income people.

That is because tax relief is given on 48,000 MNT from the annual taxable income as shown in the above table, according to provision 9.3 of Article 9 of the Personal Income Tax Law. This means that each month a taxpayer is relieved from an average of 4,000 MNT of tax.

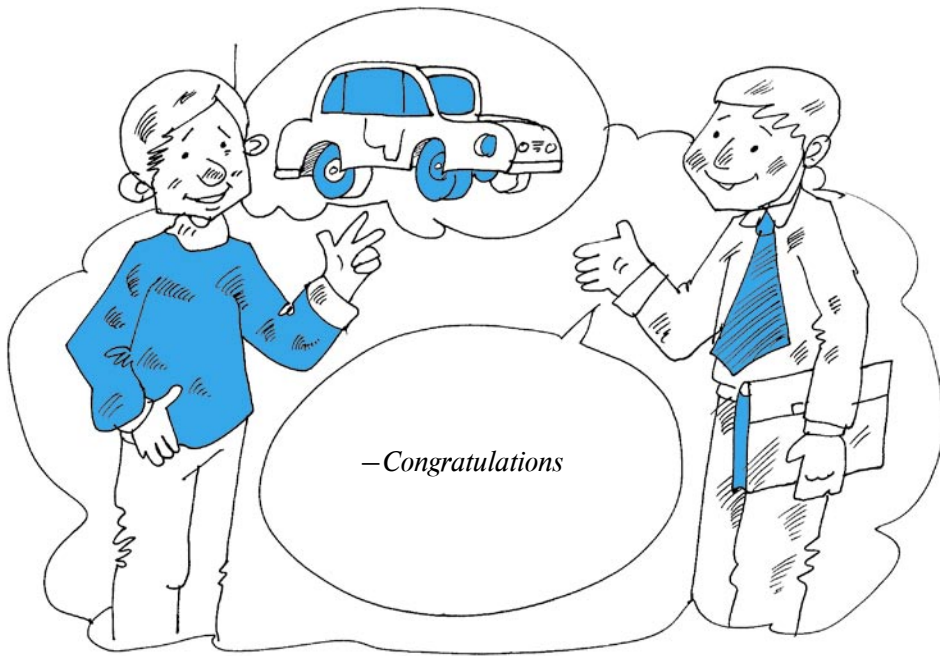
If the annual taxable income of a citizen is 2,400,000 MNT or his/her monthly income is less than 200,000 MNT, then he/she shall pay 10% of tax from income, which is the lowest rate of tax. Therefore the monthly taxable income upon which can be imposed 4,000 MNT of tax would be 40,000 MNT. Since those who receive a monthly pension and welfare less than 40,000 MNT enjoy tax relief prescribed by provision 9.3 of the Personal Income Tax Law, there is no need to withhold income tax from their income as they are tax-exempt. Pensions of most people do not exceed 40,000 MNT, and so it appears as if pensioners do not pay any personal income tax. In fact those who receive a pension higher than this amount are required to pay tax as usual.

In other words, those who receive a salary, pension or welfare allowance totaling less than 40,000 MNT are exempt from tax as they enjoy tax relief prescribed by provision 9.3 of the Personal Income Tax Law.

18. You have won a car from lottery...

After reading this title, you might suppose, "What is the connection between the car and tax?" Let us discuss what tax issues are raised if someone wins something – cash, goods or services - in a lottery, quiz or draw.

It's nice to be a lucky winner. But the winner should also fulfill the duties of a citizen.



According to the Personal Income Tax Law, 10% tax is imposed on the total income from gambling, quizzes and lotteries. If we assume your car costs 11 million MNT, then you will become the real owner of this car once you have paid 1.1 million MNT of income tax.

The lottery organizers should tell you, “Congratulations, please come and take your car after having paid your tax”.

People put bets on horse races and wins the bet if ‘their’ horse completes the race in first to fifth place. Also participants of various quizzes on TV that have won prizes have an obligation to pay 10% tax from their received money and other assets.

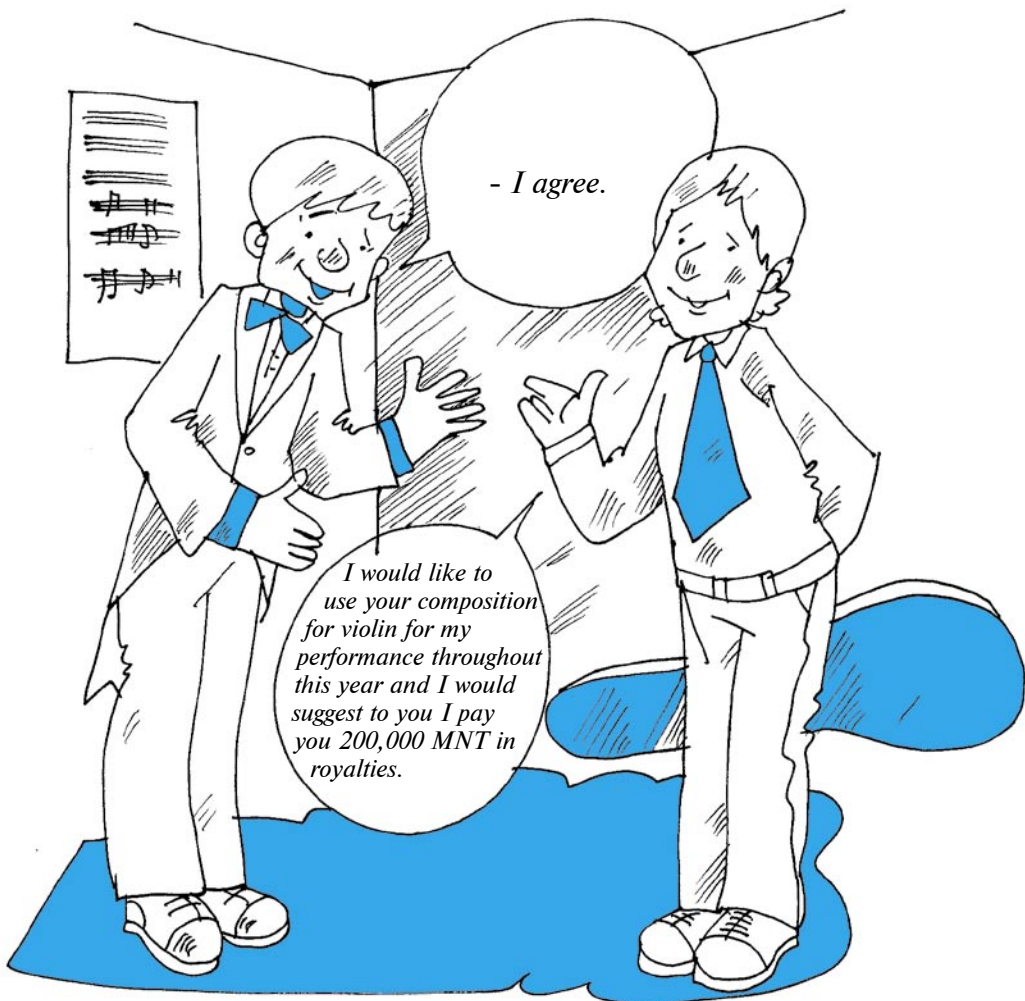
The business entity, organization or citizen that provided the bet or prize is obliged to withhold and transfer the tax to the budget.

19. Authors, patent owners and tax

The Personal Income Tax Law uses the term “income from royalties”. This refers to payments for the use and rights to use copyrights, software, patents, trademarks, designs, models, know-how, movies, videos, audios, and other types of records.

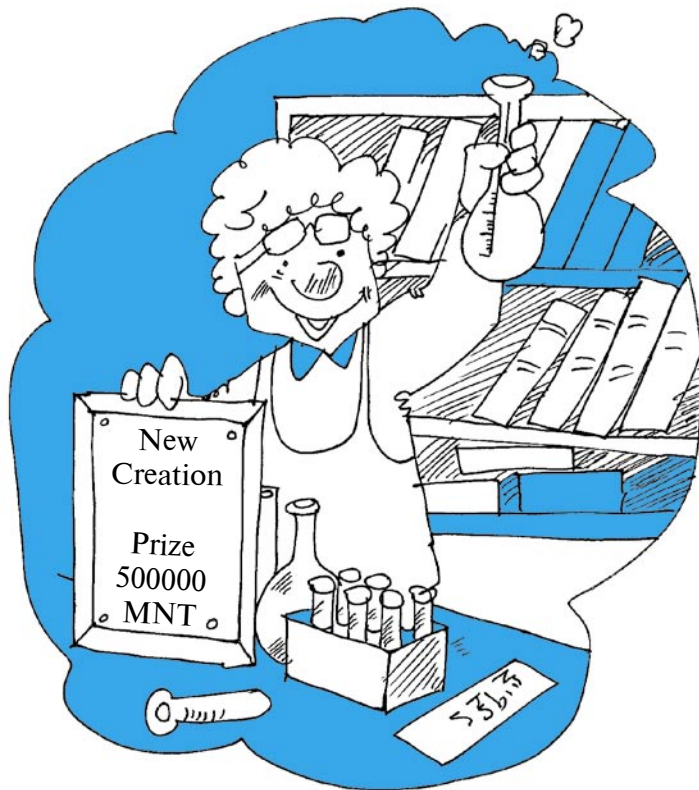
10% tax is imposed on the total amount of this income without any deduction.

Authors are allowed to transfer their works for the use of others and to receive royalties.

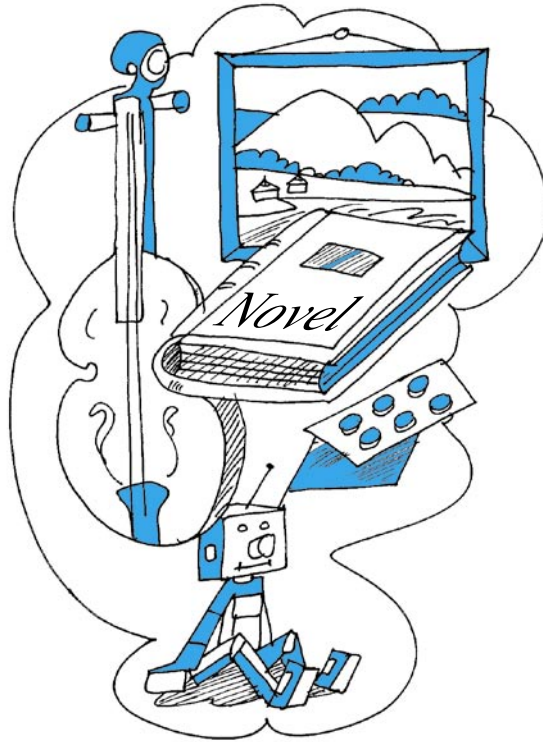


Composition is a work of art related to copyrights. If the musician paid 200,000 MNT to the composer C for obtaining rights to use C's violin composition for his performances in the opera house, C shall pay 10% tax or 20,000 MNT and so receive in the hand 180,000 MNT.

Tax is also imposed on income earned by authors of scientific, literary and artistic works, royalties for innovators and designers, along with any similar income. The tax rate is 5% for income up to 5 million MNT, and 10% for income over 5 million MNT.



For example, a publishing company printed and sold writer B's novel in hundreds of copies and in return, they paid in royalties 6 million MNT to the writer B. In this case, writer B is liable for 10% tax (600,000 MNT) and so receives in the hand 540,000 MNT. But, if the income were 5 million MNT, then he would have to pay 5% tax (250,000 MNT) and receive in the hand 4,750,000 MNT. In our current situation, there is no such printing house that receives a writer's work, takes all responsibilities to print, finance and sell the work and provides a royalty for copyrights of the printed



book. Therefore, the current legal regulation that imposes tax on copyrights does not match the actual practice whereby writers responsible for all costs of writing, printing and selling their books.

Mr. Sandag developed a technology to produce a medicine for healing wounds quickly and received a patent for his invention from the Intellectual Property Agency. A pharmaceutical company then asked to use his patent rights of the technology and suggested to pay him a royalty of 0.3% of sales income on a regular basis after production of the medicine. Sandag accepted the suggestion. In this example, it is not clear whether he shall pay 5% tax or 10% tax. So you may understand that the amount of tax depends on the amount of royalty that he actually receives.

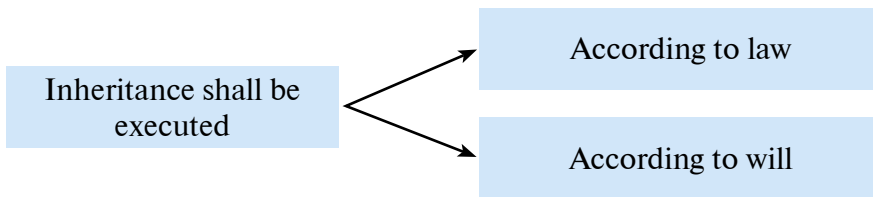
As seen from Tax Administration's inspection acts and tax imposition practices of the recent years, such kind of writers that write, print and sell their works by themselves are either subject to 3% tax imposed on sales income of the book like those who privately sell goods and materials, or - in some cases - they are subject to 10% tax imposed on their total income earned from sales of books similar to the salary, wage and other similar income

earned by performing jobs and duties under a contract made with other business entity, organization and citizen outside the main job. These practices do not match the legal provisions. Therefore, it is necessary to refine the laws in conformity with the practice. We hope that you – the readers of this guidebook - will also express your suggestions on this issue.

20. You receive rights to own a house by inheritance...

If you receive rights to own a house by inheritance, you need to know the legal concept whether the right was legally initiated.

According to the Civil Law:



You should get a Certificate of Inheritance (in accordance with provision 531.1 of Article 531 of the Civil Code).



You should submit your application for getting the Certificate of Inheritance to the notary of the territory or, if there is no notary, then to the Soum Governor.

Certificate of Inheritance



is there any term to issue the certificate?

A Certificate of Inheritance shall be issued to the legitimate inheritor after one year has elapsed since the starting date of inheritance. But, if it is proven that there was no other inheritor except the applicant or the current inheritor, then the Certificate of Inheritance can be issued before the term has elapsed or it's not necessary to issue the certificate after one year.

- I've got the Certificate of Inheritance. What should I do now?

- In order to certify your ownership of the house, you should register it on the State Register and get the necessary 'Certificate'. By receiving the 'Certificate' of the right to own the house, you will become the legitimate owner of the house.

- Shall I pay Real Estate Tax for the ownership of house?

- You shall not pay Real Estate Tax for the house you own, since provision 7.1.2 of Article 7 of the Law on Real Estate Tax states that living houses are tax-exempt. (State Information Bulletin, No.45, 2000).

In most countries, there are independent laws on inheritance tax and gift tax. We don't have such separate laws in our country, instead we use the Personal Income Tax Law so once the house is received by inheritance then it becomes the income of the citizen.

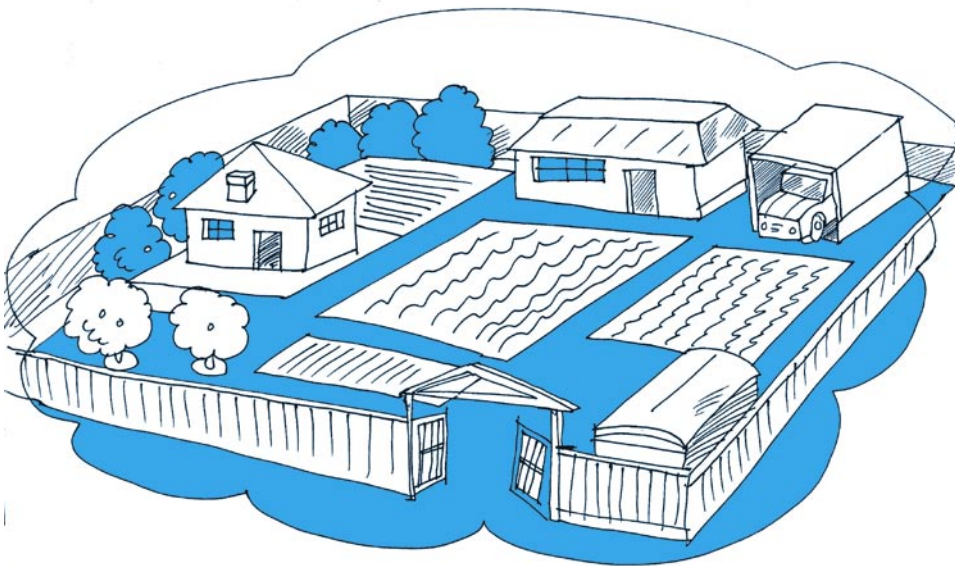
Therefore, this kind of income is subject to tax according to provision 9 of Article 4 of the Personal Income Tax Law as "other income exempted from tax under this law", and tax is payable at

the rate prescribed in provision 7.1 of this law (see table in Topic No.13). That is, the price of an inherited house and paid tax have to be recorded in the Annual Income and Tax Record Book of the inheritor.

21. Shall the owner of an apartment, fence or house pay Real Estate Tax?

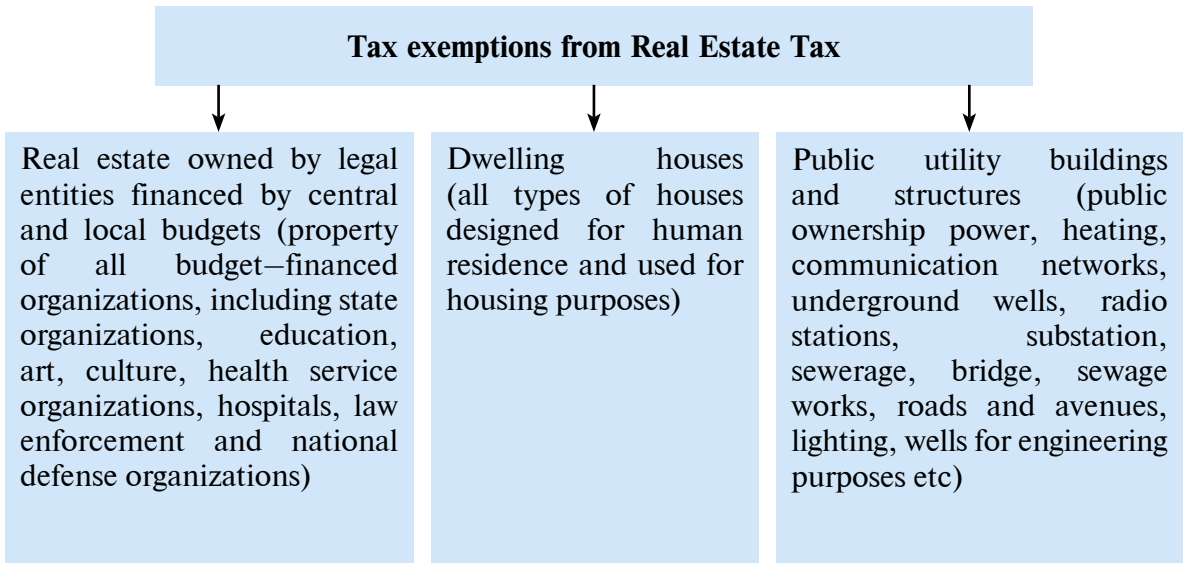
Citizens or business entities and organizations with all forms of ownership that own real estate in Mongolia are ‘real estate’ taxpayers.

Real estate includes land and perennial plants, plankton and mineral deposits on the land that lose their purpose and economic meaning as soon as they are removed from the land; and buildings, and constructions and houses that cannot be used if separated from the land.



The taxable value of real estate is determined as follows:

1. By total price as registered in the real estate registration;
2. By total value on property insurance valuation (if not registered by real estate registration);
3. By book value recorded in accounts (if not covered by property insurance).



In addition, real estate owned by *foreign diplomatic organizations* (Embassies and Consulates) *in Mongolia, excluding non-relevant, privately owned ones*, is tax-exempt in accordance with the International Vienna Convention of 18th April 1961.

Real Estate Tax is imposed at 0.6% of taxable value of real estate owned by a taxpayer, whereby the value of tax-exempt real estate is deducted from the total value of real estate owned on 15th January of the year.

A dwelling house is public or private house, apartment or ger designed for human residential purposes.

Perhaps you will have noticed that dwelling houses (all types of houses for living purposes, including public and private houses, public houses owned by state or specific organizations, privatized cooperative houses etc.) are exempt from tax as stated in the Real Estate Tax Law. This provision also refers to ger district private houses and fences, so they are also tax-exempt.



But if you use residential houses for other purposes of business and service, including shop, café, teashop, drug store, Internet café etc., then the real estate is not tax-exempt.

Moreover, if people live in one section of a residential house and conduct production and service in the other section of the house, then Real Estate Tax is imposed on the section of the house or building where production or service is conducted.

Example: Citizen D. Naran has a house of 100m² with a Real Estate Registration Certificate and the house is valued at 60 million MNT. Within the house he uses a space of 60m² for service purposes and the remainder of the space for domestic purposes. In this case, the value of the tax-exempt space (24 million MNT) is deducted from the total value of the real estate (60 million MNT); and 0.6% Real Estate Tax is imposed on the residual value of the real estate (36 million MNT).

Taxpayers are required to calculate the tax imposed on their real estate each year on the basis of available valuation by 15th January. Legal entities pay the tax to their respective local budget each quarter in equal amounts by the 15th of the last month of the quarter. For individual taxpayers, they pay the tax once annually to their respective Tax Office by 15th February.

For example, citizen L. Boldkhuyag was registered as having a production site valued at 30 million MNT and a garage valued at 10 million MNT. Accordingly he is required to pay 240,000 MNT (i.e. $(30 \text{ million MNT} + 10 \text{ million MNT}) * 0.6\%$) of Real Estate Tax for the year 2004 by 15th February 2004.

If the owner of the real estate does not use it him/herself but instead leases it to others, then the owner is still liable to pay Real Estate Tax.



For example, citizen D. Tsagaan owns a 60m² house, valued at 90 million MNT, and leased it to citizen D. Nasan for her use for operating a teashop, sauna and hairdressing service. In this instance, Real Estate Tax of 540,000 MNT ($90 \text{ million} * 0.6\%$) is imposed on the house and this tax is required to be paid by citizen D. Tsagaan.

22. Private automobiles and tax

What should you do as soon as you buy an automobile?



Once you have a vehicle in your ownership, you should get it registered within 72 hours with the Traffic Police Office and pay the Transport Facilities and Vehicles Tax to the Tax Administration of the territory in which you reside.

Owner of an automobile and vehicle shall be taxpayer

- Business entity
- Organization
- Legal entity

• Citizen

Shall pay the annual 'Transport Facilities & Vehicles Tax' in equal quarterly installments by 25th of the last month of the quarter.

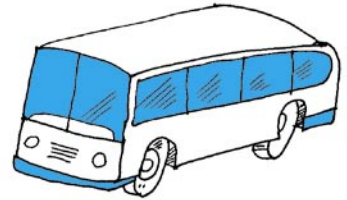
Shall pay the annual 'Transport Facilities & Vehicles Tax' once a year by 1st June of that year.



All types of cars



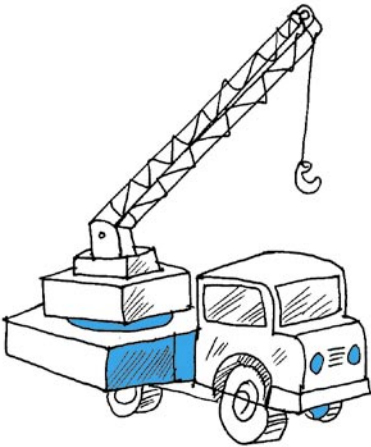
All types of trucks



All types of buses



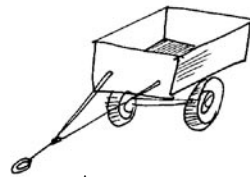
Motorcycles



Special purpose vehicles
(crane, automobiles
equipped for repair
service and laboratory
purposes)



Tractor and other
vehicles (excluding
combine harvester, chain
wheeled tractors)



Auto cart or trailer

The amount of ‘Annual Transport Facilities & Vehicles Tax’ is strictly determined with regard to following 2 indicators:

- Type of transport facilities and vehicles;
- Specified local area (Capital city, Darkhan-uul and Orkhon aimag centers and other soums)

AMOUNT OF TAX

Type of taxable automobiles	Annual tax rate (in MNT)	
	In Ulaanbaatar and Darkhan-Uul and Orkhon Aimag centers	In all other soums
1. 2-wheeled motorcycle	2,000	1,800
2. 3-wheeled motorcycle	3,000	2,800
3. Car (in MNT, per cm ³ of cylinder capacity)		
- less than 2000 cm ³	16	14
- 2001-3000 cm ³	18	16
- over 3001 cm ³	22	20
4. Microbus, up to 15 seats	35,000	28,000
5. Bus	52,000	40,000
6. Truck, up to 1-ton	25,000	20,000
1-2 ton	35,000	28,000
2-3 ton	45,000	36,000
3-5 ton	55,000	44,000
5-8 ton	80,000	64,000
8-10 ton	90,000	72,000
over 10-ton	100,000	80,000
7. Special purpose machine	16,000	15,000
8. Tractor and other vehicle	14,000	11,200
9. Mini tractor	7,000	5,600
10. Auto cart or trailer (per tonne of capacity)	5,500	5,500

What if your car is out of service?



If an automobile or vehicle is no longer in use, then the owner is required to remove it officially from State Register within one month and get released from the taxpayer's obligation starting from the following quarter.

Duties of the traffic regulation organization with regard to the transport facilities and vehicles tax:

- Maintain changes in the State Register on the basis of Tax Payment Statements issued by respective territorial Tax Administrations to the owners of transport facilities and vehicles;
- Submit quarterly report on the registration and movement of transport facilities and vehicles to the respective territorial Tax Administration;
- Perform tax collection, examination and inspection of transport facilities and vehicles in cooperation with the Tax Administration.

Tax-exempt transport facilities and vehicles:

- Vehicles owned by foreign diplomatic representative offices.
- Vehicles owned by international organizations.
- Combine harvesters and chain-wheeled tractors owned by business entities, organization and legal entities.

23. How much tax are gun owners required to pay?

Before knowing how much tax one shall pay for a gun, let us first discuss who are the taxpayers.



A gun taxpayer is

Duties of a gun taxpayer

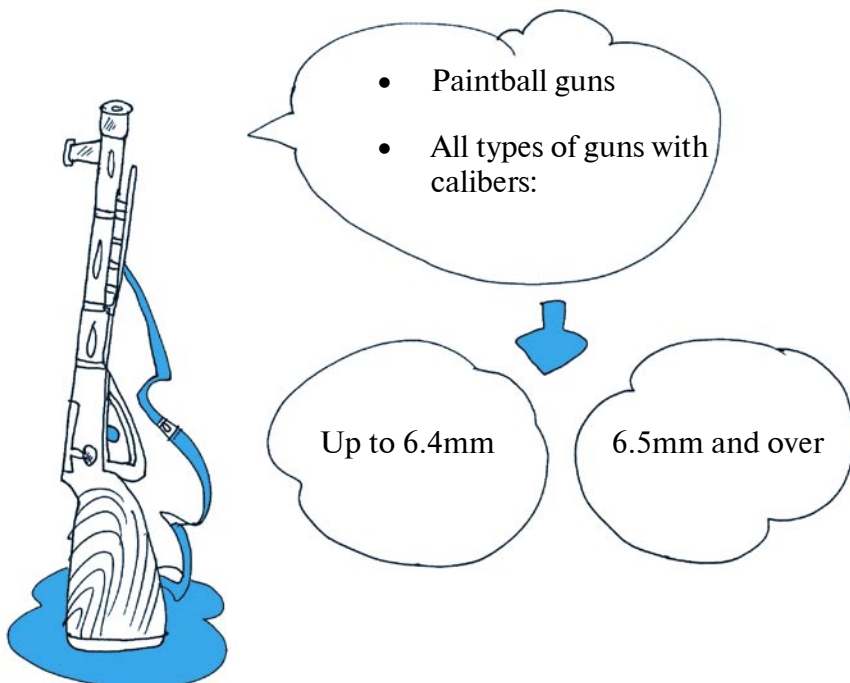
- To register the gun with the Police Office in December of the year;
- To remove any broken and unused gun from the register by receiving 'card' issued by the Police Office under relevant inspection and assessment.

If a gun is owned by:

- Inheritance
- Purchase
- Gift
- If a gun owner changes residence, he/she shall ensure that the gun is removed from the register of the territorial Police Office of his/her former place of residence and shall reregister the gun with the Police Office of his/her new place of residence within 30 days.

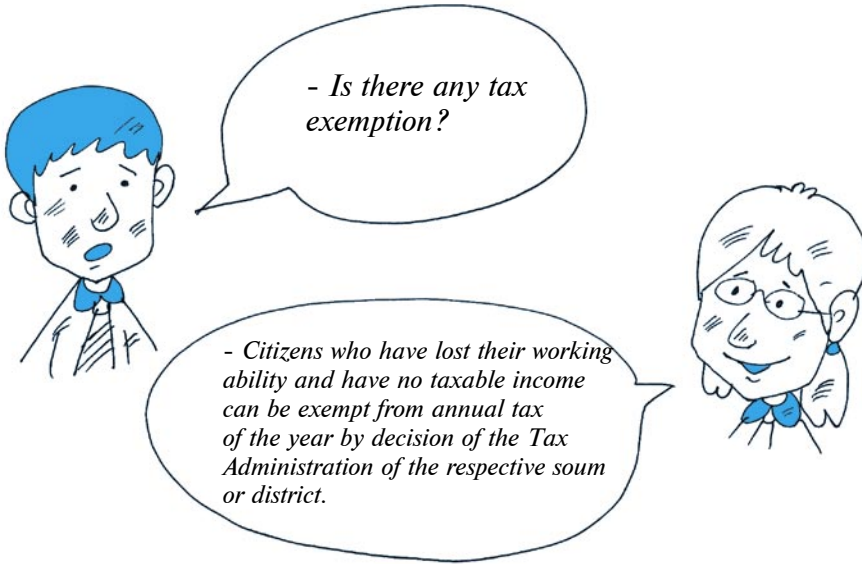
then the owner shall with the Police Office within 30 days.

Gun tax is imposed differently on two classifications of guns.



Amount of annual Gun Tax:

- 4,000 MNT for paintball guns;
- 4,000 MNT for all types of guns with calibers up to 6.4mm
- 6,000 MNT for all types of guns with calibers over 6.4mm



A taxpayer citizen shall submit a written application for Gun Tax exemption to the respective soum or district Tax Administration and shall confirm that he/she has neither working ability nor taxable income.

Guns can be exempt from Gun Tax on the following grounds:



What are the consequences of not paying tax?

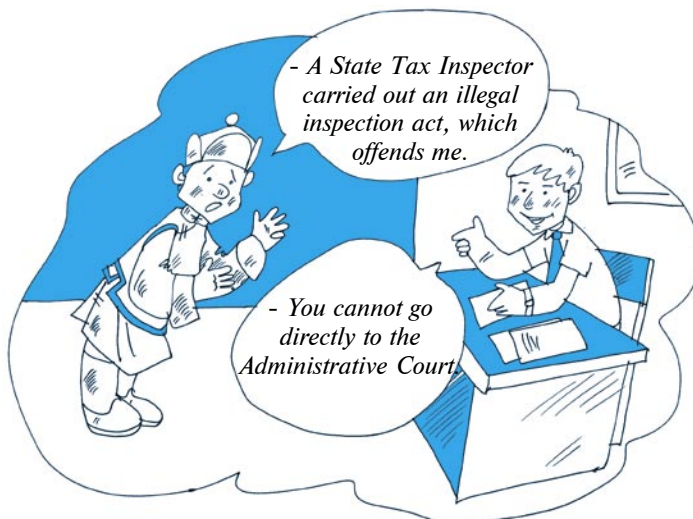
According to provision 1 of Article 35 of the Law on Tax Imposition and Payment Control and Tax Collection, if a taxpayer does not pay tax within the specified time, then the Tax Administration imposes a penalty of interest for the time period between the due date of tax payment stated by law and the date of actual payment.

The interest rate penalty for late payment is 0.5% per day, in accordance with provision 4 of Article 13 of the General Law on Taxation.

24. Administrative Court and tax

The Administrative Court was established to receive and resolve claims against illegal decisions of administrative organizations and officials, and it started to operate smoothly on 1st June 2004. The State Ikh Khural (Parliament) enacted the Law on Resolution of Administrative Cases on 26th December 2002 and this was an important step toward enabling citizens and legal entities to protect their rights from violation and to secure their human rights with legal guarantee and the backing of a new professional court.

The Administrative Court resolves disputes related to illegal administrative decision made by all levels of central and local executive Government organizations that express and govern the



common interests of people; some non-government organizations; administrations of schools, hospitals, communication and power supply organizations that provide common public services; local self-government and religious organizations; as well as officials that exercise independent authority to issue order and coordination in the common legal framework of these organizations.

Pre-resolution of Administrative Cases

If you consider that an illegal decision of an administrative organization or official violates your legitimate interests, you can submit a complaint to its directly supervising upper organization or official within 30 days since receipt of the decision.

This means that you should appeal to the aimag or capital city Dispute Resolution Council if you do not agree with the decision of an aimag or capital city State Tax Inspector; or to the Dispute Resolution Council at the NGTA if you do not agree with decision of a State Tax Inspector of the NGTA.

The recipient organization shall respond to your complaint within 30 days of receipt; and if necessary, the managing officer of the organization may prolong the term up to 30 days and shall send notification to you.

Having reviewed your complaint, one of the following decisions is made:

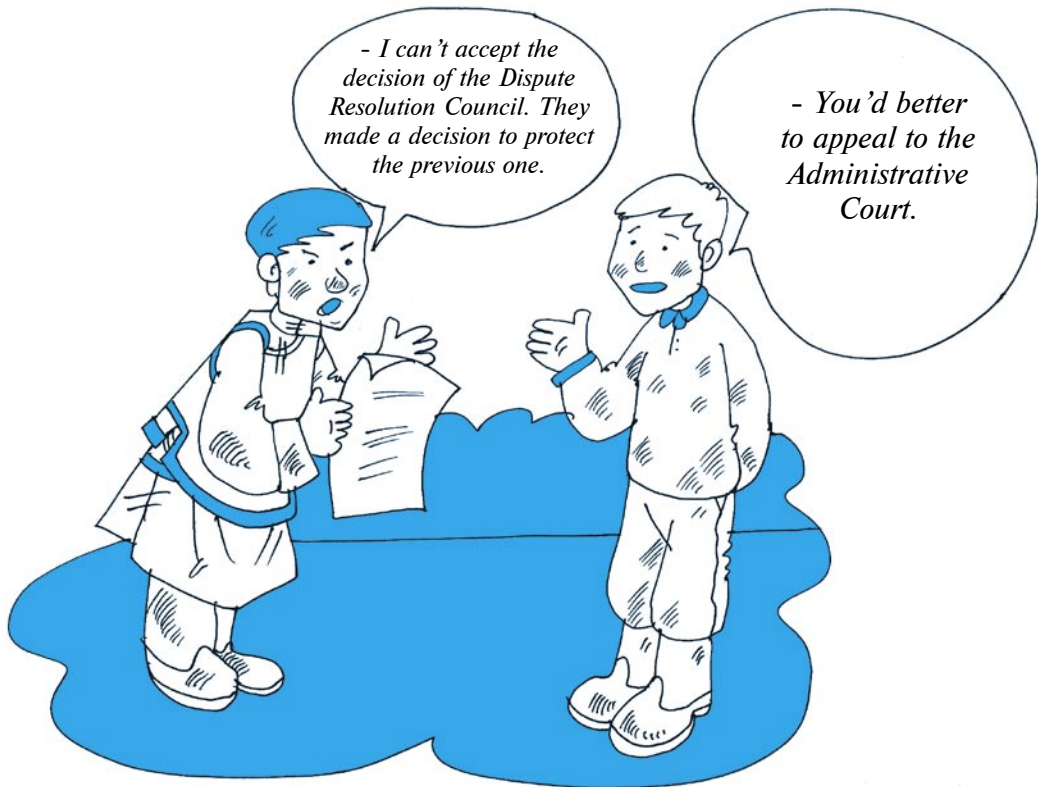
- To accept that the administrative decision was obviously illegal;
- To invalidate the whole administrative decision or related part of the decision;
- To oblige the organization or official to issue a proper administrative decision (in conformity with legislation)

The decision is binding or must be followed by the respective organization or official.

You can make a complaint in the following ways:

- Complaints can be made in written and oral form, through direct TV broadcasting programs and specially operated telephone lines.

Requirements for complaints:



- A written complaint shall contain the complainant's signature, last and first name, plus permanent or postal address. It can be signed on your behalf by someone representing you.
- A collective complaint shall be signed by all complainants. If someone signs on behalf of others, respective document of authorization shall be attached. It is prohibited to require anything else except as mentioned here.

In the following instances, a citizen or legal entity is eligible to submit a claim to the Administrative Court:

- Specified by laws;
- In instances of disagreement with decisions of upper administrative organization or official;
- Failure to review and resolve the complaint submitted directly to the supervising upper administrative organization or official within the time period specified by law;
- If there is no upper organization or official, one can submit the claim directly to the Administrative Court (within 30

days).

You should submit your claim to the Administrative Court of the territory in which is located the Tax Dispute Resolution Council that made the decision. That means you can appeal to the capital city Administrative Court if you are in Ulaanbaatar or to the aimag Administration Court if you are in a rural area.

What shall I write on the claim?

1. Name of the Administrative Court being appealed to;
2. First, middle and last name and permanent address of the claimant or respondent or name and address of the legal entity;
3. Contents of the claim, including:
 - request to make the act invalid by proving that the administrative decision issued by a Tax Office official or State Inspector has violated your legitimate rights;
 - request to make the administrative act be accepted as illegal;
 - description of what legitimate rights and interests of the claimant were violated and what damages or losses can be incurred by the claimant as a result of this decision;
 - an indication of how the illegal action, or failure to act, by the Tax Administration or official violated the rights of the claimant, how to eliminate its possible consequences and how to restore the claimant's violated rights.
4. List of attached documents.

In the past, courts used to settle tax-related disputes like other civil cases and both participating parties were obliged to affirm their requests and rejections themselves. But today the Administrative Court is obliged to collect evidence for the case; thereby it creates more opportunity to protect the rights of a citizen or legal entity.

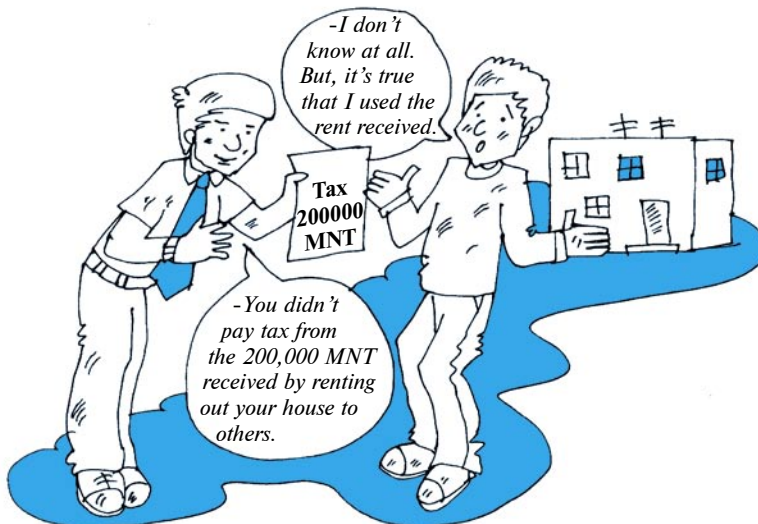
THE NEW COURT IS FOR YOU!

25. What if I don't pay tax?

The consequences for not paying tax are set out in legislation. Let us discuss how - and in what circumstances - one can be responsible and what can one lose as result of tax evasion.

Article 13 of the General Law on Taxation. Taxpayer's responsibility

1. In case of hiding or willful understating of taxable income, a penalty equals to the hidden or understated taxable income shall be imposed.
2. If hiding or willful understating of taxable items except for income, the proper amount of payable tax shall be repaid and a penalty equals to the repaid tax shall be imposed.
3. If imprudently understating taxable items, then the proper amount of payable tax shall be paid and a penalty equals to 1% of the repaid tax shall be imposed for each day of delay. The amount of interest shall not exceed 50% of tax payable.



We should know and follow laws. If citizen T earned income, he should know that he should pay tax. Ignorance of the law is not justification to avoid responsibility. In this case, Mr. T willfully hid the taxable income, therefore he is liable pay a penalty equal to the taxable income or hidden income of 200,000 MNT. But if he had any deductible expenses; for instance, he spent 50,000 MNT for the repair service related to renting of the house; he should pay a penalty equals to the deduction result or 150,000 MNT. If Mr. T paid his tax honestly by declaring his income of 200,000 MNT, he would have to pay 15,000 MNT as averaged from his taxable income of 150,000 MNT.

But, by hiding his income, he suffers the loss of 135,000 MNT. Besides, human dignity is invaluable. It would not sound nice to everyone, if people tell about his hiding of taxable income.



If hiding taxable items except for income (for example, taxable property), then the proper amount of payable tax shall be repaid and a penalty equals to the repaid tax shall be imposed. If citizen A is a resident of Ulaanbaatar city and his microbus has up to 15 seats, he shall pay 35,000 MNT annually in tax. Since he did not pay the tax for 2 years, he shall repay 70,000 MNT plus a penalty of 70,000 MNT, a total of 140,000 MNT. So, it means that this person suffers the loss of 70,000 MNT due to his failure to pay tax.

Provisions 1 and 2 of Article 13 of the General Law on Taxation defines the consequences for willful acts of tax evasion. “Hiding of taxable income and other taxable items except for income” refers to any acts or failure to act that facilitate tax evasion, including physical hiding of income and other taxable items, unreasonable transfer to other business entities, organizations and individuals, failure to reflect them in accounting documents, financial statements and tax returns, willful wrong recording in accounting documents and tax returns, illegal transaction and fraud, failure to submit relevant documents, forgery of documents for the purposes of tax evasion etc. Also, “willful understating” refers to any acts, including willful understating of the amount and value of taxable income and other taxable items, except income, in accounting documents, balance sheet, financial statement, report and Income and Tax Assessment Lists; forgery of documents by way of editing for the purpose of understating the income; artificial overstating of expenses; and artificial understating of income.

Provision 3 of Article 13 of the General Law on Taxation sets out the consequences for imprudent understating of the amount of taxable items. Here is the interpretation of the Supreme Court: “ ‘Imprudent understating of the amount of taxable items’ refers to arithmetical error in reflecting the amount and value of taxable income and other taxable items in accounts, balance sheets, financial statements, reports and Income and Tax Assessment Forms; calculation based on wrong or artificial data; improper use of calculation techniques or other devices; lack of capability; negligent attitude; and other imprudent ways of understating.”

Article 44 of the Law on Administrative Responsibilities. Violation of tax laws.

1. Those, who violated tax laws by their failure to eliminate offences revealed by tax inspection, failure to submit tax reports within specified time period, and failure to show requested documents necessary for tax inspection, shall have a penalty imposed of 500-10,000 MNT.
2. Any official who committed these offences shall have a penalty imposed of 5,000-30,000 MNT.



Criminal Code provisions

Article 166. Tax evasion

166.1 In case of deliberate evasion of tax such as hiding large amount of income, property, product, service and other taxable items; willful understating of their size and amounts; and changing permanent residence and address; courts shall impose a penalty equals to the amount of the minimum level of wages multiplied 200-250 times, with or without confiscation of property, or shall sentence to be kept in detention for 3-6 months or imprisonment for up to 3 years.

166.2 In case of repetition of the above cases or hiding extremely large amount of income, property, product, service and other taxable items; one shall be sentenced to confiscation of property and 5-8 years of imprisonment.

Here the act of hiding taxable income, property, product and service and other taxable items is defined as of the General Law on Taxation, but hiding "large" amounts of taxable income or items leads to a criminal case, with charges of criminal responsibility under criminal law. So, let's discuss how much hidden income or items shall be regarded as "large". In recent years, lawmakers have been tending to refuse setting a certain amount of penalty or money in legal provisions and they think it is appropriate to use a relative unit for the current period of exchange rate fluctuations. As result, the minimum level of wage was selected as a basic unit. The Government determines each year the minimum level of wages with regard to certain circumstances

such as changes in the exchange rate. For example, it is now at 40,000 MNT as set on 1st March 2004. Article 29 of the currently effective Criminal Code of 2002 states that the amount multiplied minimum level of wage 125-200 times shall be regarded as “large” and the amount multiplied minimum level of wage over 200 times shall be regarded as “extremely large”. That is, one who hid 5-8 million MNT ($125 \times 40,000 = 5$ million) of taxable income, property, product and service, or other taxable items would be sentenced to a penalty equal to the amount multiplied minimum level of wages 200-250 times, which is 8-10 million MNT, or to detention for 3-6 months or imprisonment up to 3 years; according to provision 166.1 of the Criminal Code. In addition, the court is authorized to make a decision to confiscate property. If the person paid tax honestly from the income of 5 million MNT, one would have to pay only 500,000 MNT to the budget. However, as a result of hiding the income, the Court may impose a penalty of 8-10 million MNT and a criminal sentence; which clearly shows how many times of losses can a taxpayer suffer due to a small thing. If a taxpayer hid more than 8 million MNT of taxable income, property, product and service, or other taxable items; one would suffer a more severe sentence, according to provision 2 of Article 166 of the Criminal Code.

Article 167. Violation against the Law on tax imposition and payment control and tax collection

167.1 In case of committing offence against the law on tax imposition and payment control and posing hindrance against tax inspection; a penalty equal to the amount of the minimum level of wages multiplied 100-150 times or sentence to keep in detention for 3-6 months shall be imposed on the offender, with or without confiscation of property.

Here you can see that a penalty equal to the minimum level of wages multiplied by 100-150 times, or a sentence to keep in detention for 3-6 months, is imposed on an offender that posed a hindrance against tax inspection and avoided such inspection – such as by not showing requested documents, being absent at the residence and causing frequent visits, according to Article 167 of the Criminal Code. In addition, the court may also decide to confiscate the person’s property.

So you incur these consequences if you don’t pay tax. Therefore, in order to ensure the normal operation of Government organizations, achieve socio-economic objectives and provide steady financial sources, we must pay tax in time in accordance with the legislation.

QUESTIONS AND ANSWERS

Question 1: I am planning to rent out three rooms of my apartment house to others for 3 months during the summer camping season. We agreed that the total rent would be 100,000 MNT. But I heard that one should pay tax. Please explain to me, by what procedure, and how much, should I pay tax?

Answer: According to provision 1.5c of Article 4 of the Personal Income Tax Law as “income from leasing property and other similar income”, your rental income earned by renting out your house for 3 months is classed as taxable income as part of your personal income tax. According to provision 5.3c of Article 5 of the Personal Income Tax Law, your taxable income is determined by deducting expenses related to leasing of the property from the total rental income. For example, if you assume that you spent 12,000 MNT for registering the rental contract with the Real Estate Registration Agency and for certifying the contract by a notary; then your taxable income would be 88,000 MNT. How much tax you should pay from this income of 88,000 MNT is set out in provision 1 of Article 7 of the Personal Income Tax Law. That is, you are required to pay 10% as tax if your total annual taxable income, including your wage and other similar income, is less than 2.4 million MNT. (Please refer to the table presented in Topic No.13). Therefore you had better pay 8,800 MNT in tax when you receive rental payment for your leased property, to make a record of this tax payment on your Citizen’s Income and Tax Record Book, and to keep the official documents, as we advise you that this would be the easiest procedure. Moreover, provision 10.70.3 of Article 10 of the Personal Income Tax Law states that you must pay the tax on leased property by the 15th of the first month of the following quarter. Also you should better reflect it in your Annual Tax Return with Tax Assessment List, when you conclude your annual tax liabilities at the end of the year.

Question 2: I saved money in order to purchase a house. But my friend D asks me to borrow money, saying “Please lend me 3 million MNT for 3 months with a certain rate of interest, since you’re not going to buy a house soon. I need more money to go and import goods from Korea. You can trust on my reliable repayment”. When I lend money to someone, what should I do and know about tax?

Answer: Provision 1.5e of Article 4 of the Personal Income Tax Law states that “income from loan and deposit interest and other similar income” are taxable income; and the taxable income is determined by the total income from loan interest, according to provision 5.3e of this law. That is, if you lent your 3 million MNT with a monthly interest of 5%, you are expected to receive monthly interest income of 150,000 MNT and a total of 450,000 MNT for the 3 months. Taxable income is then determined by this sum. Also, provision 4 of Article 8 of this law states that 15% tax shall be imposed on loan interest income, which means, you are obliged to pay 67,500 MNT of tax from the 450,000 MNT of loan interest income. But these provisions are only effective from 1st January 2005 as stated by provision 2 of Article 12 of this law. Therefore, you will not be liable for tax on your loan interest income received until 1st January 2005.

Now, let’s assume that this case happened after January 2005 and the State Ikh Khural (Parliament) did not amend Article 12 of the Personal Income Tax Law by that date. In this case, you are obliged to pay 67,500 MNT of tax from the loan interest income. Provision 10.6 of Article 10 of the Personal Income Tax Law states that the organization or citizen providing loan interest should withhold the tax at the rate prescribed by law and transfer to the budget within 3 days. You don’t have to reflect such payments in the Citizen’s Income and Tax Record Book or in the Citizen’s Income and Tax Assessment List. If you didn’t pay the tax, you would be liable for consequences as stated in Article 13 of the General Law on Taxation.

Question 3: I live in a soum center. I live on the income earned by making silver earrings, rings and bracelets for local people. The soum State Tax Inspector requests me to pay tax. Actually, I don’t know where and know how much money I should pay. Please give me advice.

Answer: According to the Law on Income Tax for Citizens with Indefinite Income from Private Conduct of Businesses and Services, a citizen conducting a silversmith business is obliged to pay each month 16,000 MNT in the capital city; 14,000 MNT in Nalaikh and Baganuur districts, Darkhan-uul and Orkhon aimag central soums and other soums with regularly operated ports; 12,000 MNT in other aimag center soums; and 10,000 MNT in other areas. You should pay your tax to the soum budget account.

Question 4: A wage is clear to me. I understand it as a basic salary indicated in the labor contract. But, what does the “similar income” mean?

Answer: ‘Wage and other similar income’ refers to salary, bonus (money given for the anniversary of the organization etc.), benefits (for title, professional skill etc.), welfare allowances (for temporary loss of working ability etc.) and other similar income (money for travel, accommodation, food and transportation etc.), earned by working for a business entity and organization under a labor contract in the form of main job.

Question 5: Bataa, an employee of a company, earned a wage of 550,000 MNT, plus a bonus of 180,000 MNT for quarterly working performance, 90,000 MNT as a prize in a contest, 70,000 MNT of benefit for professional skills, 10,000 MNT of welfare allowance for temporary loss of working ability, and a further amount of other income of 10,000 MNT. How much is Bataa’s taxable income?

Answer: The total annual taxable income of Bataa is determined by the sum of all these different sorts of income, which is $550+180+90+70+10+10$ thousand = 910,000 MNT.

Question 6: Now should Bataa pay tax from his income of 910,000 MNT?

Answer: The law prescribes how to determine taxable income - taxable income is determined by deducting Social and Health Insurance premiums from the total wage and other similar income. Therefore, Bataa’s taxable income is determined by deducting 10% of Social and Health Insurance premiums that Bataa paid from his income of 910,000 MNT. That is, $910 - (910*10\%)$ thousand = 819,000 MNT.

Question 7: How much tax shall Bataa pay from the 819,000 MNT?

Answer: To determine the amount of tax, we need to use the table of progressive tax rate as indicated in paragraph 1 of Article 7 of the Personal Income Tax Law. Since Bataa’s annual income is less than 2.4 million MNT, the amount of tax is 81,900 MNT as calculated by the tax rate of 10%.

Question 8. Can we understand that Bataa has to pay 81.900 MNT?

Answer: Before paying tax, one should think of whether there is any tax relief option. According to provision 9.3 of the Personal Income Tax Law, taxpayers enjoy a tax relief on 48,000 MNT of annual tax, so therefore Bataa's annual tax liability is reduced accordingly to 81.9-48 thousand = 33,900 MNT.

Question 9: What is meant by 'income from private procurement and sales of goods and raw materials?'

Answer: It refers to income earned by citizens, by procuring goods and raw materials from domestic and foreign markets and selling to other citizens, business entities and organizations in the form of cash, non-cash and barter exchanges. For example, citizen Mr. Davaa purchased 2 million MNT of construction materials from China and sold it to Ulaanbaatar Stockholding Company for 2.5 million MNT. In this instance, his taxable income is 2.5 million MNT. According to the law, 3% tax is payable on the income, so he has to pay 75,000 MNT. The provision of this law is implemented by transferring the tax withheld by the accountant of the Ulaanbaatar Stock Company to the budget account.

Question 10: Please explain the legal term "other income except exempted from tax by this law" as stated in provision 4.1.9 of the Personal Income Tax Law.

Answer: Such income refers to salary, wage and other income awarded as compensation to a citizen due to the illegal operation of a court, prosecution, criminal case investigation or executive organizations; pension and welfare allowances terminated by illegal sentence to imprisonment; income from ownership of buried treasure, or as a reward for returning lost animals and property to the owner.

Question 11: How does one estimate income earned in foreign currency or earned in material items?

Answer: Income earned in foreign currency is recalculated as MNT in accordance with the daily official exchange rate of the Bank of Mongolia. Income earned in material form is estimated as being at the average market price of the territory. For example, citizen Delger received a wage of 100 USD and a prize of a Sony TV set. If

we assume the daily exchange rate of USD against MNT was 1,150 MNT, according to the official exchange rate of Bank of Mongolia at the time, and the price of the TV set was 250,000 MNT; then Delger's taxable income would be $(100 \times 1,150) + 250$ thousand = 365,000 MNT.

Question 12: Citizen Tseren and his wife Khand breed livestock for a company under a leasing contract. According to the contract, they take 70% of the young animals as their wage for their labor and this year they took 10 kids, 120 lambs and 5 calves. How much is the taxable income of Mr. Tseren and Mrs. Khand respectively?

Answer: According to the law, if family members collectively perform contract work, then taxable income is determined by each citizen's statement of income. If it is impossible to determine the taxable income in this manner, then the individual income is determined by dividing the total income by the number of contractors. Young animals received as a wage are valued at their market price. If we assume that total market price of the young animals was valued at 1,520,000 MNT, then the taxable income of Mr. Tseren and Mrs. Khand would be 760,000 MNT $(1520/2)$ respectively. If Mr. Tseren determined his income at 700,000 MNT and Mrs. Khand determined her income at 820,000 MNT separately by themselves, then tax is imposed by their determination.

Question 13: Citizen Onon earned an income of 145,000 MNT by sewing clothes. In order to earn this income, he purchased 60,000 MNT of leather, 1,000 MNT of thread, 4,000 MNT of zips and paid 1,000 MNT for selling his products in a shop. All these expenses are confirmed by documents. How much is Onon's taxable income?

Answer: The taxable income is determined by deducting from the total income earned from conducting a business of expenses confirmed by documents, together with any payments of Transport Facilities and Vehicles Tax, Excise Tax, and fees and duties for using natural resources. Onon's total expense is $60+1+4+1.4$ thousand = 66,400 MNT. If we deduct this amount from the total income of 145,000 MNT, then his taxable income is 78,600 MNT.

Question 14: Citizen Donrov conducts a private business in construction work and earned an annual income of 5 million MNT. In order to perform the construction work, he paid 2 million MNT for purchasing construction materials, 500,000 MNT for

hiring professional workers and purchasing electrical and pipework materials, 200,000 MNT for groundwork performed by his family members, 1,600,000 MNT for the wages of his employees, 200,000 MNT for Social and Health Insurance premiums, and 130,000 MNT for Transport Facilities and Vehicles Tax. All of these expenses are confirmed by documents. How much is Donrov's taxable income?

Answer: First, we should determine Donrov's expenditure confirmed by documents, which is $2,000+500+1600+200+130$ thousand = 4,430,000 MNT. Since Mr. Donrov did not pay Social and Health Insurance premiums from the 200,000 MNT of wages paid to his family members, the income shall not be deductible from taxable income. That is because the relevant law states, "Businessmen can provide wages to their own family members; and the ground to make the expenditure deductible from taxable income is the amount of Social Insurance premiums paid for the income". Therefore, Donrov's taxable income is $5,000-4,300$ thousand = 570,000 MNT.

Question 15: Citizen Ganbat operates a chicken farm in Kharkhorin soum in Uvurkhangai aimag. Mr. Ganbat has 100 hens, but he never kept records of his income and expenditure. How can tax be imposed on Ganbat's income?

Answer: According to the Personal Income Tax Law, if a taxpayer did not determine his/her taxable income or it was impossible to determine it, then the Tax Administration shall determine the taxable income by comparison with other benchmark producers with similar natural, climatic and market conditions. A survey of the Tax Administration shows that citizens operating chicken farms earn an average income of 5,000 MNT and spend 3,500 MNT of expenditure for each hen. Therefore, they have a taxable income of 1,500 MNT per hen. According to this benchmark, Ganbat's chicken farm has a taxable income of $100*1,500 = 150,000$ MNT.

Question 16: If a citizen who won the wrestling championship of the National Naadam Celebration was rewarded with a 1 million MNT prize from the State, a TV set of 500 USD from sponsoring organizations, Mongolian shoes of 60,000 MNT and a silver cup of 80,000 MNT; how much is his taxable income? And how much tax shall he pay?

Answer: If we assume the official exchange rate of the Bank of Mongolia of USD against MNT was 1,150 MNT at the time,

then the taxable income of the wrestling champion is $1,000 + (500 \times 1,150) + 60 + 80 = 1,715,000$ MNT. The taxable income is determined by the total prize income of an artistic performance, athletic competition or sports games. Since tax is imposed at a rate of 10% of total taxable income, then the amount of tax payable by the wrestling champion would be 171,500 MNT.

Question 17: Citizen Zaya performed construction work for Bars Company apart from her main job and at Bars Company she earned 45,000 MNT in March. Then how much money shall the Bars Company withhold?

Answer: Bars Company shall withhold 4,500 MNT ($45 \times 10\%$) from citizen Zaya's wage of 45,000 MNT earned in March. The company shall transfer the money to the budget by 10th April from the total income earned from a conduct of business and shall make a record on Zaya's Income and Tax Record Book for certification.

Question 18: Citizen Tsend rented out his house to a foreign citizen for one year with a monthly rent of 50,000 MNT. From this income, he paid electricity and heating expenses of 10,000 MNT each month. How much is Mr. Tsend's taxable income?

Answer: According to provision 7.1 of the Personal Income Tax Law, the progressive rate of tax is imposed on income from property leasing. The tax is required to be transferred to the budget by the 15th of the first month of the following quarter; and the tax liability is included in the Citizen's Income and Tax Record Book. That is, citizen Tsend shall pay 48,000 MNT i.e. $(50 \times 12 - 10 \times 12 \text{ thousand}) \times 10\% = 48,000$ MNT in tax; certify the payment by making record on his Citizen's Income and Tax Record Book; and shall conclude his annual tax liabilities by means of the Citizen's Income and Tax Assessment List. If we assume that Mr. Tsend has no other taxable income except for the rental income, he shall also enjoy 48,000 MNT of annual tax relief and therefore he is completely free from any requirement for any income tax payment.

Question 19: The General Director of Yalalt Co. Ltd, Mr. Byambaa, won 100,000 MNT from gambling, where he bet certain amounts of money. How much tax shall citizen Byambaa pay?

Answer: 10% of tax is imposed and withheld on income from gambling, quizzes and lotteries. Therefore the organizer of the gambling is required to withhold 10,000 MNT ($100,000 \times 10\%$) from citizen Byambaa's income and pay it to the budget.

Question 20: I am planning to build a hydro-power station in my native soum from my own resources. So I'm going to establish a limited liability company to run this operation. My son, who lives in Germany, says that he can help me in importing the necessary equipment for building the hydro-power station. What advice is there regarding tax?

Answer: It's good that you want to take advice before starting your business. Launching your activities correctly with knowledge of useful regulations of tax laws and options to avoid tax lawfully is very important for you before you establish a new company. If you involve foreign investment in establishing your company or hydro-power station, you can enjoy several tax-relief options. In doing so, if your son is permanently residing in Germany, and if he invests at least 25% of your company's equity, then the company shall be regarded as being a foreign investment company. Once a foreign investment company is established in the sector of power supply or infrastructure, the company enjoys the following tax relief:

1. Machinery and equipment imported for the purpose of constituting the owner's equity or company's equity is exempt from Customs Duty and Value-added Tax (VAT).
2. VAT is not imposed on imported spare parts and raw materials for 5 years after the establishment of the company.
3. The company shall also be completely exempt from the Business Entity and Organization Income Tax for the first 10 years of establishment and shall enjoy 50% tax relief for the following 5 years.

Therefore, we advise you to establish a joint venture company with your son. If you establish the company alone, you will not enjoy any tax relief. Here, you can see that one can make lawful and beneficial decisions by studying tax laws well. These are reflected in related provisions of the Law on Foreign Investment, Business Entity and Organization Income Tax Law, Value Added Tax Law and Customs Laws.

Question 21: Some restaurants charge 15% Value-added Tax (VAT) in addition to the total price of ordered items, while most of them just receive the menu price. What is the reason for this difference?

Answer: VAT payer companies that sell goods are obliged to claim VAT from purchasers and pay it to the budget. Therefore, the restaurant that charge us an additional 15% VAT is one following the law properly. Though some restaurants charge just the menu price, they remain a VAT payer. That means their menu price is inclusive of VAT. Psychologically people do not like an additional 15% charge added on the initial price, therefore some restaurants have invented such methods themselves. However, showing the actual prices and VAT separately on the bill would be an important way for customers to learn about tax payment culture and for seller organizations to make tax calculations transparent.

Question 22: In order to give our son a quality education, this year we sent him to a private elementary school, the so-called best school in the capital city. The tuition fee of the school is as high as 3 months of our salaries. Is there any tax relief?

Answer: The relevant provision of the Personal Income Tax Law on making tuition fees deductible from taxable income as tax-relief states that only tuition fees for students studying in universities and professional schools is deductible. It means that the tax relief does not refer to tuition fees for the general education of school students. The question of whether there is tax relief if someone paid the tuition fees of one's brother or sister studying in a university is often raised. Paragraph 2.1.3 of the Supreme Court resolution No.100 of 25th March 2002 on the interpretation of some provisions, paragraphs and articles of tax laws of Mongolia clarified the situation as follows: "the term 'tuition fees for students studying in universities and professional schools' stated in provision 1.13 of Article 9 of the Personal Income Tax Law of Mongolia shall be interpreted as payment of tuition fees, as confirmed by documents for one or several students studying in universities and professional schools, of the own and adopted children of a taxpayer." Therefore, one should realize that the payment of tuition fees for one's brother or sister is not covered by tax relief.

GLOSSARY OF TERMS

ADMINISTRATIVE COURT - a court with the authority to resolve disputes related to illegal administrative decisions made by all levels of central and local executive government organizations that express and govern the common interests of people; some non-government organizations; administrations of schools, hospitals, communication and power supply organizations that provide common services; local self-government and religious organizations; as well as officials that exercise independent authority to issue order and make coordination in the common legal framework of these organizations.

BENCHMARK TAXATION - if a taxpayer did not determine one's taxable income or it was impossible to determine it, then the Tax Administration shall determine the taxable income in comparison to other benchmarked producers with similar natural, climatic and market conditions.

BENCHMARK TAX PAYMENT - a method of prepaying a certain amount of tax prescribed by law from income of particular works and services as stated in provision 7.1 of Article 7 of the Personal Income Tax Law; and a method of repaying underpayment or refunding overpayment when the taxpayer reports his/her tax return with the Citizen's Income and Tax Assessment List.

BUSINESS AND SERVICE WITH INDEFINITE INCOME TAX - a method of imposing specified amount of tax on income of citizens conducting certain types of businesses and services as specified by law.

BUSINESS ENTITY AND ORGANIZATION INCOME TAX - a type of income tax levied by law on the income of profit and non-profit organizations.

CITIZEN'S INCOME AND TAX RECORD BOOK - the primary record book that shows the total income and paid tax of a citizen-taxpayer in a fixed form.

CITIZEN'S INCOME AND TAX ASSESSMENT LIST – the tax return of a citizen-taxpayer.

CITIZEN OF MONGOLIA - an individual identified as a citizen of the country under the Law on Citizenship of Mongolia.

CLAIM - a citizen and legal entity is eligible to submit a claim to the Administrative Court if they disagree with decisions of an upper administrative organization or official; if the complaint submitted directly to supervising upper administrative organization or official was not resolved within the time period specified by law; or if there is no upper organization or official.

CLAIM COMPOSITION - Necessary information of a claim shall include the name of the Administrative Court; first, middle and last name and permanent address of the claimant or respondent; or name and address of the legal entity; contents of the claim (request to make the act invalidated by proving that the administrative decision issued by a tax administration, official and state inspector violated your legitimate interests; request to make the administrative act accepted as illegal; description of what legitimate rights and interests of the claimant were violated and what damages or losses can be incurred to the claimant as result of this decision; and indication of how the illegal action or failure of act of the tax administration or official violated the rights of the claimant, and how to eliminate its possible consequences as well as how to restore one's violated rights); together with a list of attached documents.

COMPLAINING - complaints can be made in written and oral form, through direct TV broadcasting programs and specially operated telephone lines.

COMPLAINT- a request submitted to a directly supervising upper level of organization or official within 30 days of receipt of an administrative decision, if one considers that an illegal decision of an administrative organization or official violates one's legitimate interests.

COMPLAINT REQUIREMENTS - a written complaint shall contain the last and first name, permanent or postal address and signature of the complainant. It can be signed by representation of others. A collective complaint shall be signed by all of the complainants. If someone signs on behalf of others, then respective document of authorization shall be attached. It is prohibited to require anything except mentioned here.

CUSTOMS DUTY - a type of tax levied on imported goods.

DIVIDEND - money allocated from net profits of a joint stock or limited responsibility company to its shareholders or owners proportionally to their shares in accordance with the procedure of the Company Law.

DUTY - money collected each time from citizens, business entities and organizations for services rendered by Government organizations and transferred to the State and local budgets.

FEE - money collected from citizens, business entities and organizations as payment for them using State property (land except owned by citizens; subsoil and its natural riches; forest and water reserves) and transferred to the State and local budgets or special purpose funds.

FOREIGN CITIZEN - an individual confirmed by official documents as a citizen of foreign country.

GAINS OF SHAREHOLDERS - assets allocated from the net profits of other business entities, except for companies, to their investors in proportion to their amount of investment and in accordance to proper procedures; or assets allocated from the outcome of cooperation to the contracting parties according to their cooperation contract.

GUN TAX - a type of property tax paid in conformity with the legislation by a citizen of Mongolia, foreign citizen, stateless person, business entity, organization or legal entity that owns a gun.

EXCISE TAX - a type of tax imposed for the purpose of limiting consumption of some types of products and for ensuring fair and equal tax principle. This type of tax is imposed on all kinds of alcoholic beverage, tobacco, auto and diesel fuel, and vehicles.

HEALTH INSURANCE – a socio-economic measure, whereby citizens who are insured as well as Government and business organizations pay regular premiums under respective regulation to create and increase a Health Insurance Fund which, in return, covers the cost of medical treatment and service expenses incurred by the insured.

INCOME FROM INTEREST - interest income is received either as deposit interest received from a bank or other financial organization, or alternatively as loan interest received from others,

or as interest from securities such as notes payable.

INCOME FROM ROYALTIES - a payment for the use and rights to use a copyright, software, a patent, a trademark, a design, a model, know-how; a movie, a video or audio recording, or other types of recording.

MOVABLE PROPERTY - all types of physical property except for real estate, such as industrial machinery, mechanisms, equipment, vehicle etc.

PRIVATE BUSINESS PERSON - a citizen that conducts business activity and makes profits on the basis of one's property.

REAL ESTATE - land and perennial plants, plankton and mineral deposits on the land that lose their purposes and economic meaning as soon as they are removed from the land; and other property that cannot be used if separated from the land, including buildings, structures and houses.

REAL ESTATE TAX - a type of property tax imposed on real estate located in Mongolia and owned by citizens, business entities and organizations with all forms of ownership.

SOCIAL INSURANCE – a socio-economic measure, where citizens or the insured as well as government and business organizations pay regular premiums under respective regulations to raise a Social Insurance Fund which, in return, provides a pension, welfare allowance and compensation to the insured, when he/she is retired, disabled, unemployed or ill; and to his/her dependants when the insured dies.

SOCIAL INSURANCE TYPES - pension insurance, welfare insurance, health insurance, industrial accident and professional illness insurance and unemployment insurance.

STATELESS PERSON - an individual that has no citizenship to any country.

STATE TAX INSPECTOR - a public administration officer in charge of implementing tax administration activities.

TAX - money transferred to the State budget and local budget without repayment by imposing a duty at a specified rate, within a specified period of time, on income, property, goods, products

and services of any citizen, business entity or organization, in conformity with the legislation.

TAXABLE INCOME - income determined be liable to the imposition of tax in accordance with laws. For example, taxable income of a taxpayer citizen is determined by deducting Social and Health Insurance premiums from his/her total salary, wage and other similar income.

TAX ADMINISTRATION - a system of government organizations that implements tax-related functions.

TAX RATE AND AMOUNT - the percentage and calculated amount of tax payable from taxable income as prescribed by laws. For example, if a taxpayer's annual taxable income is less than 2.4 million MNT, then 10% personal income tax is imposed.

TAXPAYER - a citizen of Mongolia, a non-resident body that earns income in Mongolia, or a foreign citizen or stateless person residing in Mongolia who has taxable income.

TAXPAYER'S INCOME - income of a taxpayer that is subject to tax under laws. For example, wage and other similar income.

TRANSPORT FACILITIES AND VEHICLES TAX - a type of property tax paid in conformity with the legislation by any citizen, business entity, organization or legal entity that owns automobiles or other vehicles.

VALUE ADDED TAX (VAT) - a type of indirect tax imposed on imported and exported goods, as well as on the sale of produced and imported goods, works and services performed by citizens and legal entities in the territory of Mongolia.

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7. Value-added Tax (VAT) Law
8. Excise Tax Law
9. Real Estate Tax Law
10. Transport Facilities and Vehicles Tax Law
11. Law on Tax Imposition and Payment Control and Tax Collection
12. Customs Law
13. Customs Tariff Law
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APPENDIX 1

PHONE NUMBERS OF TAX ADMINISTRATION INFORMATION CENTERS

Consulting Centers of the Capital City Tax Administration

1. Capital city - Tax Administration	328220
2. Bayangol district - Taxation Department	363123
3. Bayanzurkh district - Taxation Department	460942
4. Songinokhairkhan district - Taxation Department	633223
5. Sukhbaatar district - Taxation Department	322212
6. Khan-uul district - Taxation Department	345305
7. Baganuur district - Taxation Department	22987
8. Nalaikh district - Taxation Department	22383

**Information Centers of the Information Centers
of the Aimag Tax Administrations**

No	Aimag	Local dialing code	Regional code	Post office telephone	Telephone
1	Archangel	01	33-2	3111	2806
2	Bayan-Ulgii	01	42-2		2661
3	Bayankhongor	01	44-2	-	2249
4	Bulgan	01	34-2	-	22693
5	Govi-Altai	01	48-2	-	3753
6	Govisumber	01	54-2	-	3263
7	Darkhan-Uul	01	37-2	-	37346
8	Dornogovi	01	52-2	-	3976
9	Dornod	01	58-2	-	1286
10	Dundgovi	01	59-2	-	3628
11	Zavkhan	01	46-2	41147	2221
12	Orkhon	01	35-2	-	22757
13	Uvurkhangai	01	32-2	-	22710
14	Umnugovi	01	53-2	-	2464
15	Sukhbaatar	01	51-2	-	699
16	Selenge	01	36-2	-	23930
17	Tuv	01	27-2	-	3926
18	Uvs	01	45-2	-	3822
19	Khovd	01	43-2	-	2185
20	Khuvsgul	01	38-2	-	4815
21	Khentii	01	56-2	-	2530



Form TT-06

National Taxation Authority

Citizen's income and tax assessment list

TPN:

Name: _____

Reporting term: Year

Only for official use	
Reg. No: <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	
Tax inspector: <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	Stamp
Received	
Date: ____/____/____	

(In thousand MNT)

1. Salary, wages and other similar income earned from a main job under labor contract	
a) Social Insurance and Health Insurance premiums	
b) Taxable income (1-1a)	
2. Income from contract works	
3. Income from private sale of goods and materials	
a) Expenses related to purchase of inventories and materials confirmed by documents	
b) Taxable income (3-3a)	
4. Income from property leasing	
a) Expenses related to property leasing	
b) Taxable income (4-4a)	
5. Income from conducting (other types) of business	
a) Deductible expenses confirmed by documents	
- Material expenses (raw material, steam, electricity, fuel, spare parts, packages and wrapping etc)	
- Rental payment	
- Bank loan interest	
- Payment for contract works and services performed by others	
- Fixed asset depreciation	
- Social and Health Insurance premiums	
- Travel expenses	
- Excise Tax	
- Transport Facilities and Vehicles Tax	
- Fees for Using Natural Resources	
b) Taxable income (5-5a)	
6. Tax exempt income (6a+6b+6c)	
a) Assets for the purchase or construction of private houses	
b) Total of standard tuition costs for children studying at professional schools	
c) Donations to NGOs and funds that serve the society and registered to the State register	
7. Total taxable income (1b+2+3b+4b+5b-6)	
8. Tax imposed (by progressive rate)	48.0
9. Tax relief	
10. 50% of tax imposed on income production of grain and vegetables	
11. Total tax liability (8-9-10)	
12. Total taxes paid in the reporting term (12a+12b)	
a) Total taxes paid to the budget in the reporting term	
b) Total taxes withheld by business entities and organizations	
13. Payment of the previous reporting term: over (+) or under (€)	
14. Final payment result: over (+), under (-)	

Taxpayer, determined income and taxes truly: /

State Tax Inspector, checked the CITAL: /

200... / /

P.S. The report shall be submitted to the respective Tax Office by 15th February the following year

NATIONAL TAXATION AUTHORITY

TAXPAYER CITIZEN'S IN COME AND TAX RECORD BOOK

Year 200...

Note:

1. For the income earned from a business entity or organization in the form of main job under labor contract, the total amount of paid tax shall be recorded once at the end of year by the business entity or organization. But, if an employee moves to work for another organization, it shall be recorded when the employee is released or fired from the job.
2. Income from private conduct of business shall be recorded quarterly.
3. Income from contract works, income from private sale of goods, materials and raw materials and income from property leasing shall be recorded each time by the business entity, organization or citizen that provides the income.

Approved by Appendix 11 of
Order No. 129, 2002
of the Chief of NGTA

TAXPAYER CITIZEN'S INCOME AND TAX RECORD BOOK

Last name, First name.....

(stamp)

(Signature)

Chief of Tax Administration

1. Salary, wage, bonus, benefit, welfare allowance and other similar income earned by working for a business entity or organization under a labor contract in the form of the main employment.

No.	Business entity or organization that provided income	Term of employment for the year	Total amount income for the term of work	Tax withheld	Signature stamp

2. Salary, wage, bonus and other similar income earned by performing contract work for other business entity, organization or citizen outside of the main employment.

No.	Business entity or organization that provided income	Term of employment for the year	Total amount income for the term of work	Tax withheld	Signature stamp

3. Income from conduct of business

Reporting year, quarter	Taxable income	Expenses deductible from TI	Income for tax imposition	Tax imposed	Tax paid	Inspected by		
						Name	Date	Signature

4. Income from private procurement and sales of goods and raw materials.

No.	Business entity or organization purchased		Date of income provided	Total income	Tax withheld	Signature stamp
	TPN	Name				

5. Income from property leasing

No.	Business entity, organization or citizen that leased the property		Income from property leasing	Expenses incurred with respect to the property leasing	Taxable income	Signature stamp
	TPN	Name				

APPENDIX 3 – Extracts from
the Personal Income Tax Law of Mongolia

Article 3. Taxpayer

1. A citizen of Mongolia, a foreign citizen residing in the territory of Mongolia (hereinafter referred as “citizen”), and stateless persons and non-residents who earn income in Mongolia shall be taxpayers.
2. A permanent resident taxpayer of Mongolia means a citizen, stateless person and citizen of Mongolia officially appointed to foreign countries; who has fixed place of work in Mongolia and resides in Mongolia for more than 183 days in any twelve month commencing or ending of the taxable year concerned. A permanent resident taxpayer shall pay tax from one’s income earned in Mongolia and abroad.
3. A temporary resident taxpayer means a foreign citizen and stateless person, who resides in Mongolia for less than 183 days.
4. A non-resident taxpayer means a taxpayer other than permanent and temporary resident taxpayers. The temporary and non-resident taxpayers shall pay tax from their income gained in Mongolia.
5. The National Taxation Authority shall register a taxpayer according to the following procedures:
 - 1) A permanent or temporary resident taxpayer shall register with the relevant Tax Administration and obtain the taxpayer registration number.
 - 2) The taxpayer shall fill out the registration form for obtaining the registration number.
 - 3) The Tax Administration shall provide the taxpayer certificate with taxpayer’s registration number. The National General Taxation Authority (NGTA) shall approve the formats of the registration form and the taxpayer’s certificate.
 - 4) When a business entity and organization provides

income to a citizen, it shall keep a record of the taxpayer registration number in the income disbursement documents and quarterly inform accumulative totals of income and tax withheld from each citizen to the corresponding Tax Administration. *(This subparagraph was revised by the amendment of 17th April 1997)*

Article 4. Taxable income

1. The following annual income of a taxpayer shall be subject to taxation:
 - 1) any salary, wages and other similar income:
 - a) any salary, wages, bonus, benefits, allowances and other similar income earned by working for a business entity and organization under labor contract in the form of main employment;
 - b) any salary, wage, bonus and other similar income earned by performing contract work for other business entity, organization or citizen outside of the main employment;
 - c) pension, pension increments and welfare allowances;
 - 2) *(This provision was annulled by the amendment of 17th April 1997).*
 - 3) income from conduct of business;
 - 4) income from private procurement and sale of goods and raw materials;
 - 5) income from capital gains and ownership of rights;
 - a) income from sales of real estate and other similar income;
 - b) dividends, gains of shareholders;
 - c) Income from property leasing and other similar income;
 - d) Income from royalties (payment for the use and rights to use copyright, software, patent, trademark, design, model, know-how; movie, video and audio recordings, and other types of recordings etc.);

- e) income from interest on loans and deposits and other similar income;
 - 6) income from remuneration for scientific, literary and art work, invention and innovation, design work and other similar income;
 - 7) income from remuneration for artistic and athletic performances, contests and sporting competitions and games;
 - 8) income from gambling, quiz and lottery;
 - 9) income other than those exempted by this law.
2. Taxable income shall include monetary (in national and foreign currency) and physical assets gained as income. The value of taxable items gained in physical forms shall be determined by the average market price in the local area (aimag or capital city). Income gained in foreign currency shall be converted into MNT by the official daily currency exchange rate of the Bank of Mongolia.

Article 5. Determination of taxable income

Taxable income shall be determined as follows:

- 1) Taxable income from salary, wages and other similar income shall be determined by:
 - a) deduction of Social and Health Insurance premiums from total income indicated in sub-paragraph 1a, paragraph 1, Article 4 of this law ;
 - b) total income indicated in sub-paragraph 1b, paragraph 1, Article 4 of this law;
 - c) total income of pension, pension increments and welfare allowances;
 - d) in case if family members or a group of persons collectively performed a contract work and service, taxable income of each citizen shall be determined by their individual statement of income. If it's impossible to determine taxable income in that way, their individual income shall be determined by dividing total income into number of contractors.

2) Taxable income from conduct of business shall be determined by:

a) *(This provision was annulled by the amendment of 17th April 1997).*

b) by deduction of expenses confirmed by documents (such as raw material, basic and auxiliary materials, semi-processed products, steam, water, energy, fuel, petroleum, spare parts, package, wrapping material expenses, rental payment, interest payment on bank loan, payment for work and service performed by others and business trip expenses, Social and Health Insurance premiums and fixed asset depreciation expenses) as well as Transport Facilities and Vehicles Tax, Excise Tax and Fees for Using Natural Resources; from the total income earned from the business activities.

Wages provided to one's family members shall be regarded as a deductible expense estimated proportionally to the ratio of paid Social Insurance premiums. If a businessman used produced products and performed works and services for one's family needs, they shall not be regarded as deductible expenses.

c) Taxable income of farmers with pig, poultry, rabbit and bee farms and other similar farms as well as agricultural farms or taxable income of other private producers shall be determined by themselves in conformity with the subparagraphs 2b of this Article.

If a taxpayer didn't determine his/her taxable income or it was impossible to determine the income, then the Tax Administration shall assess their taxable income in comparison to other benchmark producers with similar natural, climatic and market conditions.

3) Taxable income from capital gains and ownership of rights shall be determined by:

a) total income from sale of real estate;

b) *(This provision was annulled by the amendment of 17th April 1997).*

- c) deduction of expenses with respect to property leasing from the total income of the property leasing;
 - d) total dividends and gains of a shareholder;
 - e) total income from interests on loans and deposits and other similar income;
 - f) total income from royalties.
- 4) Taxable income from private procurement and sales of goods and raw materials shall be determined by deduction of expenses confirmed by documents from total earned income;
 - 5) Taxable income from the remuneration for scientific, literary and art work, invention and innovation, design work and other similar income shall be determined by the total earned income;
 - 6) Taxable income from the remuneration for artistic and athletic performances, contests and sports competitions and games shall be determined by the total earned income;
 - 7) Taxable income from gambling, quiz and lottery shall be determined by the total amount of prize won;
 - 8) Other taxable income shall be determined by total amount of the income.

Article 6. Determination of taxable income for citizens with private livestock

For a citizen with private livestock, the taxable number of animals shall be determined by a proportionate number expressed in sheep heads. In tax calculation, each head of cattle, horse or camel shall be equal to 5 heads of sheep, and a goat shall be equal to 1.5 head of sheep. The taxable number of livestock for a fiscal year shall be based on the number of livestock counted at the end of previous year. *(The provision was added by the amendment of 17th November 2000).*

Article 7. Tax rates

- 1. The tax shall be imposed on the total annual taxable income of a permanent resident taxpayer, as indicated in subparagraphs 1, 3, 4, 9 of provision 1, Article 4 of this law and in subparagraph 5c of this provision, at the following rates:

Amount of annual taxable income (in MNT)	Amount and rate of tax
0 - 2,400,000	10%t
2,400,001 - 4,800,000	240,000 MNT plus 20% of income exceeding 2,400,000 MNT
Over 4,800,001	720,000 MNT plus 30% of income exceeding 4,800,000 MNT

(The Amendment of 29th June 2001 is reflected here)

2. *(This provision was annulled by Constitutional Court Resolution No.2 of 13th March 1993).*
3. The State Great Khural shall determine the tax rates on salary and wage income received from government by Mongolian citizens working abroad, on the basis of the proposal made by the Government Cabinet.
4. The State Great Khural shall determine procedures on tax imposition for a citizen with indefinite income from private conduct of business, on the basis of the proposal made by the Government Cabinet. *(This provision was annulled by the amendment of 5th December 2002).*
5. Business entities and organizations shall impose and withhold tax from the following income provided to individual citizens, at the rate set forth below:
 - a) 10% for the income indicated in subparagraph b of paragraph 1, provision 1, Article 4 of this law;
 - b) 3% of value for the purchase of goods, inventory and raw materials. This provision does not refer to procurement of raw wool, cashmere and hides. *(This subparagraph was added by the amendment of 29th June 2001);*

Business entities and organizations shall transfer the withheld tax to the budget and certify the transfer by making records in the Citizen's Income and Tax Assessment List.

Article 8. Special tax rates

The following special rates of tax shall be imposed:

- 1) The tax rate on remuneration from scientific, literary and

artistic work, copyright, invention and innovation, design work and other similar income up to 5,000,000 MNT shall be 5% and the rate shall be 10% for the income over 5,000,001 MNT. *(This subparagraph was revised by the amendment of 29^h June 2001);*

- 2) *(This paragraph was annulled by the amendment of 17^h April 1997).*
- 3) The tax rate on income from sales of real estate shall be 2% of the total income;
- 4) The tax rate on dividend, gains of shareholder, income from interest on loans and deposits, and other similar income shall be 15%;
- 5) The tax rate on the taxable number of animals determined according to the Article 6 of this law shall be as follows:

Aimag and capital city	Amount of tax (in MNT)
Selenge, Tuv, Darkhan-uul, Ulaanbaatar, Orkhon	100
Arkhangai, Bayankhongor, Bulgan, Govi-sumber, Dornogovi, Dornod, Dundgovi, Uvurkhangai, Umnugovi, Sukhbaatar, Khuvsgul, Khentii	75
Bayan-Ulgii, Uvs, Khovd, Govi-Altai, Zavkhan	50

(This paragraph was added by the amendment
of 17th November 2000);

- 6) The tax rate on income from gambling, quiz and lottery shall be 10%;
- 7) The tax rate on income from remuneration for artistic and athletic performances, contests and sports competitions and games shall be 10%;
- 8) The tax rate on income from royalties shall be 10%;
- 9) The tax rate on income of a citizen derived from intellectual services performed abroad such as medical service, artistic performance, scientific research and

promotion activities, unless otherwise stipulated by international treaties of Mongolia, shall be 10%;

- 10) If a permanent resident taxpayer has not provided the income provider with one's tax identification number, the income indicated in paragraphs 1, 3, 4, 5, 6, 7, 8 of Article 8 and in provision 5 of Article 7 shall be subject to tax imposed at the rates set in Article 8* of this law.

Article 8*. Special tax rates on income of temporary or non-resident taxpayers

Income tax of a temporary or non-resident taxpayer, indicated in Article 8 of this law and subparagraph 5b, provision 1 of Article 4 shall be withheld at the rate of 20% and transferred to the budget. This provision does not apply to paragraph 9 of Article 8 of this law.

Article 9. Tax relief and exemption

1. The following income of a taxpayer shall be exempt from taxation:
 - 1) *This paragraph was annulled by Law of 17th April 1997*);
 - 2) Welfare allowances, compensation and payments provided in accordance with laws, the reward for the medal of 'Hero Mother' I and II grade, pension for partisans of People's Revolution, welfare allowances for participants of Khalkyn Gol war of 1939 and liberalization war of 1945 and welfare allowances for child support (*This paragraph reflected the amendment of 29th June 2001*);
 - 3) The state premiums and awards of honor of Mongolia, Government awards, awards for people's merit and an honorable merit title, awards for inventions, allowances for blood donors or mother's milk, business trip expenses;
 - 4) Compensation granted under insurance policy (*reflected here is the amendment of 29th June 2001*);
 - 5) Government loan reimbursement and its interest income;
 - 6) Costs of labor safety clothes and antidote drinks, cost of uniform and other supplies similar to them provided in conformity with legislation, grant aid provided to citizens

from the Government and local organizations, Red Cross Society and foreign countries for accident and disaster relief purposes;

- 7) 20 small animals expressed in sheep heads as an incentive for each member of a herder household. In case if taxable number animals of the year was lost due to natural disaster and epidemic disease, taxable number of animals shall be reduced on the basis required documents (*This paragraph was added by the amendment of 17th November 2000*);
- 8) (*This paragraph was annulled by the amendment of 17th April 1997*);
- 9) (*This paragraph was annulled by the amendment of 17th April 1997*);
- 10) income of foreign citizens employed by a foreign diplomatic mission or consular office in Mongolia, United Nations and its specialized organizations (*This paragraph reflects the amendment of 29th June 2001*);
- 11) income of an officer indicated in paragraph 10 of this provision and of his/her family members, derived from a foreign source;
- 12) if a citizen builds or purchases a residential dwelling or living house from his/her income or bank loan resources, then the income equal to the expenses incurred for building and purchase of the house shall be deductible from the taxable income only for the particular tax year, as a tax-relief;
- 13) tuition fees paid for taxpayer's children studying in universities and professional schools shall be deductible from the taxpayer's taxable income as tax-relief estimated according to amount of standard tuition fees of the domestic professional school.
- 14) donations contributed by citizens to education fund and non-government organization that serves society and is registered in the state register (*This paragraph was added by the amendment of 15th January 1998*).

2. *(This paragraph was annulled by the amendment of 17th April 1997).*
3. Tax relief of 48,000 MNT shall be provided to all taxpayers against annual taxable income as indicated in provision 1, Article 7 of this law *(This paragraph was changed by the amendment of 29th June 2001).*
4. A permanent resident taxpayer of Mongolia conducting production of crops and vegetables shall enjoy 50% tax relief only on the income earned from the production.

Article 10. Tax imposition and transference to the budget

1. Business entities, organizations and citizens shall impose tax on income indicated in paragraphs 1, 3, 4, 9 of provision 1, Article 4, and in subparagraph 5c of the same provision, at the rate prescribed in provision 1, Article 7 of this law.

Business entities and organizations shall impose and withhold tax and make related records on the Income and Tax Assessment List, each time when they provide income to a citizen.

Tax on salary, wages of an employee, who works under the labor contract at the business entity or organization shall be withheld by the entity at the end of the month; and payment of these tax shall be recorded on the Income and Tax Assessment List at the end of year or each time when the taxpayer moves to other entity or organization.

Business entities and organizations shall transfer the tax withheld from citizens to the budget by 10th of the following month.

If the total amount of tax withheld for a month is less than 10,000 MNT, then the tax income shall be transferred to the budget along with tax of the following month. *(This paragraph was changed by the amendment of 29th June 2001).*

2. Commercial banks shall withhold tax from deposit interest income of citizens at the rate prescribed by provision 4 of the Article 8 and shall transfer the tax income to the budget each time when they calculate the interest. *(This provision was added by the amendment of 29th June 2001).*

3. *(This provision was annulled by the amendment of 17th April 1997).*
4. *(This provision was annulled by the amendment of 17th April 1997).*
5. A citizen, business entity or organization, providing income of remuneration for scientific, literary and art work, invention and innovation, design and other similar income, prizes for gambling, quiz and lottery, or remuneration for artistic and athletic performances, contests and sports competitions and games to citizens, shall impose and withhold tax on this income at the rate prescribed by paragraphs 1,6,7 of Article 8, and Article 8* of this law and transfer the tax income to the budget within 3 days.
6. A citizen, business entity and organization, providing dividend, gains of shareholder, interest on loans and deposits and other similar income as well as royalties to citizens shall impose and withhold tax on this income at the rate prescribed by paragraphs 4,8 of Article 8 and Article 8* of this law and transfer the tax income to the budget within 3 days.
7. A taxpayer shall impose tax on following personal income and pay tax within the time period specified below:
 - 1) a citizen with private livestock shall pay annual income tax to the budget twice a year dividing into two payments, that is, by 25th July and 15th December. The tax administration may conclude agreement with the taxpayer to make the tax payment in advance;

A citizen with private livestock shall pay tax to the local budget of the territory, where he/she permanently pastures his/her livestock.
 - 2) tax on income from sales of real estate shall be transferred to the budget by 15th of the first month of the following quarter;
 - 3) tax on income from property leasing shall be transferred to the budget by 15th of the first month of the following quarter.
 - 4) *(This paragraph was annulled by the amendment of 17th April 1997)*

- 5) a business person shall assess and pay tax every quarter at the rate prescribed by paragraph 1, Article 7 of this law and transfer it to the budget by 15th of the first month of the following quarter;
8. If a taxpayer earns income indicated in paragraphs 1,3,4,9 and subparagraph 5b of provision 1 of Article 4, he/she shall pay income tax at the rate prescribed by provision 1, Article 7 of this law and shall conclude annual tax liabilities with the Income and Tax Assessment List at the end of year.

Article 11. Term of submitting return

1. Quarterly tax returns indicated in provision 1, Article 10 of this law shall be prepared in cumulative totals and submitted to the respective Tax Administration by 20th of the first month of the following quarter.
2. Tax returns indicated in paragraph 2, provision 7 of Article 10 shall be submitted to the respective Tax Administration by 15th of the first month of the following quarter.
3. The Income and Tax Assessment List indicated in provision 8, Article 10 of this law shall be submitted to the Tax Administration by February 15th of the following year.
4. The National General Taxation Authority shall approve formats of the Income and Tax Return Form, Income and Tax Assessment List as well as instruction for their users.
5. Quarterly tax returns indicated in provision 5 and 6, Article 10 of this law shall be submitted to the respective Tax Administration by 10th of the first month of the following quarter.

ExtractS from the Social Insurance Law of Mongolia

Article 15. Rate of social insurance premium and its term of payment

1. The insured or employer as indicated in provision 2, Article 4 of this law shall pay Social Insurance premiums each month at the following rates:

Type of insurance		Rate of insurance premium (in percent)	
		From salary fund and other similar income of the employer	From salary fund and other similar income of the insured
1.	Pension insurance	13.5%	5.5%
2.	Welfare insurance	1%	1%
3.	Industrial accident and professional illness insurance	1%, 2% and 3%	-
4.	Unemployment insurance	0.5%	0.5%

2. The minimum amount of monthly Social Insurance premiums payable by the insured indicated in provision 3, Article 4 of this law shall be no less than the amount calculated at the following rates from the effective minimum level of wage approved by the Cabinet:
 - 1) 9.5% for pension insurance;
 - 2) 1% for welfare insurance;
 - 3) 1% for industrial accident and professional illness insurance;
3. Rates of Health Insurance premiums shall be determined by the Law on Civil Health Insurance.
4. An employer shall cover completely the Industrial Accident and Professional Insurance premiums payable by the insured indicated in provision 2, Article 4 of this law.
5. On the basis of a proposal made by the National Council of Social Insurance, the Government Cabinet shall approve the list of employers to pay differential rates of Industrial Accident and Professional Illness Insurance premiums indicated in provision 1 of this Article, depending on their fulfillment of hygiene and safety requirements.
6. On the basis of a proposal made by the National Council of Social Insurance, the Government Cabinet shall approve the list of jobs and professions with working conditions, where factors that cause adverse effects on human health are impossible to be solved in the framework of labor protection and safety requirements, and of those with hot and underground working conditions.

Please write your comments on this guidebook to this address:
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