

NON-GOVERNMENT ORGANIZATIONS AND TAX

Guidebook for NGOs

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OPEN SOCIETY FORUM

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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 to increase participation in policy making and implementation monitoring processes and to support the improvement of transparency and accountability. Here we present you with a guidebook in this series, entitled: '*Non-government Organizations and Tax.*'

The guidebook aims at providing you - the citizen that works with NGOs in any connection – with complex information on tax and tax-related issues in a simple, comprehensive and interesting way. Here you can get detailed information in certain case formats on what kind of taxes should NGOs and NGO officers pay in accordance with legislation, on which taxes they should enjoy tax exemption and relief, and how they should report their tax and where they can consult on tax-related issues and disputes. We have also tried to provide the reader with references to legal terminology as we hope this will be helpful and significant. Everyone interested in this topic, including academic researchers, students, policy makers and decision makers, can make use of this guidebook.

We would like to express sincere gratitude to the staff of the Democracy Education Center led by G. Undral for their successful contract performance and enabling the opportunity to present this guidebook to you.

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

P. Erdenejargal

Executive Director
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FOREWORD

The Democracy Education Center (DEC) has made capacity-building of Mongolian NGOs a main field of its activities and implemented certain target activities in this regard (workshop, conference, research, consulting, online information service, NGO network meeting, publication etc.).

Tax is an issue raised frequently by NGOs in the framework of these activities. The outcomes and sustainability of NGO activities depend highly upon the tax system. A basic legal framework of taxation has been set in Mongolia; and its environment of implementation has reached an appropriate level. While taxpayers all accept that tax is inevitable, their payment rate is not satisfactory due to the incomplete social transition process and law enforcement mechanism as well as a lack of awareness about the tax laws.

When we were holding in our minds a dream to study taxation issues in detail and to provide our NGOs with comprehensive information and awareness of taxation to meet the above needs, the Open Society Forum announced a tender to prepare a citizens' guidebook on 'NGOs and Tax'. As a result of the tender our organization was selected as the contractor and we commenced work in preparing this book.

In writing this guidebook on 'NGOs and Tax' we aimed to understand the currently effective tax laws, their implementation methods, procedures and instructions in a detailed manner. We aimed to make them useful in daily business; and to improve citizens' awareness of tax laws, on the basis of studying actual failures and successes, mistakes and offences made by NGOs, together with other issues of interest to the management and staff of NGOs. Since the DEC worked jointly with specialists of the Capital City Taxation Office as a team, we tried to write in a simple and comprehensive manner and have included related case problems and explanatory notes.

We present you, the readers, with this book to serve as a guide for NGOs and designed for citizens collaborating for social well-being as a collectively established and operational NGO, as well as for those citizens that receive NGO services; in order to give understandable awareness of legal environment of taxation and proper use of such knowledge in their activities. Please note that the information in this book has been based on legal acts that were effective on 30th April 2004 as they are frequently updated and amended.

Your paid tax is a development root of the country.

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Chapter 1

***Non-Government
organizations
and tax***





What is an NGO?

To define the operation in the informal sector of local and volunteer organizations of countries, at first the UN and later international and donor organizations used the term ‘non-government organization’ (NGO). NGO refers to organizations established by citizens’ initiatives and their collective actions as well as the mental and physical devotion to fulfilling the common objective and purpose of the organization.

In most countries, NGO activities are regulated by the Constitution or other laws. In Mongolia the legal basis of an NGO was guaranteed by the ‘Law on NGO’ adopted in 1997. Provision 1 of Article 4 of this law defined an NGO as follows, *“NGO is a non-profit organization established voluntarily by citizens and other legal entities except for State organ bodies (legislative, executive and judicial authorities) on the basis of their own and social interests and views; and operates under the principle of political impartiality and self-management.”*

As written by political scientists, *“The more unresolved issues in the society, the more likely NGOs are to emerge”* Also there is an indication that *“the number of NGOs operating in a country defines degree of development of the country”*.

Your color television recently bought from a shop doesn’t work after a week. When you call the repair service, they say it was a “factory defect”. Now what should you do? Of course, you have to ask for help from the Consumer Rights Protection Society.

Your child is going to graduate from high school. If you don’t know the choice of profession and appropriate foreign and domestic university for his/her further study and even don’t know where to get the most accessible and accurate information, then the Education Consulting and Information Center and the Mongolian Children and Youth Development Center will provide you with such information.



If someone from your family or relatives was frequently subjected to violence or regular mental and physical pressures and you don't know what to do, then the National Center Against Violence protects the victims of such violence.

Or if you want to consult someone on how to establish and operate an NGO or want to get recent news and information on NGOs, the Democracy Education Center will provide you with all of this information and services a one-stop service.

These and many other services are provided by our NGOs. The number of Mongolian NGOs reached 4,200 by 1st July 2004. NGOs are communities of people of goodwill voluntarily joined and organized for the common purpose of making our daily lives brighter and better; and they sensibly identify social and problematic issues around us and work actively toward resolving those issues that must be resolved, but are not resolved by governments. They are people of compassion that devote their time, knowledge and capacity for the well-being of others.

NGOs reduce the burden of government activities and services and economize resource costs. In contrast to governmental bodies, NGOs protect the interests of citizens and serve them effectively at less cost. Rather than large and bureaucratic governmental apparatus, small and specific target NGOs work relatively close to citizens and society, while they define and know their needs the best.

In accordance with the common practice of developed countries, governments provide as much as possible tax exemption and relief for the support of NGOs and in particular, they devote a certain portion of business taxes to their civil society and NGOs. That means they in turn will invest to the country. It is justifiable that citizens can enjoy their rights to promote the activities of NGOs by their own will and donate their intellectual and material support and aid for social well-being. However, NGOs are obliged to pay proper taxes in accordance with legislation.



NGOs and Tax

As the process of transition to a market economy intensifies, accordingly the improvement of tax system, accounting and calculation issues as well as tax education have become more important. Mongolia's adoption of a set of tax laws in 1993 and the transition to a new system in which taxpayers define their income and pay taxes themselves - the classic method of tax collection at the lowest cost; raise the need to improve legal awareness of taxation for the taxpayers – are the main objects of this system.

The State budget comprised of legal contributions from every taxpayer finances the basis for development of culture, education, health and vulnerable sections of society as well as the general development of the country, in order to keep pace with global development rates. As stated in the General Taxation Law, *“tax is the money transferred to the State and local budget without repayment by imposing a duty at a specified rate, within a specified period of time on incomes, property, goods, products and services of a citizen, business entity and organization in conformity with the legislation”*. All citizens and legal entities should fulfill this legal obligation while at the same time being proud of their duty to fulfill the civil obligation honestly. Fulfillment of this obligation greatly depends on the efforts of every citizen and legal entity, starting from a State administration body. In other words, we should accept that the conscious activity of each participating party is the most important of all.

The NGO Law was enacted in 1997, and since that time NGOs have started to operate within the framework of this law and a set of tax laws and basically paying in accordance with the Business Entity and Organization Income Tax (BEOIT) and Personal Income Tax (PET). Article 3 of the BEOIT Law of Mongolia was amended on 17th April 1997 to add a 4th provision stating that, *“NGO shall be a taxpayer”*, which clarified their duty to the State budget.



In order to support activities of NGOs, legal amendments to exempt certain types of NGO income from taxes were introduced on 17th April 1997 by the addition of four provisions:

- provision 7.1.2* Membership taxes and donations paid by members or supporters of NGOs;
- provision 7.1.7* Income earned by NGOs that serve the society and registered to the State register, from conduct of business activities to implement their charter objectives;
- provision 7.1.8* Donations made to NGOs that serve the society and registered to the State register, respectively to the BEOIT Law; and
- provision 9.1.14* Donations made by citizens to education funds and NGOs that serve the society and registered to the State register to the PET Law.

Later amendments made on 17th November 2000 revised provision 7.1.7 to “*Income of NGOs that serve the society and registered to the State register*” and annulled provision 7.1.8.

A total of 4,200 NGOs were operating in Mongolia by 1st July 2004.

In 2002 a total of 516 NGOs registered with the Tax Offices of six capital city districts (Bayangol, Bayanzurkh, Sukhbaatar, Songinokhairkhan, Chingeltei and Khan-Uul) paid 426.8m MNT to the State budget, of which 9m MNT was paid as BEOIT, 365.6m MNT paid as PET, 19.8m MNT paid as Real estate taxes (RET) and 32.3m MNT paid for other taxes.

In 2003, these NGOs paid a total of 583.6m MNT to the State budget, of which 25.2m MNT was BEOIT, 503.9m MNT was PET, 1m MNT was Value-Added Tax (VAT), 44.1m MNT was RET and 9.3m MNT were other taxes.



These NGOs enjoyed tax exemptions of 0.7m MNT in 2002 and 75.6m MNT in 2003 respectively (in accordance with provision 7.1.2 of the BEOIT Law that “*Membership taxes and donations made by members or supporters of NGOs shall be exempted from taxes*”).

Our study on the failures and offences made by NGOs registered in the six capital city districts revealed that for 2002 and 2003 66.9% of NGOs inspected had committed an offence. Also the study showed that 39.2% failed to withhold tax on wages and income transferred to others, 23.2% failed to withhold or incompletely withheld the PET, 18.5% failed to pay taxes in time, 5.8% failed to impose and pay RET, and 3.9% deducted expenses not confirmed by documents from taxable income.

From this background we have compiled effective legal acts of taxation, their implementation methodologies, procedures and instructions into one guidebook, on the basis of studying actual practical offences committed by NGOs as well as other issues of interest to NGO management and officers, thereby enhancing the opportunity for all NGOs to understand and use them correctly.

NGOs have features distinctive from other taxpayers by their unity to resolve problematic issues of the country by their own determination and beliefs, by their work for the social well-being covering costs for implementing their non-profit objectives without getting State budget support and by their payment of taxes paid in accordance with respective laws.



Chapter II

*Business
entity &
organization
income tax*



BUSINESS ENTITY & ORGANIZATION INCOME TAX



Business entity & organisation income tax

The Business Entity and Organization Income Tax (BEOIT) Law of Mongolia was enacted on 14th December 1992 and amended on 3rd November 1993; 4th July 1994; 17th April 1997; 30th October 1997; 5th December 1997; 9th January 1998; 15th January 1998; 6th November 1998; 22nd January 1999; 12th May 1999; 3rd February 2000; 17th November 2000; 25th January 2001; 9th November 2001; 5th December 2002; 27th November 2003; and 23rd April 2004.

Business Entity & Organization Income Tax is the money transferred to the State budget, by imposing tax on taxable income determined by a business entity or organization, after the deduction of expenses stated in the BEOIT Law of Mongolia from its earned income. Business entities and organizations are required to maintain accrual accounting (accepts income and expenditure in the period when they are earned or incurred, regardless of whether or not they have paid or received the money) that conforms to generally accepted accounting principles, prepare financial statements in conformity with the International Accounting Standards and specify the amount of profits. **Taxable income** shall be determined in accordance with the BEOIT Law of Mongolia on the basis of the specified amount of profits. Inconsistency between the financial statement and tax statement of a business entity and organization has been regulated by a procedure approved by the Minister of Finance by Order No.429 of 1997.

The Business Entity and Organization Income Tax Law enacted in 1992 states that a taxpayer should only be a ‘profit organization’. Although the NGO Law of 1997 defined an NGO as a non-profit organization, the 1997 General Taxation Law amendment stated that “foreign and domestic business entities, organizations and funds operating in the territory of the country”, and the BEOIT Law amendment of 17th April 1997 stated, “*NGO is a taxpayer*”.

Legal provision

According to Article 3 of the BEOIT Law:

Taxpayer

1. The following Business entities and organizations shall be taxpayers:

- 1) Companies, cooperatives, partnerships, foreign companies and joint ventures, which are involved in all forms of ownership in the territory of Mongolia;
- 2) A representative office of a foreign company which gains profit in Mongolia;
- 3) A commercial bank, credit or insurance agencies and other similar agencies;
- 4) **Non-government organizations;**
- 5) Religious organizations;
- 6) State and local property legal entities;
- 7) Legal entities engaged in businesses other than those described in subparagraphs 1-7 of this paragraph.

(Subparagraphs 4-7 were added to this paragraph by the amendment of 17th April 1997 and revised by the amendment of 9th November 2001)

Explanation

According to the methodology to implement the BEOIT Law approved by the Chief of National General Taxation Authority in his Order No.2 of 2002,

An NGO is:

A non-profit organization established voluntarily by citizens and other legal entities except for State organ bodies (legislative, executive and judicial authorities) on the basis of their own and social interests and views and operates under principles of political impartiality and self-management. For example: cooperative societies, friendship societies etc.

‘NGO serving society’ is a non-government organization that operates for social well-being in the fields of culture, art, education, discipline, science, health, sports, environment, environmental development, human rights, protection of rights of particular population group or sphere, and charities. For example: Professional associations, Human rights center etc.

‘NGO serving its members’ is a non-government organization other than those that serve society, and has the basic purpose to server its members and protect their legal interests. For example: Association of Hotels, Union of Private Owners etc.

An NGO is considered established by the decision of its founders to establish the organization and their approval of the charter. Upon registering with the Ministry of Justice and Internal Affairs it starts enjoying the rights of a legal entity.

**Note:**

- NGOs shall be registered to a respective Tax Office in accordance with the Article 5 of the Law on Controls of Tax Imposition, Payment and Tax Collection, which states “...*newly registered business entities and organizations shall register to their respective Taxation Offices and open their files within three working days after receipt of the State Registration Certificate.*”
- NGOs shall submit their quarterly tax statements each quarter by 20th of the first month of the following quarter, and annual tax statements each year by 10th February of the following fiscal year to their respective territorial Tax Offices, in accordance with the taxation laws.

BEOIT - Tax Exemption and Tax Relief

1. The following income of a taxpayer shall be exempted:
 - 2) Membership taxes and donations by members or supporters of non-government organizations;
 - 7) The income of non-government organizations that serve society and registered to the State register; *(this provision was added by the amendment of 15th January 1998 and revised by the amendment of 17th November 2000)*
 - 18) Business entities and organizations that employ disabled persons who have lost more than 50% of their working ability due to impaired hearing and sight as well as injury of limbs shall enjoy corporate income tax relief at the rate equals to the ratio of disabled employees to all employees; *(this provision was added by the amendment enacted on 23rd April 2004).*

Article 7 of the BEOIT Law. Tax exemption and Relief

PROBLEMS

CASE PROBLEM 1

‘A’ got a registration certificate from Ministry of Justice and Internal Affairs as an NGO that serves society. In the framework of its activities, NGO ‘A’ regularly prints and publicizes two types of works in 500 copies. In order to finance its activities, the organization sells each copy of these works at 2,000 MNT. How should NGO ‘A’ calculate and pay its taxes?

Solution:

For NGO ‘A’, publication is a field of activity stated in its charter as a service for society, therefore the income of $2 \times 500 \times 2,000 = 2,000,000$ MNT shall be exempt from taxes in accordance with the Provision 1, Article 7 of the BEOIT Law.



General description of taxable income of the BEOIT

On the basis of the NGO certificate issued by the Ministry of Justice and Internal Affairs to an NGO that serves society and is registered on the State register, ***BEOIT shall be imposed on the NGO income earned from business activities except for the field of activities stated in its charter as a service for society.***

Taxable Income applicable to NGOs (in accordance with Article 4 of the Law and the methodology approved by the Chief of the NGTA in Order No.2 of 2002)

Definition of Taxable Income

Tax Rate, Tax Payment and Reporting

ONE: On progressive rate of taxable income

1. Income from basic and auxiliary activities and services (including all income from sales of products, works performed and services rendered)

10. Income from interest on loan (including income from all types of request for liabilities; and income from interest earned by loan activities lent in the form of cash and assets as result of the income from government credits and other valuable assets and bonus earned with respect to their sales)

11. Income from property leasing (charges received by allowing others to use the real estate and other property owned, possessed, used and administered by the organization)

$TaxI = TotI - DETaxI$ - taxable income
 $TotI$ - total income
 DE - deductible expenses
 Taxable Income is defined by deducting direct expenses confirmed by documents such as salaries, wages, additional wages, material expenses of all kind, semi-processed products, steam, water, energy, fuel, petroleum, spare parts, package and wrapping expenses as well as social and health insurance premiums, fixed asset depreciation, expenses for current repair, currency exchange losses, payment for contract works and services performed by others, rent payments, loan interest, Transportation Means and Vehicle Tax, payment and fees for using natural resources from these types of income. Excise and real estate taxes paid to the State

The following rates of tax shall be imposed on annual taxable income:
 1. **15%** for the annual taxable income of **0-100,000,000 MNT**;
 2. **15,000,000 MNT plus 30% of the income exceeds over 100,000,000 MNT** for the annual taxable income **more than 100,000,000 MNT**.
 3. A taxpayer shall define itself the aggregate amount of taxes from the beginning of the fiscal year on the basis of quarter and annual financial statements. Taxpayers shall prepay annual taxes by 25th of each month, shall submit quarterly tax statements each quarter by 20th of the first month of the following quarter and the annual tax statement each year by 10th February of the following fiscal year to their respective Tax Offices and shall conclude their tax liabilities.



12. Income from intermediary activities (*commissions and other gains earned by serving and connecting entities with common interests and performing activities on behalf of others*)

15. Income from foreign exchange (*earned by taxpayers authorized to conduct foreign exchange from change in exchange rates*)

16. Other taxable income (*donations, gifts, royalties, interest and fines charged from others in accordance with laws and contracts, capital gains from unclaimed and authorized transfer of ownership, value of excessive fixed and current assets revealed by census*)

17. Income from disposal of tangible assets (*includes income from sales of all fixed and current assets except for real estate*)

budget shall be deductible from taxable income. Compulsory social insurance premiums shall be deductible from taxable income. Expenditure for advertising and training or retraining of staff shall be estimated by their actual performance and the sum shall not exceed 10% of total taxable income of the entity. Investment, capital repair expenses, all kinds of bonuses, allowances, gift and donations given to others, receptions for guests, subscription of periodicals, refund for housing, transportation, meal and fuel price cuts provided to the employees, voluntary insurance premiums, normal wear and tear of goods and inventories, interest on bad debt, all fines and compensation for damages caused to others due to the taxpayer's fault, and interest on overdue loans shall not be deductible from taxable income.

TWO. On special rate of taxable income

6. Income from sales of real estate.

(real estate includes land and immovable property on it and this provision refers to sales of the real estate)

defined by total amount of income

2% tax shall be imposed on total sales income. The tax shall be paid within 10 days after sales of the real estate. Term of reporting is same as previous one.



8. Income from royalties. (payments received by publishing literature, performing artistic work, scientific and technical discoveries and works, use of processes or patent, trademark, design, model, plan and secret codes; or ownership of intellectual property including information related to production, trade and scientific equipment and methods, and by transfer of ownership rights to others for their use)

defined by total amount of income

10% tax shall be imposed on total income. Organizations and business entities shall withhold the taxes and transfer to the budget in 7 working days.

13. Income from various games, lotteries and quizzes. (includes income from all kind of paid games, sales of video and audio cassettes and their recording services, video shows, lotteries and quizzes)

defined by total earned income after deducting direct expenses confirmed by documents, value of prizes and money given to prize winners.

40% tax shall be imposed on taxable income

14. Interest income on bank deposit. (includes interest income received from banks on cash deposits and accounts)

defined by total amount of income

15% tax shall be imposed on income. Organizations and business entities shall withhold the taxes and transfer to the budget in 7 working days.

THREE. On income transferred to a non-resident legal entity of Mongolia

A business entity or organization making a service payment to a non-resident taxpayer shall withhold 20% of taxes on the total income derived from sources within the territory of Mongolia and transfer the income tax to the budget within 7 working days as stipulated by provision 6.1.7 of this law, which states that the following income of a non-resident legal entity shall be taxable income:

- a) Dividend and gains of shareholder paid by a business entity, registered and conducting business in Mongolia;
- b) Loan interest and payment for a financial guarantee;
- c) Income from royalties, payment for leasing, income from transfer of use of tangible or intangible assets;
- d) Income from furnishing technical services or any other services to an individual, business entity or organization including State organizations of Mongolia.

The depreciation rate of tangible assets shall be determined by a straight-line method, assuming to use the asset for the following service life.

Asset Group	Service Life	Annual Rate of Depreciation
1. Buildings and constructions	40 years	2.5%
2. Machinery and equipment	10 years	10%
Of the above: special purpose machines, equipments and computers for scientific research, experimental and advanced technology, export or mining production, protection of environment and rehabilitation of natural resources and infrastructure.	5 years	20%
3. Other assets	10 years	10%

PROBLEMS

CASE PROBLEM 2

NGO 'X' purchased two new computers for the office need and sold an old computer, which was bought four years ago at 900.000 MNT, to an officer of the organization at 300.000 MNT in the first quarter of 2004. How much tax shall be imposed on the income?

Solution:

- Accumulated depreciation calculated for the service life: (service life of a computer was changed to 5 years since 1st January 2002)
 $(900.000 \times 10\% \times 2 \text{ years}) + (900.000 \times 20\% \times 2 \text{ years}) = 180.000 + 360.000 = 540.000 \text{ MNT}$
- Residual value: $900.000 - 540.000 = 360.000 \text{ MNT}$
- Taxable income: $300.000 - 360.000 = -60.000 \text{ MNT}$; therefore no taxes shall be imposed since there is no taxable income.


CASE PROBLEM 3


If NGO 'B' received 100.000 MNT of interest on its bank account residual, then how should calculate taxes on it? Who should withhold the tax?

Solution:


$100.000 * 15\% = 15.000$ MNT shall be withheld by the bank.

CASE PROBLEM 4


NGO 'G' earned income of 2 million MNT from intermediary activities between foreign and domestic NGOs and disbursed 1.8 million MNT of expenses confirmed by documents. If the intermediary activities do not conform to its statutory objectives, how should the tax rates be determined?

Solution:


1. taxable income = total income – deductible expenses = $2,000.000 - 1,800.000 = 200.000$ MNT
2. tax = tax I*15% = $200.000 * 15\% = 30.000$ MNT shall be paid.

CASE PROBLEM 5


Having used a car for two years that was purchased at 10.000 MNT, NGO 'N' sold the car at 13 million MNT and disbursed operating expenses of 4.8 million MNT for the accounting period. Then, please determine taxable income and taxes to be imposed?

Solution:


1. sales income: 13,000.000 MNT;
2. operating expenses: 4,800.000 MNT;
3. depreciation accumulated for this period: $10,000.000 * 10\% * 2$ years = 2,000.000 MNT;
4. residual value of the car sold: $10,000.000 - 2,000.000 = 8,000.000$ MNT;
5. taxable income = $13,000.000 - (8,000.000 + 4,800.000) = 200.000$ MNT;
6. tax = taxable income*15% = $200.000 * 15\% = 30.000$ MNT.

**CASE PROBLEM 6**

NGO 'C' earns 800.000 MNT each month for rent of 2 office rooms used by another organization. With respect to earning this income, it disbursed 250.000 MNT for stationery and administrative expenses and 464.000 MNT for other deductible expenses stated in the law. Then how should the tax be calculated?

**Solution:**

1. monthly sales income (SI): 800.000 MNT;
2. deductible expenses (DE): $(250.000+464.000) = 714.000$ MNT;
3. taxable income: Tax I = $SI-DE = 800.000-714.000 = 86.000$ MNT;
4. tax = $\text{tax I} * 15\% = 86.000 * 15\% = 12.900$ MNT.

**CASE PROBLEM 7**

NGO 'M' is a non-VAT payer small organization. M had sales income of 300.000 MNT this quarter. But it also won a TV set of 110.000 MNT as a lottery prize from subscription of periodicals. If total deductible expenses of the quarter were 390.000 MNT, please make tax calculation for this quarter.

**Solution:**

1. NGO 'M' shall record the TV set of 110.000 MNT in its income accounts and include the income in its taxable income. Hence its taxable income will be $300.000+110.00= 410.000$ MNT.
2. total deductible expenses: 390.000 MNT;
3. then, taxable income for this quarter: tax I = $410.000-390.000 = 20.000$ MNT;
4. tax = $20.000 * 15\% = 3000$ MNT shall be paid.
5. A lottery prize should be regarded as 'other income', but not as 'lottery income'.



Chapter III

*Personal
income
tax*

PERSONAL INCOME TAX





Personal Income Tax

The Personal Income Tax (PET) Law of Mongolia was enacted on 24th December 1992 and amended in 1993, 1994, 1997, 1999, 2000, 2001, 2002, 2003 and 2004 respectively.

Personal income tax is the tax imposed on any salary, wage, remuneration and other similar income of citizens; income from their conduct of private business and sales of goods, products and raw materials; income from capital gains and ownership rights; royalties for authors of scientific, literary and art works, inventors, designers and other similar income; prize income of art performances, athletics and sports; income won from lotteries and quiz games and other personal income except for those stated as tax exempt.

Personal income taxpayer (Article 3 of the PET Law)		Taxable income	Registration of tax payers
<ul style="list-style-type: none"> • A citizen of Mongolia • A foreign citizen residing in Mongolia 	Permanent resident	Income earned in Mongolia and abroad	5.1 A resident or temporarily residing taxpayer shall register with the corresponding territorial Tax Office and get a registration number as a taxpayer. 5.2 The Tax Office shall provide the taxpayer a certificate with the taxpayer's registration number.
<ul style="list-style-type: none"> • Stateless person residing in Mongolia 	Temporary resident	Income earned in Mongolia	
<ul style="list-style-type: none"> • Non-resident body earning income in Mongolia 	Non-resident		

When an business entity or organization gives any income to a citizen, they shall record the taxpayer's registration number on the document of disbursement and quarterly inform to the corresponding Tax Office the amount of the income given to and taxes withheld from each citizen by aggregate amounts.

General description of taxable income of PET

Types of taxable income (in accordance with Article 4 of the PET Law and the methodology approved by the Chief of the NGTA in Order No 12 of 2002)	Definition of taxable income (in accordance with Article 5 of PET Law)	Monthly amount of payment	Tax rate and amount imposed on annual income (in accordance with Article 7 of PET Law)
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ONE. On progressive rate of taxable income

<p>1.1 Any salary, wages and other similar income</p> <p>a) any salary, wages, remuneration, allowances and other similar income earned from a main job at an business entity organization under labor contract</p>	<p>Defined by deduction of social and health insurance premiums from total income</p>	<p>10% for monthly income of 0-200.000 MNT.</p> <p>20.000MNT plus 20% of income exceeding 200.000 MNT for monthly income of 200.001-400.000MNT</p> <p>60.000 MNT plus 30% of income exceeding 400.000 MNT for monthly income of 400.001MNT and over.</p> <p>4.000 MNT (48000:12) shall be deducted from due monthly tax payment calculated by the progressive rate, as tax relief.</p>	<p>10% for annual income of 0-2.400.000MNT;</p> <p>240.000 MNT plus 20% of income exceeding 2.400.000 MNT for monthly income of 2.400.001-4.800.000MNT;</p> <p>720.000 MNT plus 30% of income exceeding 4.800.000 MNT for monthly income of 4.800.001MNT and over;</p> <p>9.3 48.000 MNT shall be deducted from due tax payment calculated by the progressive rate, as tax relief.</p>
<p>3) Income from conducting a private business.</p>	<p>Defined by deduction of expenses confirmed by documents from total amount of income</p> <p>(Wages paid to family members shall be regarded as expenditure and shall be calculated proportionally with their paid social security premiums)</p> <p><i>(If a businessman uses produced goods, performed works and services for his own and family needs, costs of such goods and services shall not be regarded as being expenses)</i></p>		<p>Business entities or organizations shall transfer taxes withheld from a citizen to the budget by 10th of the following month and submit quarterly tax returns each quarter by 20th of the 1st month of the following quarter in aggregate totals to their respective Tax Office.</p>



<p>5c. Income from leasing property and other similar income.</p>	<p>Defined by deducting expenses related to leasing from total amount of income.</p>		<p>If a citizen receives salary, wages and other similar income from more than one business entity or organization, or earns income from conduct of business, private sales of goods and raw materials, property leasing and other sources; he/she shall determine the total annual income and paid taxes on his/her Income and Tax Assessment List at the end of each year and conclude final year-end payment by February 15th the next year.</p>
<p>9) Other income except for those exempted from tax under this law.</p>	<p>Defined by total amount of income</p>		<p>If a taxpayer earns income indicated in subparagraphs 1,3,4,9 of the paragraph 1 of Article 4 and subparagraph 5.b of this paragraph, he/she shall pay taxes imposed on that income at the rate prescribed in the paragraph 1 of Article 7 of this law and make final year-end payment by Income and Tax Assessment List. <i>(10.8 of the Law)</i></p>
<p>1.1.b) Any salary, wages, remuneration, allowances and other similar income earned outside of the main job by performing jobs and duties under a contract made with other business entity, organization or citizen.</p>	<p>Defined by total amounts of income received via contract</p>	<p>10% Organizations and business entities shall withhold the taxes in each provision of income to a citizen, then transfer the tax to the budget and shall confirm it by recording it on the Citizen's Income and Tax Assessment List</p>	<p>A citizen who gets any salary, wages and other similar income by performing jobs and duties under a contract made with other business entity, organization and citizen outside the main job or earns income from private sales of goods and raw materials shall register as a taxpayer to the Tax Office of the residing territory. And in each receipt of income, he/she shall ask the business entity, organization or citizen that provided the income and withheld taxes, to make record on his/her Income and Tax Registration Book, and to sign and stamp for confirmation.</p>
<p>4) Income from private sales of goods and raw materials.</p>	<p>Defined by deducting expenses confirmed by documents from total amount of income.</p>	<p>3% of sales income shall be withheld (with confirmation record on the CITAL)</p>	<p>The taxpayer shall make final year-end payment by CITAL (form TT-06) and submit the list to the respective Tax Office by February 15th the following year. <i>(3.1 of the Procedure for determining, registering and assessing PET payer; approved by Order No. 129 of the Chief of NGTA, 2002)</i></p>

TWO. On special rate of taxable income

5a) Income from sales of real estate and other similar income	defined by total income	special rate of 2%
5b) Income from dividends and gains of shareholder	defined by total income	15% (comes into effect on 1 st January 2005)
5d) Income from royalties	defined by total income	special rate of 10% Organizations and business entities shall withhold tax imposed on the income and transfer to the budget within 3 days.
5e) Interest on loans and deposits and other similar income	defined by total income	15% (comes into effect on 1 st January 2005)
6) Income from the remuneration of authors of scientific, literary and art works, inventors, and designers and other similar income	defined by total remuneration and other similar income	special rate of 10% for income remuneration and other similar income up to 5.000.000MNT special rate of 10% for income of 5.000.001MNT and over. Shall transfer withheld tax to the budget within 3 days.
7) Income from the remuneration for artistic performance and sport competitions and games	defined by total income	special rate of 10% Shall transfer withheld tax to the budget in 3 days.
8) Income from gambling, quizzes and lotteries	defined by total income	special rate of 10% Shall transfer withheld tax to the budget with in 3 days.
8.9. Income earned from medical service, art, promotion and scientific works, and other intellectual services provided in a foreign country	defined by total income	10% unless stipulated differently in international treaties of Mongolia



Explanatory notes

If a permanent resident taxpayer of Mongolia has not provided the taxpayer registration number, the income indicated in subparagraphs 1, 3, 4, 5, 6, 7, 8 of Article 8 (Special rate of taxable income) and provision 5 of Article 7 (any salary, wages 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 or income earned from private sales of goods and raw materials) shall be taxed at 20% as prescribed in the Article 8 of this law.

(Provision 10 of the Article 8 of the Law)

If a business entity or organization gives any salary, wages 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 or income earned from private sales of goods and raw materials; to a citizen who has no 'Taxpayer's Income and Tax Registration Book', it shall impose and withhold taxes at 20% of the taxable income in accordance with the law. TT-11.2 and TT-11.3 forms filled and submitted by a business entity or organization shall be regarded as it having imposed and withheld 20% of taxes on the income provided to a citizen who has no 'Taxpayer's Income and Tax Registration Book', hence the business entity or organization is responsible for any underpaid amount of taxes.

(3.5 of Procedure for determining, registering and assessing PET payer, approved by Order No.129 of the Chief of NGTA, 2002)

Income Tax Exemption & Income Tax Relief

Income Tax Exemption

The following income of a taxpayer shall be exempt from Income Tax:

'Donations contributed by citizens to education funds and non-government organizations, that are registered to the State registry and serve for the society' (1.14 of Article 9 of the PET Law);

'Income of disabled persons lost more than 50% of their working abilities due to impaired hearing, sight and injury of limbs'. (1.15 of the Article 9 of the PET Law - this provision was added by the amendment enacted on 23rd April 2004).

Income Tax Relief

Provision 3, Article 9 of the PET Law states, “*Tax relief of 48.000MNT shall be deducted from annual amount of taxes imposed on income indicated in the Provision 1, Article 7 of this law.*” This income includes salary, wages and other similar income, income from conduct of business and private sales of goods and raw materials, income from property leasing and other similar income as well as other income unless exempt from tax by this law.

That means that tax relief of 4.000MNT shall be deducted from taxes imposed on monthly income of each taxpayer and the rest of taxes shall be withheld from the salary if the amount of salary after deduction of social and health insurance premiums from receivable salary is 40.001MNT and over.

PROBLEMS

CASE PROBLEM 8

NGO ‘A’ has two main officers and one temporary officer. One of the main officers has a salary of 250.000 MNT, the other main officer 150.000 MNT and the temporary officer 44.000 MNT. How to determine and withhold their personal income tax?

Solution:

As stated in Provision 5.1.1a of the PET Law “*Taxable income shall be determined by deducting social and health insurance premiums from total income of any salary, wages, remuneration, allowances and other similar income earned in a form of main job at the business entity and organization under labor contract*”, monthly taxable income for the 2 main officers should be defined by deducting 10% of social and health insurance premiums from their monthly amounts of salary.

**Solution:**

1) For the first main officer:

taxable income (TI) = (monthly salary LESS Social & Health Insurance Premiums 10%) = $250.000 - (250.000 * 10\%) = 225.000\text{MNT}$; tax to impose and withhold = $(\text{TI} * \%) - \text{tax relief} = [20.000 + (225.00 - 200.000) * 20\%] - 4.000 = 21.000\text{MNT}$.

2) For the second main officer:

taxable income (TI) = $150.000 - (150.000 * 10\%) = 135.000\text{MNT}$;
tax to impose and withhold = $[135.000 * 10\%] - 4.000 = 9.500\text{MNT}$.

3) For the temporary officer:

tax to impose and withhold: $\text{monthly salary} * 10\% = 44.000 * 10\% = 4.400\text{MNT}$.

The business entity or organization shall transfer the withheld tax to the budget and confirm it by recording on their Income and Tax Assessment List.

As stated in Provision 10.8 of the PET Law “*If a taxpayer earns income indicated in subparagraphs 1,3,4,9 of the Provision 1, Article 4 and subparagraph 5.b of this provision, he/she shall pay taxes imposed on that income at the rate prescribed in the Provision 1, Article 7 of this law and make final year-end payment by Income and tax assessment list*”, the temporary officer who worked for NGO ‘A’ and paid interim taxes shall visit the appropriate Tax Office and make final year-end payment by citizen’s Income and Tax Assessment List.

CASE PROBLEM 9

Citizen ‘E’ works for an NGO that operates in the IT field. He took first place in a contest announced among IT sector specialists. The IT Association awarded him a prize of one million MNT. How should he pay tax?

**Solution:**

- The IT Association or awarding organization shall withhold 100.000 MNT as PET imposed on 1 million MNT at 10%, in accordance with Provision 5, Article 7 of the PET Law and Provision 1.1b, Article 5 of the PET Law (any salary, wages, remuneration, allowances 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). But, according to Provision 10, Article 8 of the PET Law, a permanent resident of Mongolia shall make his taxpayer registration number recorded by the income provider. Otherwise, the income provider shall withhold 20% PET from his income as prescribed by this provision (if a permanently residing taxpayer of Mongolia has not provided his own taxpayer registration number, 20% PET shall imposed on his/her income as stated in Article 8 of the PET Law).
- Citizen ‘E’ who received the award is obliged to determine his total annual income and taxes paid and to make a tax report and payment to the respective District Taxation Department on the basis of his Citizen’s Income and Tax Assessment Book. He can enjoy the right to pay underpaid taxes and be refunded overpaid taxes or allow them to make deduction from other taxes or taxes of the following year.

CASE PROBLEM 10 

NGO officer ‘G’ has a monthly salary of 60.000 MNT. Apart from her main job, she teaches in a university and receives a payment of 30.000 MNT. How should her taxes be calculated?

**Solution:**

- Citizen ‘G’ should pay PET from her monthly income of 60.000 MNT earned by working for the NGO as a main job. In accordance with Provision 5.1.1 of the PET Law which states “*Taxable income shall be defined by deducting social and health insurance premiums from total income of any salary, wages, remuneration, allowances and other similar income earned in a form of main job at the business entity and organization under labor contract*”, social and health insurance premiums (10%) of 6.000 MNT shall be deducted from her monthly income. And from the resulting 54.000 MNT of taxable income, she should pay PET of $(54.000 \times 10\%) - 4.000 = 1.400$ MNT as prescribed by Provision 7.1 of the PET Law.
- But, as for the 30.000MNT of wages earned by contract work, the accountant of the university shall impose PET on the total income at 10%, in accordance with Provision 5a, Article 7 of the PET Law and transfer the 3.000 MNT of withheld taxes to the budget. However, as a permanent residing citizen of Mongolia, citizen ‘G’ shall record her taxpayer registration number to the income provider, as stipulated in Provision 8, Article 10 of the PET Law.
- on the basis of her Citizen’s Income and Tax Assessment Book. She can also enjoy the right to pay underpaid tax and be refunded overpaid tax or allow them to make deductions from other tax or taxes of the following year.
- Citizen ‘G’ in having double sources of income is obliged to determine her total annual income and taxes paid and make tax report and payment to her respective District Taxation Department

CASE PROBLEM 11

NGO 'A' organized an international conference and hired an interpreter at 450.000 MNT. How should NGO 'A' calculate the taxes?

Solution:

- In accordance with Provision 5, Article 7 of the PET Law, NGO 'A' shall impose and withhold 10% PET on her income of 450.000 MNT, and transfer the withheld 45.000 MNT to the budget. But, the recipient of the income shall make record of her taxpayer's registration number to the income provider, in accordance with Provision 10, Article 8 of the PET Law.

CASE PROBLEM 12

Citizen 'N' contributed a donation of 2 million MNT to NGO 'B' that serves society. What taxes should he pay?

Solution:

- In accordance with Provision 1.14, Article 9 of PET Law "*Donations contributed by citizens to education funds and non-government organizations, that are registered to the State registry and serve for the society, shall be tax exempt*"; the amount of donation should be exempt from the annual taxable income of citizen 'N'.



Chapter IV

**Value
added
tax**

VALUE ADDED TAX





Value-added Tax VAT

The Value Added Tax Law of Mongolia came into effect on 1st July 1998 and has been amended 9 times since then.

Value-added Tax is the tax imposed on imported and exported goods, sale of produced and imported goods as well as performed works and services by citizens and legal entities in the territory of Mongolia.

Mongolia first used this tax in 1992 when it was called Commercial Tax but when the new law was adopted on 8th January 1998 the name Value-added Tax VAT was introduced.

Payer of VAT

VAT is a consumption tax and its advantages over other consumption taxes are:

1. VAT payers estimate and claim 15% VAT from purchasers in addition to the price and cost of sold goods, performed works and rendered services.

“Unless otherwise stipulated in this Law, the value-added tax shall be imposed at the rate of 15% of the estimated taxable value of imported and sold goods, performed works and rendered services.”

(Provision 1, Article 6 of the VAT Law)

“the following requirements shall be met in imposing taxes on goods and services:

a) The seller shall be a VAT payer in accordance with this law.”

(Provision 4, Article 5 of the VAT Law)

In accordance with the VAT Law, an entity shall apply for registration to the respective Tax Office within 10 working days after the starting day of becoming a VAT payer.

“An entity registered as a VAT payer shall sell goods and services to other VAT payers, by writing 3 copies of VAT forms described in the paragraph 2.1 of this procedure and shall keep the original copy as a document for assessing its VAT imposition and payment and give the 2nd and 3rd copies to the purchaser. The purchaser shall send the 2nd copy received from the seller to the Tax Office as an attachment to its monthly VAT report and keep the 3rd copy as a financial document.”

(‘Procedure for reflecting VAT in primary bookkeeping and accounting’ clause 2.2, approved by the Minister of Finance and Economy, Order No.411 of 2002, revised by Order No.148 of 2003)

2. Taxpayers are allowed to deduct the amount of taxes paid on sold and imported goods from taxable amount imposed on their sales.

“The following types of VAT paid in compliance with the Article 5 and 6 of the law by a citizen or legal entity registered as a VAT payer under Article 4 of this law shall be deductible from value added tax liabilities to the budget:

11.1.1 VAT paid for goods, works and services purchased from their suppliers for further production and service purposes;

11.1.2 VAT paid for goods, works and services directly imported for further sale or production and service purposes. 11.2 No deduction shall be allowed, unless the value-added tax paid to the suppliers is reflected in related invoice, purchasing or other accounting documents.”

(Provision 11.1 of the VAT Law)

3. Only citizens and business entities with sales of over 10 million MNT and registered as a VAT payer shall enjoy a tax preference allowed to deduct their taxes paid for sold and imported goods from taxes imposed on their sales.



“The day when the amount of sales income earned by a citizen or legal entity that produces goods, performs works and renders service reaches 10 million MNT is the day of becoming VAT payer”. And 9.3 of this law states, “Producers and service providers with annual taxable sales income of 10.0 million MNT and less shall be exempted from VAT.”

(Section 3.1.9 of the VAT Law)

Tax Offices shall refund excess payment of VAT within 30 days after the calculation is made.

(Clause 9.6 of the Methodology to implement the VAT Law,
approved on 11th September 2002)

However, “Taxes paid by taxpayers except for producer-exporters shall be refunded from the budget once in a quarter.”

(Provision 11.4.3 of the VAT Law)

If it was confirmed by financial statements of a business entity and organization or by income and tax assessment lists of a citizen that the registered VAT payer citizen or legal entity’s annual taxable sales income hadn’t reached 10 million MNT for a year since the date of registration; and the income was not likely to reach 10 million MNT in the following years; the Tax Office shall remove the taxpayer from VAT register and take away the certificate. Removing a taxpayer from the register is not a justification not to register again.

(Section 4.8 of the VAT Law)

A citizen who performs a permanent or temporary job or duty under labor contract shall not be regarded as a value added taxpayer.

(Section 4.6 of the VAT Law)

“Sales” means ‘paid transfer to the ownership of others’, for goods and ‘paid performance’, for works and services.

Goods, Works and Services Liable to VAT

VAT Law, Article 5: **Goods, works and services subjected to value added tax**

5.1 Unless otherwise stipulated in this Law, the value-added tax shall be imposed on the following goods, works and services:

- 5.1.1 goods sold in the territory of Mongolia;
- 5.1.2 goods exported for the use or consumption outside the territory of Mongolia;
- 5.1.3 works performed and services rendered in the territory of Mongolia;
- 5.1.4 all kind of goods imported for sale, use or consumption in the territory of Mongolia.

5.2 The following activities shall be regarded as **“sale of goods”**:

- 5.2.1 sale of a business and rights to conduct a certain business;
- 5.2.2 any goods, works and services retained to a taxpayer’s earnings from the business assets upon termination of his/her production or services and removal from value-added tax payer register;
- 5.2.3 any goods, works and services where tax refund has been allowed under Article 11 of this Law;
- 5.2.4 any goods, works and services transferred to others in return for a debt.

5.3 The following activities shall be regarded as **“rendering of services”**:

- 5.3.1 the supply of electricity, heat, gas, water, postal services, communications, and other utilities;
- 5.3.2 the leasing of goods or allowing others to possess or use them;



- 5.3.3 the renting of (or allowing others to possess or use) rooms in a hotel or similar accommodation;
- 5.3.4 the renting of (or allowing others to possess or use) rooms or offices in buildings;
- 5.3.5 the renting of (or allowing others to possess or use) premises for storing goods;
- 5.3.6 the sale, transfer and leasing of patent, copyright, trade mark, software and other intangible asset information;
- 5.3.7 organizing of gambling.

Exemption from VAT

Provision 1, Article 9 of the VAT Law: the following **services** are exempt from VAT:

9.1.1 Financial services:

- a) currency exchange;
- b) banking services related to receipt or transfer of money, issuance of any financial guarantee or payment order, notes payable and savings accounts;
- c) insurance services, reinsurance and property registration;
- d) issuance, transfer or receipt of any securities, shares, and underwriting of such securities;
- e) making advance payments or granting credits;



- f) provision or transfer of interest on social insurance fund;
 - g) services related to fees for bank interest, dividend, credit guarantee or insurance contract;
- 9.1.2 the renting of rooms or houses for living accommodation purposes;
- 9.1.3 educational services;
- 9.1.4 medical services: not including production and sales of medicine, medicament and medical equipments
- 9.1.6 religious organization services;
- 9.1.7 government services;
- 9.1.8 funeral services;
- 9.1.10 passenger transportation services with public transport means;
- 9.1.13 tourism services for foreign tourists;

Provision 2, Article 9 of the VAT Law: the following **goods** are exempt from VAT:

- 9.2.1 passenger baggage for personal use;
- 9.2.2 goods imported for the use of foreign diplomatic missions or international organizations residing permanently in the territory of Mongolia;
- 9.2.4 goods received as a grant aid or humanitarian assistance from foreign government and non-government organization and international and charity organizations;



“Goods received as a grant aid or humanitarian assistance from foreign government and non-government organization and international and charity organizations” shall also apply to goods sent to relieve losses and damages caused by force majeure and other similar disaster circumstances; goods with no repayment duty sent under International treaties of Mongolia established between Government of Mongolia and foreign governments or international organizations; goods sent through international aid organizations, and the goods, works and services purchased from domestic markets by finances (money) granted by foreign governments, international and charity organizations.

(3.1.10 of the VAT Law)

9.2.7 Special purpose appliances for disabled people;

9.2.11 VAT exemption shall not apply to a newly built residential house or its parts designed for selling residential house or its parts used for living accommodation purposes. *(This provision was added by the amendment made on 29th June 2001)*

9.2.14 human blood, blood products, cells and body parts used for medical purposes

(added by amendment made on 28th January 2000)

Provision 1, Article 9 of the VAT Law: producers and service providers with annual sales income of 10 million MNT are **exempt** from VAT. This provision does not apply to importers.

VAT deductions

Article 11, VAT Law: **VAT deductions** for purchased goods, performed works and services:

- 11.1 The following types of VAT paid in compliance with the Article 5 and 6 of the law by a citizen or legal entity registered as a VAT payer under Article 4 of this law shall be deductible from due amount of value added:
 - 11.1.1 VAT paid for goods, works and services purchased from their suppliers for further production and service purposes;
 - 11.1.2 VAT paid for goods, works and services directly imported for further sale or production and service purposes;
- 11.2 No deduction shall be allowed, unless the value-added tax paid to the suppliers is reflected in related invoice, purchasing or other accounting documents.
- 11.3 VAT paid on imports or purchases of the following goods and services shall not be allowed deductible from the total due amount of VAT:
 - 11.3.1 a motor car, its components and spare parts;
 - 11.3.2 goods and services purchased for personal or employees' needs;
 - 11.3.4 goods, works, services purchased or imported for production and services indicated in provisions 9.1.1, 9.1.3, 9.1.6, 9.1.10, 9.1.13, and 9.2.15 of this law.
- 11.4 If a monthly amount of deductible taxes under provision 11.1 of this



Article exceeds the taxpayer's VAT liability for the month, the Tax Office shall regulate it as follows:

- 11.4.1 allow tax credit to the VAT liabilities for the succeeding month, quarter, or year;
- 11.4.2 allow tax deductions from other tax liabilities payable under laws;
- 11.4.3 refund the excess amount from the budget.
- 11.5 The issue of refunding excess payment of value-added taxes from the budget to the VAT payer or foreign diplomatic missions and consulates in 15 days after completing necessary calculation and confirmation shall be resolved by central public administration organization in charge of finance and economy.
- 11.6 There shall be a special fund set apart for the purpose of refunding excess payments of VAT. The fund shall be administered under authority of the Cabinet member in charge of finance and economy.

The Tax Administration shall refund the excess payment of VAT to the eligible taxpayers within 30 days after the calculation is made.

Recording of VAT transactions

From "Procedure for reflecting VAT in primary bookkeeping and accounting":

- 2.1 An entity registered as VAT payer shall write a document for VAT (VAT form) when it sells goods and services to other VAT payers and the form shall reflect name of goods, products and services, grade, number, measurement unit, amount as well as unit and total prices. After estimating

prices of each sold goods, works and services, total amount of VAT claims shall be determined by first calculating amount of VAT separately at 15% of total value and second, adding the result on total prices of goods, works and services.

- 2.2 An entity registered as VAT payer shall sell goods and services to other VAT payers, by writing 3 copies of VAT forms described in the paragraph 2.1 of this procedure and shall keep the original copy as a document for assessing its VAT imposition and payment and give the 2nd and 3rd copies to the purchaser. The purchaser shall send the 2nd copy received from the seller to the Tax Office as an attachment to its monthly VAT report and keep the 3rd copy as a financial document.
- 2.3 A VAT payer that purchased goods, works and services from other VAT payers must take written documents described in the paragraph 2.1 of this procedure and shall keep book of purchases in accordance with the documents and then determine deductible amount VAT for the fiscal period. No deduction shall be made unless the VAT payer has necessary VAT documents.

Note

VAT payment and report

Taxpayers shall pay the VAT imposed on their sold goods, performed works and rendered services of the month to the budget and submit the tax report by 10th of the following month.

**CASE PROBLEM 13**

An NGO leases out 200m² of its 300m² office spaces to other organization with the rate of 10.000 MNT per square meter. How should the VAT be calculated?

Solution:

- The NGO earns 200m²*10.000=2.000.000MNT of rental. (if it receives the rental in US dollars, it shall use the daily exchange rate of the Bank of Mongolia)
- As a registered VAT payer (with annual income over 10 million MNT), this NGO shall claim VAT from the leaseholders in addition to the rental.
VAT = 2.000.000*15% =300.000MNT
- Total claim from leaseholders = rental+VAT = 2.000.000+300.000 = 2.300.000MNT.

CASE PROBLEM 14

Each month NGO 'A' pays 110.000MNT to Mongolian Telecoms and Magicnet as payments for usage of telephone and Internet. It pays 80.000MNT for telephone talk plus 12.000MNT for 15% of VAT and Internet charges of 30.000 MNT plus 4.500MNT VAT. How can this NGO be allowed to make VAT deductions and refund the paid VAT?

Solution:

Since NGO 'A' is not a VAT payer (with annual income less than 10.0 million), it is not eligible to enjoy VAT deductions for the payments made to the companies. Therefore, it should record the VAT payment as a cost. That is, no need to talk about VAT deductions.

 **CASE PROBLEM 15**

NGO 'A' is a VAT payer and had sales of 3.800.000 MNT this month. As for VAT, it paid telephone and internet charge of 210.000 MNT plus 31.500 MNT of VAT to Mongol Telecoms and Magicnet, purchased stationery of 273.300 MNT and paid in cash an extra 40.995 MNT of VAT. It also imported a copier and computer of 3.201.000 MNT and paid customs duty of 160.050MNT and VAT of 504.157 MNT. How to calculate VAT for the month?

 **Solution:**

- Sales income in the month was 3.800.000 MNT, and VAT imposed on this income was $3.800.000 \times 15\% = 570.000$ MNT.
- VAT paid on goods & services purchased in the month: $VAT = 31.500 + 40.995 + 504.157 = 576652$ MNT
- Therefore VAT payable to budget for month = VAT imposed on sales – VAT imposed on purchases = $570.000 - 576652 = -6652$ MNT shall be refunded from the budget.

 **Explanation:**

- a) VAT imposed on sales is VAT claimed and imposed on the amount of sales of the month. (Write 'Price of goods 300.000 MNT, VAT 45.000 MNT and Total 345.000 MNT' on the VAT form. The 300.000 MNT is the sales amount and the 45.000 MNT is VAT imposed)
- b) VAT imposed on purchases means VAT paid in return for purchased goods, works and services. (For example, write on payment order of Mongolian Telecoms and its VAT form, 'telephone charge 80.000 MNT, VAT 12.000 MNT and total 92.000 MNT'. The 80.000 MNT is the purchase price and the 12.000 MNT is the paid VAT)



Chapter V

*Custom
duty*

CUSTOM DUTY





Customs Duty

The Customs Tariff Law of Mongolia was adopted on 20th May 1996.

Customs duty means tax collected by Customs in accordance with the Customs Tariff Law and the Customs Law of Mongolia on goods crossing customs frontiers.

Goods Exempt from Customs Duty

Customs duty exemption issues shall only be regulated by the Customs Tariff (CT) Law. The following goods are exempt from customs duty:

- Special purpose appliances designed for disabled persons and equipments or raw materials necessary for making such appliances
- Humanitarian assistance or grant aid goods
- Passenger's personal belongings
- 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

(Provision 1, Article 21, Chapter 6 of the CT Law)

**Explanation:**

“Humanitarian assistance goods” means goods forwarded to relieve losses and damages caused by force majeure and other similar disasters.

“Grant aid goods” means goods forwarded with no repayment duty under international treaties of Mongolia.

Customs tariff for imported goods

The State Great Khural of Mongolia approved the Customs Tariff Law for Imported Goods on 3rd June 1999 by Resolution No.27.

**CASE PROBLEM 16**

An NGO that works in the field of education had to receive gift of books equal to 500 USD from a Japanese humanitarian fund. What taxes should pay this organization in order to bring the books through customs?

**Solution:**

- Article 21 of the Customs Tariff Law states “21.1. Following goods are exempt from customs duty: 21.1.5 Humanitarian assistance or grant aid goods 3.1.1. Humanitarian assistance goods means goods forwarded to relieve losses and damages caused by force majeure and other similar disasters. 3.1.2. “Grant aid goods” means goods forwarded with no repayment duty under international treaties of Mongolia”
- Article 9 of the VAT Law states “9.1. Following services are exempted from the value-added tax in the framework of this law: 9.2.4 Goods received as a



grant aid or humanitarian assistance from foreign government and non-government organization and international and charity organizations; 3.1.10 Goods received as a grant aid or humanitarian assistance from foreign government and non-government organization and international and charity organizations are goods sent to relieve losses and damages caused by force majeure and other similar disaster circumstances; goods with no repayment duty sent under International treaties of Mongolia established between Government of Mongolia and foreign governments or international organizations; goods sent through international aid organizations.”

- If the gift was given in the framework of the Law of Mongolia on International Treaties; Article 10 of this law states “Mandatory ratification treaties shall include following international treaties: 10.1 International treaty that applies different procedure than those stipulated by Mongolian legislation”; 11.2 of this law: “Government Cabinet shall discuss proposals to ratify international treaties and hand over appropriate decisions to the State Great Khural of Mongolia”; and 12.2 of the law: “State Great Khural of Mongolia enacts a law if it ratifies the international treaty or issues a resolution if it doesn’t ratify”.

If the gift meets these provisions, it can be brought into Mongolia exempt of tax. But in our example, goods of 500\$ are impossible to be exempt from Customs duty and VAT, Therefore, Customs officers impose customs duty and VAT on the import of the goods.

- Customs value= 500\$*exchange rate of the Bank of Mongolia = 500*1170=585.000 MNT;
- Customs duty=Customs value*5% =585.000*5% = 29.250 MNT;
- VAT estimation value = Customs value + Customs duty = 585.000+29.250=614.250 MNT;
- VAT = 614250*15% = 92135.50 MNT;
- Total tax payable = Customs duty + VAT = 29.250 + 92135.50 = 121.387.50 MNT.



Chapter VI

*Transport
facilities and
vehicles tax*



TRANSPORT FACILITIES AND VEHICLES TAX



Transport Facilities and Vehicles Tax

The Law of Mongolia on Transport Facilities and Vehicles Tax was enacted on 1st December 1992 and amended on 24th Apr 1997; 3rd Jul 1997; 9th Jan 1998; 16th Nov 2000; and 26th Dec 2003.

Transport Facilities and Vehicles Tax is the tax imposed on citizens and legal entities with transport facilities and vehicles registered in the State register.

Payers of Transport Facilities and Vehicles Tax

A citizen, business entity or organization that possesses transport facilities or vehicles in the territory of Mongolia is **the taxpayer**. (*Article 3 of Law on Transport Facilities and Vehicles Tax*)

Transport facilities and vehicles registered with the State register are subject to imposition of the tax regardless of whether they are used or unused.

The State register means registration to the traffic police office, receipt of State registration number and becoming the owner of the transport facilities and vehicles.

Types of transport facilities and vehicles subject to tax

The following types of transport facilities and vehicles are subject to tax:

- All types of trucks;
- Buses;
- All types of cars;
- Motorcycles;
- Special purpose machines (including cranes, vehicles equipped for repair service and laboratory purposes);
- Tractors and other vehicles;
- Auto carts or trailers (*this provision was added by amendment of 9th January 1998*)

Transport facilities and vehicles tax rates

Transport facilities and vehicles tax shall be imposed at following rates:

(Article 5 of the Law on Transport Facilities and Vehicles Tax)



Transport Facilities and Vehicles	Annual tax rate (in MNT)	
	Ulaanbaatar and central soums of Darkhan-Uul and Orkhon aimags	In all other soums
1. 2-wheeled motorcycle	2000	1800
2. 3-wheeled motorcycle	3000	2800
3. Car	In MNT, per cc of engine cylinder capacity	
a) less than 2000 cm ³	16	14
b) 2001-3000 cm ³	18	16
c) over 3001 cm ³	22	20
4. Microbus (with up to 15 seats)	35000	28000
5. Bus	52000	40000
6. Truck	25000	20000
a) up to 1-ton		
b) 1-2 ton	35000	28000
c) 2-3 ton	45000	36000
d) 3-5 ton	55000	44000
e) 5-8 ton	80000	64000
f) 8-10 ton	90000	72000
g) over 10-ton	100000	80000
7. Special purpose machine	16000	15000
8. Tractor and other vehicle	14000	11200
9. Mini tractor	7000	5600
10. Auto cart or trailer (per tonne of capacity)	5500	5500

Note

A citizen shall pay annual transport facilities and vehicles tax to the respective Tax Office by 1st June of the year. If importing vehicles or transport facilities after 1st June, shall pay the tax calculated for the rest of period to the respective Tax Office by the year-end. A business entity or organization shall pay the annual tax each quarter in equal amounts by 25th of the last month of the quarter and shall submit annual tax report by 15th February of the following fiscal year.

In accordance with the Vienna Convention ‘On diplomatic relations’ (1961) and ‘On consular relations’ (1965), transport facilities and vehicles of foreign diplomatic missions and international organizations are tax exempt.

CASE PROBLEM 17

An NGO with rural and city branches has two vehicles for its office needs, including UAZ-3152 and Mitsubishi Pajero 3.5-GDI-V6-WAGON cars.

Solution:

Name/type	Cylinder capacity	In UB and central soums of Darkhan-Uul and Orkhon aimags	In all other soums
UAZ-3152	2445cc	2445*18 MNT =44.010	2445*16 MNT=39120
Mitsubishi Pajero	3497cc	3497*22 MNT =76934	3497*20 MNT= 69940
Total amount of tax		120944	109060

CASE PROBLEM 18

An international organization that operates in Mongolia transfers ownership of a jeep, TOYOTA Mark II 2.4 D that had been used for 5 years, to UB-registered NGO 'A' in March as a gift. If the residual value of this car is 4,500 USD, what taxes should NGO 'A' pay?

Solution:

- TOYOTA Mark II 2.4 D jeep has an engine cylinder capacity of 2446cc;
- Annual tax (in UB) is $2446 * 18 \text{ MNT} = 44.028 \text{ MNT}$; Monthly tax = $44.028 / 12 = 3669 \text{ MNT}$;
- Provision 2, Article 6 of this Law states, *“if a taxpayer transfers ownership of vehicles and transport facilities to others, its tax duty shall be terminated at the start of the following quarter”*. Therefore NGO 'A' shall pay 9 months tax for possessing this automobile.
- NGO 'A' shall pay $3669 \text{ MNT} * 9 \text{ months} = 33.021 \text{ MNT}$ of tax.

CASE PROBLEM 19

NGO 'B' has a microbus, which is broken and no longer used. Therefore, may this NGO organization choose not to pay the tax of vehicle and transportation means?

Solution:

- NGO 'B' shall pay the tax in compliance with the Provision 1, Article 6 of the Transport Facilities and Vehicles Tax Law of Mongolia which states, *“Transport facilities and vehicles registered to the State register shall be subject to imposition of the tax, regardless of whether they are unused”*.
- Therefore NGO 'B' shall either pay 35.000 MNT in Ulaanbaatar city and central soums of Darkhan-Uul and Orkhon aimags, or 28.000 MNT in all other soums for the possessing the microbus.



Chapter VII

***Real
estate tax***

REAL ESTATE TAX





Real Estate Tax

The Real Estate Tax Law of Mongolia was enacted on 17th November 2000 and amended on 4th July 2002; 2nd January 2003; and 9th January 2004.

Real estate tax is the tax imposed on land and other immovable property on it.

Үл хөдлөх эд хөрөнгийн албан татвар төлөгч

- 4.1 The following entities that own real estate in the territory of Mongolia shall be real estate taxpayers:
 - 4.1.1 Companies, cooperatives, partnerships, foreign invested business entities and, organizations and their representative offices with all types of ownership;
 - 4.1.2 Non-government organizations, funds and religious organizations;
 - 4.1.3 State and local property entities;
 - 4.1.4 Citizens of Mongolia, foreign citizen and stateless persons;
 - 4.1.5 Non-resident entities in Mongolia

(Article 4 of the Real Estate Tax Law)

Valuation and rate of Real Estate Tax

“The value of real estate tax imposition shall be determined respectively 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.”

(Provision 1, Article 5 of the Real Estate Tax Law)

“Real estate tax shall be imposed at 0.6% of the above valuation.”

(Article 6 of the Real Estate Tax Law)

CASE PROBLEM 20

NGO ‘M’ has a building valued at 30 million MNT. How much tax should NGO ‘M’ pay?

Solution:

NGO ‘M’ shall pay each year $30.000.000 \times 0.6\% = 180.000$ MNT, in accordance with Article 6 of the RET Law, which states, “*Real Estate Tax shall be imposed at 0.6% of the valuation indicated in Article 5 of this law.*”



Exemption from Real Estate Tax

The following real estate are exempt from the real estate tax prescribed by the RET Law:

1. Real estate owned by legal entities financed from central and local budget;
2. Living accommodation;
3. Public utility buildings and constructions.

Note

Taxpayers shall impose the tax on their real estate each year by 15th January on the basis of the available valuation.

Taxpayers shall pay taxes to the respective local budgets each quarter in equal amounts by the 15th of the last month of the quarter. The taxpayer shall submit the related tax return to the respective Tax Office by 10th February the following year.



Chapter VIII

Gun tax

GUN TAX





Gun Tax

The Gun Tax Law of Mongolia was adopted on 11th May 1993 and amended on 17th April 1997.

Gun Tax is the tax imposed on citizens and legal entities that own guns.

Payers of Gun Tax

The following citizens and legal entities that own guns in the territory of Mongolia are taxpayers:

- Citizens of Mongolia;
- Business entities and organizations of all types of ownership;
- Foreign citizens, entities and stateless persons that own guns in the territory of Mongolia (unless stipulated otherwise in international treaties).

Obligations of Gun Owners and Gun Tax

1. Gun owners shall register guns in their ownership with the police office in December each year, pay the tax within the time set and remove any broken and unused guns from the register in accordance with the proper procedure.
2. If a gun is owned by inheritance, purchase or as a gift, the owner shall register the gun and receive a certificate in 30 days after the date ownership commenced.
3. If a taxpayer changes residence, he/she shall ensure the gun is removed from the register of the territorial police office of the former residence by concluding tax liabilities and shall register the gun to the police office of the new residence within 30 days.

Guns subject to Gun Tax:

All guns are subject to tax except for those arms used for national defense and security, police and imprisonment organizations.

Types of Gun and Gun Tax Rate

The Gun Tax shall be imposed on guns each year at strictly defined amounts:

- 4000 MNT for paintball guns;
- 4000 MNT for all types of guns with calibers up to 6.4 mm
- 6000 MNT for all types of guns with calibers over 6.4 mm



Exemption from Gun Tax

1. The following types of guns are exempt from Gun Tax:
 - Guns used for museum exhibit and artistic performance purposes, or guns impossible to use in hunting purposes as certified by police office;
 - Official purpose guns possessed by environmental protection officers;
 - Guns solely used of sports and training purposes.

2. Citizens without working ability and taxable income can be exempted from annual tax of the year by decisions of respective soum and district Tax Offices.

(Article 5 of the Gun Tax Law)



Chapter IX

*Land fees
and stamp duty*



LAND FEES AND STAMP DUTY



Land Fees

The Law on Land Fees was adopted on 24th April 1997.

Payers of Land Fees

“A citizen, business entity, organization of Mongolia that possesses and uses land under contract established in compliance with terms and procedures stipulated by the Law on Land, and foreign diplomatic missions, consular offices, international organizations, foreign legal entities, foreign citizens and stateless persons that use land are land fee payers.”

(Article 3 of the Law on Land Fees)

Targets for Land Fees

“Land fees shall be imposed on the land possessed and used under contracts by citizens, business entities and organizations, reflected in the main classification of the unified land fund in accordance with the Article 10 of the Law on Land as well as reserved for special needs.”

(Article 4 of the Law on Land Fees)

Note

Imposition of Land Fees

“Payers of the land fee shall pay annual fees each quarter dividing in equal amounts by 25th of the first month of the quarter and may also pay in advance the fees for the following quarters, unless otherwise indicated in the land possession and utilization contracts.”

(Article 9 of the Law on Land Fees)



Payment and Reporting of Land Fees

1. Income of land fees shall be collected for aimag, capital city, soum and district budgets.
2. Appropriate portion of the land fee income shall be spent on protection, rehabilitation and land management measures for the State-owned lands except for the lands possessed and used by citizens, business entities and organizations. The portion and amount of finances necessary for land protection, rehabilitation and management measures shall be determined by government each year on the basis of planned measures and income from land fees.
3. The authority (official) in charge of land issues shall submit a copy of land possession and utilization contracts of citizens, business entities and organizations as well as land fee reports to the respective Tax Office.
4. Tax authority shall monitor and control land tax imposition, payment and collection in accordance with respective laws.”

(Article 10 of the Law on Land Fees)

Responsibilities for Land Fees

Responsibilities of a land fee payer shall be reflected in land possession and utilization contracts made in compliance with the Article 13 of the General Taxation Law.

(Article 12 of the Law on Land Fees)



State Stamp Duty

The Law of Mongolia on Stamp Duties was adopted on 15th July 1993 and amended 12 times.

State stamp duty is the money paid by relevant body for services related to issuance and registration of documents on government authorization and shift of authority, confirmation and certification of agreements and documents, civil registration and court resolution of legal disputes.

(Article 3 of the Law on Stamp Duties)

Payers of Stamp Duty

Citizens of Mongolia, foreign citizens, stateless persons, business entities and organizations receiving services that shall pay duties stated in this law are payers of the duty.

(Article 4 of the Law on Stamp Duties)

Types of Services with Stamp Duties

Stamp duties shall be collected from following government services; and non-government organizations that receive those services are payers of stamp duties:

1. Court services related to resolution of legal disputes;
2. Notary service;
3. Registration of citizens' marital status and issue of passports, permissions and visa;



4. Consular services (issue of foreign passports, return document and visa for foreign citizens);
5. Registration of vehicles and transportation facilities and issue of driving licenses;
6. Registration of guns;
7. Registration of newspapers and journals;
8. Registration of business entities and organizations;
9. Issue of permissions or licenses to operate representative offices of foreign organizations and foreign invested business entities;
10. Issue of licenses to conduct production and services that require specific profession or special permission;
11. Issue of patent and trademark certificates for innovations, new products and designs and registration of patent validation and license agreements;
12. Registration of copyright works;
13. Issue of license and registration for security dealership operations. Such services shall have strictly defined amount of stamp duties;
14. Other services that shall receive stamp duties under laws.

(Article 5 of the Law on Stamp Duties)



Amount of Stamp Duty

A. Amount of Stamp Duty for the court resolution of legal disputes

The following amounts of duties shall be collected in appealing court by submitting application, complaint and claim to make legal disputes resolved or in issuing relevant court documents:

(Article 6 of the Law on Stamp Duties)

1. Material and valuable claims

Value of claim	Amount of Stamp Duty
0-3.000 MNT	50 MNT
3.001-10.000 MNT	2% of the total value of claim
10.001-50.000 MNT	200 MNT plus 3.5% of the total value of claim over 10.000 MNT
50.001-500.000 MNT	1500 MNT plus 4% of the total value of claim over 50.000 MNT
500.001-1.000.000 MNT	19.500 MNT plus 2.1% of the total value of claim over 500.000 MNT
1.000.001-10.000.000 MNT	30.000 MNT plus 1.4% of the total value of claim over 1000.000 MNT
over 10.000.001 MNT	156.000 MNT plus 0.5% of the total value of claim over 10.000.000 MNT



2. 250 MNT for immaterial and invaluable claims
3. 25 MNT per page for copying evidences of a case or reissuing copies of court decision, reference, sentence order and executive papers.

B. Amount of Stamp Duty for Notary Services

The following amount of Stamp Duties shall be collected for notary services:

1. Witnessing immaterial and invaluable agreements and contracts – 500 MNT;
2. Witnessing revision and prolongation of immaterial and invaluable agreements and contracts – 500 MNT;
3. Witnessing property leasing and rental agreements and contracts – 750 MNT;
4. Witnessing documents to establish a legal entity – 2000 MNT;
5. Witnessing revision and prolongation of documents to establish a legal entity – 500 MNT;
6. Witnessing accreditation – 500 MNT;
7. Witnessing documents – 50 MNT per page;
8. Witnessing translated documents – 100 MNT per page;
9. Witnessing signatures signed on documents – 1000 MNT;
10. Witnessing copies of certified documents – 50 MNT per page;
11. Checking basic documents by the request of clients – 2000 MNT;
12. Witnessing inheritor's rights and – 500 MNT;



13. Witnessing collective joint and collective partly ownership rights of family members – 250 MNT;
14. Witnessing documents related to real estate – 2000 MNT;
15. Issuing inheritor's certificate to others except for the predecessor's spouse, children or parents – 4000 MNT;
16. Witnessing real estate agreements – 0.03% of total value for spouse, children and parents or 0.05% of total value for other persons;
17. Witnessing other agreements and contracts except indicated in paragraph 1, 2, 3, and 16 of this provision – 0.02% of total value for up to 1 million MNT or 0.01% for over 1 million MNT.

(Article 7 of the Law on Stamp Duties)



Chapter X

*Questions about
NGO and tax*





Common Questions about NGO and Tax

A - Who is the taxpayer?

The following citizens, business entities and organizations are liable for taxable income, property, particular rights or own and under law as taxpayers.

- a) Citizens of Mongolia;
- b) Foreign citizens and stateless persons residing in the territory of Mongolia as well as other non-resident persons earning income in Mongolia;
- c) Domestic and foreign business entities, organizations and funds existing in the territory of the country and legal entities that do not exist in the territory of Mongolia but earn income in the country;
- d) Representative offices of foreign business entities and organizations that earn income in the country.

B - How shall taxpayers register?

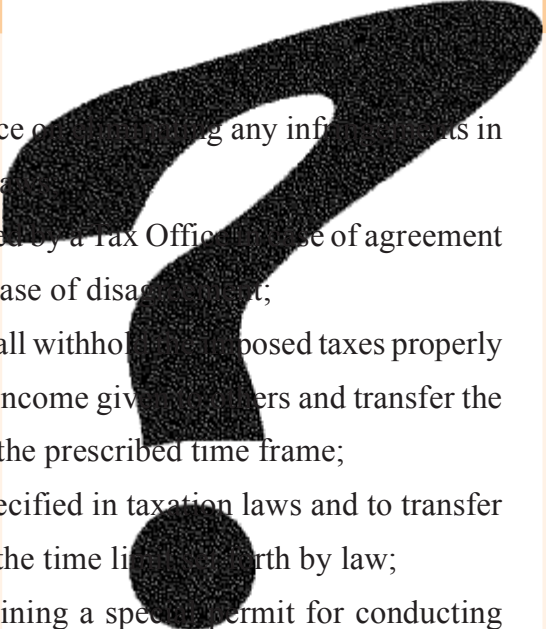
- a) Taxpayer business entity or organization shall register to the Tax Office.
- b) Procedure for registering taxpayer-citizens shall be regulated by respective type of tax laws.

C - What are the obligations of a taxpayer?

Taxpayers have the following obligations:

- a) To determine tax objects and taxes truly and to pay taxes within the prescribed time frame;
- b) To submit tax imposition and related estimates, reports and to the Tax Office within the prescribed time frame;
- c) To maintain primary bookkeeping records and accounting in compliance with respective procedure and to issue financial statements;

C - What are the obligations of a taxpayer?

- 
- d) To meet the demands of the Tax Office concerning any information in case of committing violation of tax law;
 - e) To sign the act of inspection conducted by a Tax Office in case of agreement or to submit written explanation in case of disagreement;
 - f) A business entity and organization shall withhold and impose taxes properly on salaries, wages and other similar income given to others and transfer the collected taxes to the budget within the prescribed time frame;
 - g) To impose tax on taxable income specified in taxation laws and to transfer the tax income to the budget within the time limit set forth by law;
 - h) To notify the Tax Office about obtaining a special permit for conducting production and services not prohibited by law, within 3 days after receipt of such permit from the relevant State administrative body and to have a note made on the taxpayer's certificate;
 - i) A business entity and organization shall submit quarterly tax report to the respective Tax Office on imposition and payment of withheld taxes preparing by name, address, registration number of each business entity, organization and individual;
 - j) To submit a document on transfer of taxable property and rights to the ownership of others;

**D - What are the rights of a taxpayer?**

- A taxpayer shall enjoy following rights:
- a) To enjoy tax credits and tax exemptions in accordance with the tax laws and to choose one of several tax relief options available;
 - b) To see Tax Office inspection acts;
 - c) To get explanations about tax imposition, tax payment and tax inspection results;



D - What are the rights of a taxpayer?

- d) To get compensation for damages caused by improper decisions of the Tax Office, in conformity with the legislation;
- e) To get refund for overpaid taxes and to be exempted from future tax liabilities;
- f) To appeal a court or authorized public administration bodies against unlawful actions and decisions of the Tax Office and its immediate appeal shall not serve as a ground for not paying taxes. However, the court or bodies that have the appeal may suspend the payment of taxes by its decision.

E - What are the differences between taxes and duties?

The taxation system of Mongolia consists of:

1. **Tax** is the money transferred to the State without repayment by imposing a duty at a specified rate and period of time, on incomes, property, goods, products, services, citizen, business entity and organization, in conformity with the legislation. Currently, following tax laws are in force in Mongolia:

- a) Personal Income Tax
- b) Business Entity and Organization Income Tax
- c) Customs Tax
- d) Value-added Tax (VAT)
- e) Excise Tax
- f) Transport Facilities and Vehicles Tax
- g) Gun Tax

- h) Auto and Diesel Fuel Tax
 - i) Real Estate Tax
2. **Fees** are money collected from citizens, business entities and organizations for their use of 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.

Fees are collected in accordance with the following laws:

- a) Fees for using forest by preparing wood fuel and timber for consumption;
- b) Land fees;
- c) Fees for using water and mineral springs;
- d) Fees for using wild animal reserves for hunting;
- e) Fees for using widespread mineral resources;
- f) Fees for using mineral resources and fees for using natural plants.

3. **Duties** are the money collected from citizens, business entities and organizations each time for the services rendered by government organizations and transferred to the State and local budgets. Duties are collected to the budget under the laws on:

- a) State stamp duties;
- b) License fees for using natural resources except for minerals.

F - What are the State and local taxes?

Taxes of Mongolia comprise State taxes and local taxes.

1. **State taxes:** taxes with rates and amounts determined by the State Great Khural and the Government that are effective commonly in the territory of Mongolia are the State taxes.
2. **Local taxes:** taxes with rates and amounts determined by an aimag or capital city Citizens' Representative Khural that are effective only in the local territory are the local taxes.



G - What types of taxes are State

State taxes include the following taxes:

- a) Business Entity and Organization Income;
- b) Customs Duty;
- c) Value-added Tax;
- d) Excise Tax;
- e) Auto and Diesel Fuel Tax;
- f) Tax on Natural Resources;
- g) Income Tax;
- h) Tax on Private Profits of Companies that Conduct Production and Services.

H - What types of taxes are

Local taxes include the following taxes:

- a) Gun Tax;
- b) Capital City Tax;
- c) Dog Tax;
- d) Inheritance and Gift Taxes;
- e) Real Estate Tax;
- f) State Stamp Duty;
- g) Fees for Usage of Water and Mineral Resources;
- h) Transport Facilities and Vehicle License Fees;
- i) License Fees for Using Natural Resources, except for Mineral Resources;
- j) Fees for using Natural Plants;
- k) Fees for using Widespread Mineral Resources;
- l) Fees for using Hunting Resources and License Fees for Wild Animal Hunting and Catching;
- m) Land Fees;
- n) Fees for using Forest by Preparing Wood Products and Timber for Consumption.

I - In what circumstances shall tax payment obligations be terminated?

The obligation to pay tax shall be terminated under the following circumstances, in accordance with Article 11 of the General Taxation Law:

- a) the law for a particular tax is terminated;
- b) the particular tax is terminated for the particular taxpayer;
- c) the taxpayer is considered to have died; or
- d) the taxpayer organization was liquidated.

J - What does 'hiding or willful understating of taxable income and other taxable items except for income' mean? Please explain?

'Hiding of taxable income and other taxable items except for income' means any of the following acts or omissions to facilitate tax evasion:

- a) Physical hiding of other items subject to tax;
- b) Unreasonable dealing with other business entities, organizations and individuals;
- c) Failure to retain accounting documents, financial statements and tax returns;
- d) Intentional violation in accounting documents and tax returns;
- e) Illegal transactions;
- f) Failure to submit documents;
- g) Fabrication of documents;
- h) Forgery of documents for the purposes of tax evasion;
- i) Providing tax evasion opportunity to others by allowing them to use the name, address, seal, stamp, accounts, State registration certificate, license and property of the business entity or organization as well as personal documents.

'Willful understating of taxable income and other taxable items except for income' means any of the following acts:

- a) Willful understating of the amount and value of taxable income and other taxable items in accounting documents, balance sheet, financial statement and income and tax assessment lists;
- b) Forgery of documents by way of editing for the purpose of understating the income;
- c) Artificial overstating of expenses;
- d) Or artificial understating of income.

**K - What does 'imprudent understating of the amount of taxable income and other taxable items, except income' mean?**

'Imprudent understating of the amount of taxable income and other taxable items, except income' means any of the following acts:

- a) Arithmetical error in understating of the amount and value of taxable income and other taxable items, except income; in accounts, balance sheet, financial statement, report and income and tax assessment forms;
- b) Wrong assessment of taxable income and deductible expenses despite proper bookkeeping of records and preparing of financial statements;

L - What is an 'invalid contract and transaction'?

An 'Invalid contract and transaction' means:

- a) A breach of law in terms of its content or legality;
- b) Transactions concluded with legally incapable persons, such as under-aged, mentally sick or insane persons;
- c) Transactions concluded under pressure or in the pretext of inevitable need;
- d) Transaction made under pretence, but not for achieving certain legal outcome.

M - What forms of tax exemption are allowed for taxpayers?

- a) Tax exemption for income, property, goods, work and services valued below established minimum level;
- b) Tax exemption for the appropriate portion of taxable item;
- c) Tax exemption for a taxpayer.

N - What does 'income gained through illegal acts' mean?

'Income gained through illegal acts' means income gained in breach of taxation and other legislation.

O - Please explain the term 'Resistance against the tax inspector in performing his/her duties?' instance

including: any of following willful act or a failure to act,

- Failure to submit requested financial documents, accounts, balance sheet and tax return to a Tax Inspector in discharge of his/her duties;
- Making access to premises and warehouse impossible;
- Messing up inventory census and estimates;
- Preventing inspection and photographing.

'To exercise resistance' means any of following acts against a Tax Inspector in discharge of his/her duties, including:

- Beating, kicking, pushing;
- Pouring any liquid;
- Showing physical resistance;
- Threatening to exercise physical resistance;
- Oral humiliation.

P - What does 'withholding' mean?

'*Withholding*' means imposition and charging of taxes for further transfer to the budget, on salary, wage, remuneration, bonus and other similar income as well as on other income specified by law, paid throughout the year by citizens, business entities or organizations to citizens, in compliance with the tax laws;

Q - What does 'Evasion from payment of tax, interest and fine' mean?

'*Evasion from payment of tax, interest and fine*' means the following acts of the taxpayer:

- Wrong indication of address;
- Failure to report to the Tax Office about changes in address and to have the note made on the State Registration Certificate;
- Failure to submit balance sheet and financial statement, Tax Report and Return, or Income and Tax Assessment Form;
- Failure to turn up without valid reason upon demand of the Tax Office;
- Failure to pay due taxes within the time frame set by laws, for the reason of indefinite permanent address, though the court did not announce disappearance of the taxpayer;



Questions and answers related to the Business Entity and Organization Income Tax Law

A - Should an NGO that conducts business activities relevant to its charter objectives, pay BEOIT?

- a) NGOs shall not conduct any non-charter activity (i.e. not relevant to its charter objectives. Provision 1, Article 8 of the NGO Law states “*A non-government organization shall be liquidated by a court on following grounds: 8.1.1 conducted activity not relevant to its charter objectives.*”
- b) As indicated by provision 1, Article 7 of the BEOIT Law of Mongolia, “*The following income of a taxpayer shall be exempt from tax. 7.1.2 Membership fees and donations contributed by members and supporters of the NGO. 7.1.7 Income of an NGO that serve for the society and registered to the State register*”; An NGO shall pay BEOIT imposed on the income other than the above.

B - Can NGOs conduct intermediary activities?

Provision 1 of Article 19 of the NGO Law states “*An NGO can have following sources of income: 19.1 membership fees and donations; 19.2 donations contributed by citizens, business entities and organizations; 19.3 income earned by conducting business activities relevant to implementation of its charter objectives; 19.4 loan, heritage and State budget finance for project implementation.*”

Here we can see that an NGO is allowed to conduct intermediary activities only for the purpose of implementing its charter objectives. If the NGO conducts an activity not relevant to its charter objectives, an issue of liquidation shall be raised.

C - When and under what legislation shall an NGO report tax returns to the taxation authority? Shall it pay quarterly in accordance with the BEOIT Law or once a year in accordance with the NGO Law?

NGOs are BEOIT payers. As tax imposition, relief, exemption and payment relations shall only be regulated by tax laws, NGOs shall submit quarterly tax return by 20th of the first month of the quarter and annual tax return by 10th February of the following year, to the territorial Tax Office.

D - What taxes shall pay the NGOs that serve their members?

As stated in the Article 7 of the BEOIT Law, “7.1.2 *Membership fees and donations contributed by members and supporters of the NGO*”, NGOs that serve their members shall pay all types of taxes stated in the set of tax laws, except for the membership fees and donations of members and supporters.

E – If the Board of an NGO approved the annual budget of the year that included expenses for advertising and subscription of periodicals, are these expenses deductible from taxable income?

In accordance with the Article 5 of the BEOIT Law, which states “*Expenditure for advertising and training or retraining of staff shall be estimated by their actual performance and their sum shall not exceed 10% of total taxable income of the entity*”, “*...subscription of periodicals... expenses shall not be deductible from taxable income*”; the expense for the subscription of periodicals is not deductible from taxable income, even though it was approved in the NGO’s annual budget. Approval of budget expenditure means the Board of an NGO entitles the expenditure. However, advertising and training expenditure that does not exceed 10% of total taxable income shall be deductible.

F - Article 5 of the BEOIT Law states, “Expenditure for advertising and training or retraining of staff shall be estimated by their actual performance and their sum shall not exceed 10% of total taxable income of the entity”. Please explain it in an example.

Example: suppose the total amount of expenditure for advertising, training and retraining of staff equals to 10% of total taxable income of the fiscal term shall be deducted from taxable income. If the total amount of such expenditure is less than the 10% of total taxable income, then the actual amount of expenditure shall be deducted from taxable income. But, if the amount exceeds 10% of total taxable income, then the exceeding part of expenditure shall not be deductible. Business entities and organizations shall prepare estimates to include expenditure for advertising, training and retraining of staff into deductible expenses in accordance with approved indicators and formats and shall attach them to the tax return. Amount of deductible expenditure for advertising, training and retraining of staff shall be determined by following method. For example, NGO ‘A’ earned an income of 2.250 thousand MNT from its activities conducted for the fiscal term; and the total amount of deductible expenses was 1.350 MNT, under the tax law. Here was included 135 thousand MNT of expenditure for advertising, training and retraining of staff. In this case:



- i) Determine taxable income to impose tax:
 - TI taxable income;
 - TI* taxable income subject to tax;
 - DE deductible expenses;
 - $TI^* = TI - DE = 2.250 - 1.350 = 900$ thousand MNT;
- ii) Calculate % of expenditure for advertising, training and retraining of staff in the amount of taxable income subject to tax (ATE%):
 - ATE actual amount of expenditure for staff advertising, training and retraining
 - $ATE\% = ATE / TI^* \times 100\% = 135 / 900 \times 100\% = 15\%$;
- iii) Define advertising and training expenditure deductible from taxable income (ATE*):
 - $ATE^* = TI^* \times 10\% = 900 \times 10\% = 90$ thousand MNT;
- iv) Determine amount and % of expenditure for advertising, training and retraining of staff that exceed the legal limit:
 - $\% \text{ in excess} = ATE\% - 10\% = 15\% - 10\% = 5\%$;
 - Amount in excess = $ATE - ATE^* = 135 - 90 = 45$ thousand MNT;
 - The amount in excess of 45 thousand MNT shall not be included in deductible expenditure for advertising, training and retraining of staff.
- v) Amount of expenditure for advertising, training and retraining of staff, deductible from taxable income: **1.350-45 = 1.305 thousand MNT;**
- vi) Taxable income subject to tax: **2.250-1.305 = 945 thousand MNT.**

G - There is a provision in the BEOIT Law that states that compulsory insurance premiums should be deductible from tax. Is the social insurance premium one of compulsory insurance premiums? Please explain the sentence?

Insurance is classified into compulsory and voluntary. This provision refers to insurance premiums prescribed by the Law on State Insurance, which includes all types of liability insurance such as insurance against driver's liability.

H - Please explain what is 'conduct of business relevant to objectives?'

It refers to activities indicated in the charter of an NGO.

I - There is no tax exemption for donors contributing 1000\$ of donation and they have to pay taxes. Therefore, large companies refuse to make a donation.

In accordance with the Article 7 of the BEOIT Law which states "*The following income of a taxpayer shall exempt from tax. 7.1.2 Membership fees and donations contributed by members and supporters of the NGO*", donations contributed by supporters shall be exempt from tax. But, the supporter company of the NGO shall make donation from its after-tax profits.

J - This is a non-profit NGO serves for the society. When donor organizations finance our activities, they permit us to receive salary and small amount of bonus. But they don't like to withhold social insurance premiums (SIP) and personal income taxes (PET) from the income. Is there any way to get exemption from SIP, PET and BEOIT?

- a) As for an NGO funded by project finances, it may follow provisions of an international treaty, if they were stipulated differently in the international treaty of Mongolia than in the social insurance and tax laws of Mongolia. (International treaties of Mongolia ratified by the State Great Khural shall be considered valid). In this case, such employers shall not pay the SIP and BEOIT; and individual taxpayers residing temporarily in Mongolia shall not pay PET.
- b) However, NGOs are obliged to impose and withhold taxes on salaries and wages given to their employees and transfer the money to the budget. In general, permanent residents of Mongolia shall determine their income and pay taxes themselves in accordance with the PET Law. The duty of a citizen to pay taxes is not only stipulated by tax laws but also by the Constitution.
- c) Moreover, premiums paid to the Social Insurance Fund imply a socio-economic measure for providing pension, reimbursement and other legitimate welfare allowances to you, when you are retired, ill and unemployed; or to your dependants when you die. So you can benefit by paying your share of premiums.

Questions and answers related to Personal Income Tax

A - How much rate of PET shall be paid by a foreign citizen who works in an NGO?

The NGO shall impose and withhold PET at progressive rates if the foreign citizen resides in Mongolia for 183 days or more, or at 20% if the foreign citizen is a temporary resident (residing less than 183 days).



B - Our NGO works in the field of arts and we operate a fine art gallery in the framework of our activities. The NGO cooperates with artists under certain terms of contract and sells their art works through the gallery. Artists donate 25% of their sold works to the fund raising purpose of the NGO. Since mostly foreign citizens buy those products, they pay the price in cash or by credit cards and transfer to our account and we repay 75% of the income to the artist by check. In that case, should we impose tax on the money given to artists or should they themselves be responsible? If we should impose tax, what kind of taxes and at how much rates shall we withhold from them?

This activity is recognized to be relevant with its charter objectives.
Then:

- a) The NGO shall impose and withhold 5% of taxes on income up to 5 million MNT or 10% of taxes on income over 5 million MNT earned by the artists from sales of their art works and shall transfer them to the budget in 3 days.
- b) 25% of income donated by artists to the fundraising of the NGO is the income of the NGO; therefore the NGO shall determine its taxable income for the fiscal term and pay the taxes at progressive rates.

C - An NGO has a main function to provide information to its members. Accordingly, it organized an international summit, for which were employed temporary workers for periods of 1 week to 1 month. Is it right to impose and withhold 10% of taxes on the salary given to those employees, in compliance with the provision 4.1.16 of the PET Law? What type of work or service is the organization of the summit?

- a) It is correct to impose and withhold 10% of taxes on the above income as stipulated by the provision 5, Article 7 of the PET Law. But if the recipient did not provide the taxpayer registration number to the employer, then the NGO shall impose and withhold the tax at 20% and transfer to the budget. Also the NGO shall record notes on the Income and Tax Assessment Lists of the taxpayers.
- b) Organization of the summit shall be recognized as a service of an NGO that serves its members.

D – Under what procedures are taxes imposed on income earned by translating drama and opera?

Since translation of drama and opera refers to Provision 1.12 of Article 3 of the Law of Mongolia on Copyrights which states “*derivative works produced on the basis of earlier original*”, taxes shall be imposed in accordance with Article 8 of the PET Law, whereby shall be withheld 5% tax on income up to 5 million MNT or 10% tax on income over 5 million MNT.



E - Is it true that 40% of income tax shall be imposed on 100 thousand MNT of contract works?

Previously the PET Law amendment of 1st May 1997 stated that 40% of tax should be imposed on salary, wage, remuneration and other similar income earned by performing contract works. But following requests from citizens and taxpayers, the State Great Khural discussed the issue and made an amendment to impose 10% tax on such income starting from 25th June 1997. Therefore those who receive salaries and wages by performing contract works pay 10% tax, making a record of the income provider on the citizen's Income Assessment Book and conclude annual tax payment by the citizen's Income and Tax Assessment List.

F - Should imposition of tax on income from sale of real estate depend on usage year of the real estate?

As Provision 3a of Article 5 of the PET stated to impose 2% of tax on income from sale of real estate, it doesn't matter how long it was used.

Questions and answers related to Value-added Tax VAT

A – NGO 'X' is an NGO that serves society. When we receive grant aid goods such as clothes and medication for the vulnerable group of society, we pay high amount of Customs Duty and distribute those items free of charge to those people. The Customs Duty becomes our operating expense. Also we rent out our office building in order to finance our activities such as meetings, workshops, training etc. But we had to pay VAT from the office room rental.

- a) In importing aid products, you should clarify whether they are tax-exempt goods. If they are goods received as grant aids or humanitarian assistance given by foreign governments, NGOs, international and charity organizations or special purpose facilities for disabled persons, they can be imported duty free.
- b) A business entity or organization shall be registered as a VAT payer starting from the date when its sales income reaches 10 million MNT. However, income from office rent is not exempt from VAT by law, therefore you're allowed to impose and claim 15% of VAT on rental income from the rent payer and request deduction equals to VAT you paid on your purchase or import of goods.

**B - Is an NGO a VAT payer? If yes, should it pay VAT on its all income?
How can an NGO refund its VAT paid to other organizations?**

- a) Article 4 of the VAT Law states, "... *date when its sales income reaches 10 million MNT is the day of becoming VAT payer*"; if sales income of the NGO reaches 10 million MNT, it is a VAT payer. Starting from that day, the NGO has to register with the Tax Office as a VAT



payer and becomes eligible to impose and claim 15% of VAT from others for its sold goods, performed works and rendered services. As a VAT payer, it deducts the VAT paid to the budget and others from the amount of VAT claimed from others, reflects the estimate in its tax return, and submits to the respective Tax Office by the 10th of the following month. It shows that a VAT payer is obliged to claim and receive VAT from customers and purchasers and to pay it to the budget as an intermediary.

- b) In accordance with the Article 11 of the VAT Law, a VAT payer deducts the total VAT paid on the goods purchased from suppliers, the works and services performed as well as goods, works and services directly imported by itself (excluding VAT paid on purchase of car, its spare parts and goods purchased for employee needs) from its total VAT liabilities to the budget. An entity registered as VAT payer shall sell goods and services to other VAT payers, by writing 3 copies of VAT forms and shall keep the original copy as a document for assessing its VAT imposition and payment and give the 2nd and 3rd copies to the purchaser. The purchaser shall send the 2nd copy received from the seller to the Tax Office as an attachment to its monthly VAT report and keep the 3rd copy as a financial document. No VAT deduction shall be made unless provided with the relevant VAT forms.
- c) However, a non-VAT taxpayer has no right to claim VAT from others and accordingly to make a VAT deduction, so that the VAT paid to others is estimated as an expenditure.

C - Customs imposes Exercise Tax on imported vehicles and then imposes customs duty and VAT on the value where added the Exercise Tax. Isn't that mean imposing Tax on Tax?

Calculation to determine VAT on imported goods is made by adding Customs Duty, Exercise Tax and other taxes on the customs value, in accordance with the Customs Tariff Law. It does not mean imposing a tax on a tax, because the cost of a product is inclusive of Customs Duty and Exercise Tax.

D - Do only business entities and organizations pay VAT? But citizens pay the tax. Instead, producers should pay it. Please explain it?

By law, any citizen, business entity, organization and legal entity engaged in importation of goods, sale of produced goods, performance of work, and rendering of services in the territory of Mongolia shall be a VAT taxpayer. VAT is a kind of indirect consumption tax taken from consumers by means of the producers.

E - What is the day of becoming VAT payer? We thought that our organization became a VAT payer having registered to the Tax Office and received a certificate. But the Tax Office said it would impose VAT, interest and fine on our sales income earned for the period before receiving the certificate. Is that right?

The day of becoming VAT payer is the date when sales income of a citizen or legal entity that produces goods, performs work and provides service reaches 10 million MNT. You should register as a VAT payer as soon as your sales income reaches 10 million MNT. And if it was proved by tax inspection that you didn't register on the day when your sales income reached 10 million MNT, you shall pay a fine equal to 8% of the taxable income subject to VAT.

F - Although the law stated that the day of becoming VAT payer is the date when sales income reaches 10 million MNT, it stated that one shall be considered to be VAT payer by receiving the certificate. Are these two provisions inconsistent? Isn't it possible to become eligible of claiming VAT from others and paying to the budget or deducting the VAT paid to others once sales income reached 10 million MNT? Taxpayers suffer damage until they get the certificate.

Although the day of becoming VAT payer is the date when sales income reaches 10 MNT, in accordance with the VAT Law, tax imposition period shall start from the date of receiving certificate, therefore, it is impossible to claim VAT from others unless registered with the Tax Office and having received the certificate. Hence, registering as a VAT payer on the date when sales income reaches 10 million MNT is the grounds for preventing any offence.



Appendix





1. 'QUESTION AND ANSWER RESOURCES'

In the framework of the 'Measures on reforming services for taxpayers and strengthening trust between Tax Offices and taxpayers' reflected in the 2002 Priority Statement of the NGTA, 'Procedure on establishing and using question and answer resources' was approved by the Chief of the NGTA in his Order No.111 of 28th May 2002, in order to expand services for taxpayers.

Under this procedure, 'Question and Answer Resources' have been established and operate in the Department of Taxation Management and Methodology, Tax Collection Departments, Training and Service Centers as well in the Tax Offices of aimags, capital city and districts.

Purpose of the 'Question and Answer Resources'

'Question and Answer Resources' are established in order to gather arguments and issues raised in implementing tax legislation; studying, discussing and giving final answers to those issues; distributing related materials for research to Tax Inspectors of each aimag, capital city, soum and district; developing tax collection and inspection methodologies; integrating Tax Inspectors' answers to taxpayers' questions; and publicizing as necessary issues on public media.

Contents of 'Question and Answer Resources'

- Questions brought personally, asked by telephone and sent by mail;
- Doubtful and discordant issues raised among Tax Inspectors in the course of implementing tax legislation;
- Answers to the above questions prepared in accordance with the procedure.

Requirements for using the 'Question and Answer Resources'

- 'Question and Answer Resources' shall be classified by each type of taxes; and Tax Inspectors shall know those questions and deliver well the answers.
- Answers shall be added to the 'Question and Answer Resources' having scrutinized by the NGTA's Taxation Management and Methodology Department and by the NGTA's Tax Collection Department.



- ‘Question and Answer Resources’ shall be a means of advertising about the following:
- Advertising on media and informing the public about thematic questions and answers periodically and about new questions and answers at each time.
- Delivering new NGTA decisions and Questions and Answer Resources to Tax Inspectors through computer network and informing Tax Inspectors about new questions and answers each time, so making taxpayers able to receive standard answers to a question.
- The Questions and Answer Resources shall be updated regularly with new amendments in tax legislation and changes in methodologies and procedures.
- Raising public awareness about the regular operation of the Promotion Room and officer in every Tax Office, that introduces and explain tax legislation and answers questions of taxpayers; and aims to make these service rooms for taxpayers where taxpayers regularly visit to have a business discussion and to raise their tax awareness.

You can take more information about Question and Answer resources from the Heads of the Department of Taxation Management and Methodology, Tax Collection Department, Training and Service Center as well as aimag, capital city and district Tax Offices.

2. LIBRARY AT THE NATIONAL GENERAL TAXATION AUTHORITY

The Chief of the NGTA approved ‘Temporary Procedure for Library Service’ for Tax Officers, students and researchers working in the field of taxation in Order No.15 of 15th January 2003. The library operates at the Training and Service Center of the NGTA.

The library aims to create favorable service environments for Tax Officers, students and researchers working in the field of taxation to get knowledge of tax duties and regulations and other necessary information.

Library Procedure

- The library operates 5 working days a week from 10:00am to 16:00pm, with a lunch break between 13:00-14:00pm.
- In order to create library identity card, a reader should pay 100 MNT and bring their personal identity card, job or student identity card and a copy of photo.



- Books, more than 3 copies available in the library, can be allowed for outdoor use of Tax Officers if necessary (in case of writing master's thesis etc.). In this case they must conclude a contract and if the contract term elapses, borrower shall pay 200 MNT of fine per day. Rare books with only 1-2 copies available in the library can only be allowed for indoor use.
- If a reader lost a rare book, available up to 3 copies in the library, he/she shall replace it with the same book. Or if the reader did not return the rare book, he/she shall repay money after multiplying its market price 10 times. In case if it was a book with many copies available in the library, the reader shall pay the market price multiplied by 3-5 times.
- If pages of a book are torn, or scratched with a pen, then the reader shall replace the damaged book with a new one or shall repay proper amount of charge.
- When readers read books when sitting in the reading room, they are not allowed to write or draw on the desk or chair, drop waste, make noise or speak loudly.
- Readers shall pay 50 MNT per page copied from a book.

3. GOVERNMENT ORGANIZATIONS THAT PROVIDE PROFESSIONAL ASSISTANCE AND ADVICE ON TAX ISSUES

NGTA

Name	Position	Office telephone
DEPARTMENT OF TAXATION MANAGEMENT AND METHODOLOGY		
B. Erdenebaatar	Head of Department	312493
Inspectors		311143, 311165
MONITORING AND INSPECTION DEPARTMENT		
Ch. Gansukh	Head of Department	321340
Inspectors		325712, 329515, 310893
TAX COLLECTION DEPARTMENT		
Kh. Khurmetkhan	Head of Department	311139
Inspectors		326388, 311165

**STATE BUDGET INCOME AND MONITORING OFFICE at the NGTA**

DIVISION OF TAX COLLECTION		
Sh. Tserendorj	Head of Division	311163
Inspectors		321172, 328791
DIVISION OF INCOME GENERATION AND INFORMATION		
D. Enkhsaikhan	Head of Division	329551
Inspectors		327988, 321172
STATE REGISTRATION SERVICE		
Ya. Battsooj		328727
Ts. Tserendorj		328729
TRAINING AND SERVICE CENTRE		
Ya. Purvee	Head	321710
Inspectors and trainers		324647, 321325

TAX OFFICE OF THE CAPITAL CITY

DIVISION OF MONITORING AND INSPECTION		
Ya. Ayushjav	Head of Division	313245
Inspectors		318759, 315309, 318891
DIVISION OF TAX COLLECTION		
L. Ganbold	Head of Division	311580
Inspectors		310671, 328220, 310577
PUBLIC ADMINISTRATION AND MANAGEMENT SECTION		
D. Enkhbayar	Training and Promotion	328220



TAX OFFICE OF CITY DISTRICTS

Name	Position	Office telephone
CHINGELTEI DISTRICT TAXATION DEPARTMENT		
D. Gotov	Head of Department	311016
D. Saikhanchuluun	Head of Collection Division	311177
Inspectors		318066, 312728
SUKHBAATAR DISTRICT TAXATION DEPARTMENT		
G. Luvsantseren	Head of Department	324840
Oyuntuya	Head of Collection Division	310829
Inspectors		322112, 322203
BAYANGOL DISTRICT TAXATION DEPARTMENT		
Kh. Tumurbaatar	Head of Department	361645
Uranchimeg	Head of Collection Division	365606
Inspectors		363424, 368517
SONGINOKHAIRKHAN DISTRICT TAXATION DEPARTMENT		
S. Lkhagvajav	Head of Department	633217
Erdenebileg	Head of Collection Division	633243
Inspectors		633249
BAYANZURKH DISTRICT TAXATION DEPARTMENT		
N. Enkhee	Head of Department	460943
Tsogzolmaa	Head of Collection Division	452887
Ariungerel	Inspector	453416 /call/
KHAN-UUL DISTRICT TAXATION DEPARTMENT		
D. Zandanbat	Head of Department	341617
Tungalag	Head of Collection Division	341959
Inspectors		341959
BAGANUUR DISTRICT TAXATION DEPARTMENT		
T. Erdenechimeg	Head of Department	0121-21862
Inspectors		0121-21389
NALAIKH DISTRICT TAXATION DEPARTMENT		
D. Umbaruu	Head of Department	0123-22681
Inspectors		0123-22793



Appendix



APPENDIX



Appendix 1. TERMINOLOGY

A mount of tax

The amount of tax per taxable unit. If the amount of tax is expressed as a certain percentage of taxpayer's income, then the term 'tax rate' is used.

B ank interest income

Includes interest income received from cash deposits and accounts.

B usiness activity

Anybody's conduct of selling goods, performing works, rendering services fully or partly, with or without the intention of making a profit.

C itizen

Citizens of Mongolia, travelers to Mongolia, immigrants and foreign citizens residing temporarily or for long term in the territory Mongolia, and non-resident foreign citizens and stateless persons.

D ay of becoming registered for VAT

The date when the sales income reaches 10 million MNT for a citizen or legal entity that earns income producing taxable VAT products or services.

D uty

Duty is the money collected from citizens, business entities and organizations each time for the services rendered by government organizations and transferred to the State and local budgets.

E vasion from payment of tax, interest and fine

- Wrong indication of the address;
- Failure to report to the Tax Office about changes in address and to have the note made on the State Registration Certificate;
- Failure to submit balance sheet and financial statement, tax report and return, and Income and Tax Assessment Form;
- Failure to turn up without valid reason upon the demand of the Tax Office;
- Failure to pay due taxes within the time frame set in laws, for the reason of indefinite permanent address, though the court did not announce disappearance of the tax payer.

Excise taxpayer

A citizen or business entity that imports or produces taxable Excise Tax goods and products shall be an excise taxpayer. For example, all kinds of alcoholic beverage, tobacco, auto and diesel fuel, cars etc.

Fees

The money collected from citizens, business entities and organizations for their use of 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.

Financial responsibility

A responsibility claimed by Tax Offices against taxpayers that have committed an offence against the tax laws. It can be demonstrated by claiming tax, interest or penalty under non-dispute procedures and by revealing hidden taxable items.

Full tax exemption

This means that the taxpayer is eligible to hold onto its taxable profits (items) fully and administer them freely in its own will, under legal provisions. For instance, if a taxpayer's annual sales income doesn't reach 10 million MNT, the taxpayer shall not pay value added tax under the VAT Law. Also, the BEOIT Law stated that the income of NGOs earned from its charter activities should be exempt from BEIOT.

Goods

All tangible and intangible assets except for money.

Goods received from foreign governments, non-government organizations, and international and charity organizations as grant aid or humanitarian assistance

Also applies to goods sent to relieve losses and damages caused by force majeure and other similar disaster circumstances; goods with no repayment duty sent under international treaties of Mongolia established between Government of Mongolia and foreign governments or international organizations; goods sent through international aid organizations, and the goods, works and services purchased from domestic markets by finances (money) granted by foreign governments, international and charity organizations



H **iding of taxable income and other taxable items except for income**

Any of following acts or failure to act that facilitate tax evasion, including: physical hiding of income and other items subject to tax; unreasonable transfer of them to other business entities, organizations and individuals; failure to reflect them in accounting documents, financial statements and tax returns; intentional wrong recording in accounting documents and tax returns; illegal transaction and fraud; failure to issue and submit relevant documents; fabrication of liabilities; forgery of documents for the purposes of tax evasion; providing tax evasion opportunity to others by allowing them to use the name, address, seal, stamp, accounts, State registration certificate, license and property of the business entity or organization as well as personal documents.

H **ouses underutilization**

Building houses built for living house purposes before or after 1st July 1998 and levied VAT by this law.

I **ncome from basic and auxiliary activities**

Includes all income from sold goods, performed works and rendered services.

I **ncome from foreign exchange**

Income earned from currency exchange rate changes by taxpayers authorized to conduct the currency exchange service.

I **ncome from stock exchange and brokerage**

Organizations that conduct activities related tom property and transfer of property. Income from the stock exchange includes: income from stock holding, commercial and non-commercial dealing, related payment and transaction of stock; gift, inheritance and transfer of securities, dealing of tender bids, named transfer security ownership services as well other activities not prohibited by laws.

I **ncome from pledged loans**

A loan granting activity, where the lender takes particular property and rights of a borrower until the loan and its interest is repaid fully, on the basis of laws and written contract established between parties in compliance with the laws.

I **ncome from commercial bank and loan activities**

Includes income from issuing a financial guarantee to others, income from sales

and deposit of foreign currencies, income from charges for domestic and international transactions, income from financial or other activities and services permitted by the Bank of Mongolia, and income from loan interest, overdue loan interest, losses and fines gained from others.

I Income from insurance activities

Includes all kind of income from insurance premiums, compensation received from reinsurance organizations and other income earned by insurance organizations.

I Income from intermediary activities

Commissions and other gains earned by serving and connecting entities with common interests and performing activities on behalf of others.

I Imprudent understating of the amount of taxable income and other taxable items, except income

The following acts, including: arithmetical error in understating of the amount and value of taxable income and other taxable items (other than income) in accounts, balance sheets, financial statements, reports and Income and Tax Assessment Forms; and wrong assessment of taxable income and deductible expenses, despite proper bookkeeping of records and preparing of financial statements.

I Income from sale of real estate

Income earned by selling real estate, which include land and other indivisible items on it.

I Income from sale of tangible assets

Includes income earned by selling all types of fixed and current assets except for real estate.

I Income from property leasing

Charges received by allowing others to use the real estate and other property owned, possessed, used and administered by the organization.

I Income gained through illegal acts

Income gained in breach of taxation and other legislation.

I Income from dividend and gains of shareholder

Dividend is the income earned from ownership of shares in a shareholding company. Gains of shareholder means income derived from profit-sharing rights and other similar income involved other form of activities except claiming liabilities.

**I** **ncome from royalties**

Includes payments received by publishing literature, performing art and artistic works, scientific and technical discoveries and works, use of processes or patent, trademark, design, model, plan and secret codes; or ownership of intellectual property including information related to production, trade and scientific equipments and methods; and charges earned by transferring the ownership rights to others for their use.

I **ncome from various games, lotteries and quizzes**

Includes income from all kind of paid games, sales of video and audiocassettes and their recording services, video shows, lotteries and quizzes.

I **nvalid contract or transaction**

Any of the following transactions, including breach of law in terms of content or legality of the transaction: transactions concluded with legally incapable persons, such as under aged, mentally sick or mad persons; transactions concluded under pressure or in the pretext of inevitable need; transaction made under pretence, but not for achieving certain legal outcome.

L **egal entity**

A company, cooperative, foreign and joint investment business entity or organization, private business entity, State and local property legal entity, non-government organization, religious organization and other similar organizations.

L **egal offence against taxation**

Such offences can be revealed by hiding or understating of income, by failure to reflect tax objects in accounting, by serious violation of procedures for recording taxable items, by failure to pay taxes or to issue tax returns within due time etc.

L **oan interest income**

Refers to income generated from all kinds of liability claims. It includes income from State credits and other valuables; promotion income related to their sales; interest income from monetary and property loan activities.

L **ocal taxes**

Taxes with rates and amounts determined by aimag or capital city Citizens' Representative Khurals within the limits set by the State Great Khural, which are effective only in the local territory. Local taxes include Gun Tax, Capital City Tax, Dog Tax, Inheritance and Gift Tax, Real Estate Tax, State Stamp Duty, Fees for

Using Water and Mineral Springs, Transport facilities and Vehicles Tax, License Fees for Using Natural Resources, except for Minerals Resources, Fees for Using of Natural Plants, Fees for Using Widespread Mineral Resources, Fees for Using Hunting Resources and License Fees for Wild Animal Hunting and Catching, Land Fees, and Fees for Using Forest by Preparing Wood Fuel and Timber for Consumption.

Main functions of a Tax Office

Monitoring implementation of tax laws, issuing implementation procedures and methodologies, organizing training and promotion activities, and generating State and local budget income.

Non-government organization NGO

An NGO is a non-profit organization established voluntarily by citizens and other legal entities except for State organ bodies (legislative, executive and judicial authorities) on the basis of their own and social interests and views; and operates under principle of political impartiality and self-management. For example, Cooperation Societies, Friendship Societies.

NGO that serves society

This refers to an NGO that conducts activities for social benefits in the field of culture, art, education, discipline, science, health, sports, environment, environmental development, human rights, protection of interests of particular sphere or group of population, and charity. For example, professional associations.

NGO that serves its members

This refers to an NGO whose main purpose is to serve its members and protect their interest, except for those that serve for the society. For example, Association of Hotels, Union of Private Employers.

Non-resident taxpayer

Taxpayers except for temporary and permanent residents.

Other taxable income

Includes donations, gifts, royalties, interest and fines charged from others in accordance with laws and contracts; capital gains from unclaimed and authorized transfer of ownership; value of excessive fixed and current assets revealed by census.

**P** artly tax exemption

This means that the taxpayer is eligible to hold onto its taxable items (income and profits) partly in reduced amounts and administer them freely by its own will, under legal provisions.

P ermanent resident taxpayer

A citizen of Mongolia appointed to reside abroad, who has a normal employment in any tax year and resides in Mongolia for 183 and more days in any 12 months between beginning and end of a tax year.

P rofit organization, fund

A legal entity that works under principle of covering expenditure fully with its income earned from business activities.

P ersonal income taxpayer

A citizen of Mongolia, foreign citizen or stateless person residing in Mongolia or non-resident body that gains income in Mongolia.

R eal estate

Real estate includes: land and perennial plants, plankton and mineral deposits on the land that lose their purposes and economic meaning as soon as they are separated from land; and other physically or artificially measurable property with certain border, including buildings, constructions and houses that cannot be used in separation from the land.

S ales

Paid transfer of goods to other's ownership or paid performance of work or services

S ervice

An activity except for goods and money.

S tamp duty

Money collected from citizens, business entities and organizations each time for services provided by government organizations.

S tate tax

Taxes with rates and amounts determined by the State Great Khural and the Government that are effective commonly in the territory of Mongolia. State taxes include: Business Entity and Organization Income Tax, Customs Duty, Value-added Tax, Excise Tax, Auto and Diesel Fuel Tax, and Fees for Using Mineral Resources.

T ax

Tax is the money transferred to the State 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 a citizen, business entity and organization in conformity with the legislation

T ax payment duty

The Constitution of Mongolia states, *‘Every citizen shall fulfill a basic lawful duty to pay taxes levied by laws’*.

T ax subject

Tax subject means a legal entity or individual that is obliged to pay particular types of taxes. In accordance with Article 5 of the General Taxation Law of Mongolia, a citizen, business entity or organization that has taxable income, property, rights or possesses property shall be a taxpayer, including:

- Citizens of Mongolia;
- Foreign citizens and stateless persons residing in the territory of Mongolia;
- Non-resident persons earning income in Mongolia;
- Domestic and foreign business entities, organizations and funds in the territory of the country;
- Representative offices of foreign business entities and organizations that gain income in the country.

T ax object

Tax object means taxable items owned by taxpayers, including: income, property, goods, works, services, particular rights, land, natural resources and mineral resources, which are grounds of levying taxes.

T axpayer organization

It refers to a business entity, organization or fund that is registered at a Tax Office and other authorized organizations in accordance with the legislation of Mongolia and defined as a taxpayer organization under this and other tax laws.

T ermination of a taxpayer’s duty

In the following cases, the taxpayer’s duty shall be terminated:

- The law of a particular type of tax was canceled;
- The particular type of tax was paid completely. It refers mostly to single-



payment taxes, fees and duties;

- The taxpayer died or was considered to have died; or
- The business entity or organization was liquidated.

T **axpayer's responsibility**

Taxpayer's responsibility means a duty to take responsibility of one's own action. Legal responsibility shall appear in the forms of civil, administrative, criminal, disciplinary and financial responsibilities.

T **ax relief**

Tax relief is financial and economic instrument legislated by laws to relieve fully or partly certain types of taxpayers or taxable items from taxes.

T **ax form**

This is a primary bookkeeping document where reflects the name, type, amount, unit price and total price of sold goods, performed work and rendered service.

T **ermination of tax payment duty upon cancellation of a particular type of tax law**

It means, the State Great Khural cancels a particular type of tax law and announces that the effective period of this tax duty ends.

T **axable unit**

A unit of measurement of an object for tax purposes. The national monetary unit 'Tugrug' (MNT) is used as a measurement unit for income tax, whereas units of measurement of area, such as hectare and acre, are used for land fees.

T **ax liabilities**

This includes overdue taxes, not paid in the time limit set by tax laws; interest and penalty imposed on them; and re-imposed tax, interest and penalty as revealed by tax inspection.

T **ax legislation**

A set of legal norms that define the State taxation system, procedures for imposing and collecting taxes and legal responsibilities against violation of tax law provisions.

T **emporary resident taxpayer**

Foreign citizens and stateless persons residing in Mongolia for less than 183 days.

T o exercise resistance

Any of following acts, including: beating, kicking, pushing; pouring any liquid; showing physical resistance; threatening to exercise physical resistance; and oral humiliation against a Tax Inspector in discharge of his/her duties.

T o pose hindrance

Any of following willful act or a failure to act, including: failure to submit requested financial documents, accounts, balance sheet and tax return; making access to premises and warehouse impossible; messing up inventory census and estimates; preventing inspection and photographing to a Tax Inspector in discharge of his/her duties.

T ransferred income

Non-cash transfer of payments for works and services performed by citizen, business entity or organization and paid to the business entity or organization or to the citizen indirectly through his/her employer business entity or organization.

W illful understating of taxable income and other taxable items except for income

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 forms; forgery of documents by way of editing for the purpose of understating the income; artificial overstating of expenses; or false understating of income.

W ithholding

Imposition and charging of taxes for further transfer to the budget, on salary, wage, bonus, remuneration and other similar income as well as on other income specified by law, paid throughout the year from citizens, business entities or organizations to citizens in compliance with the tax laws.



Appendix 2. TAXPAYER REGISTRATION AND TAX FORMS

An NGO to be registered as a taxpayer shall register at the territorial Tax Office with the form 'Taxpayer registration form - Non-government Organization' (Form-TB-02) as in Appendix 3 and receive 'Certificate of a Taxpayer'.

Taxpayer registration process starts by allocating a taxpayer's number (TPN). The taxpayer's number is the code used by Tax Office for the purpose of recognizing taxpayers. TPN is the permanent number allocated only once to a taxpayer, not depending on what type of tax it should pay.

For State-budgeted organizations, public organizations, religious organizations and organizations financed by owners; their State Registration Number, received when they registered to State register as a legal entity, should be used as taxpayer's number.

For State-budgeted enterprises, non-government organizations (public organization, fund, religious organization), representative offices of foreign business entities and other organizations financed by owners; they shall visit to their territorial Tax Offices to register as a taxpayer.

If there is any change in items written on a taxpayer's Registration Certificate or any change in amount, name, type of assets, field of production and service, then the taxpayer should inform the respective Tax Office (respective Tax Collection Inspector) and make revision in its registration with the TB-6 form, within one month after the change.

In the following cases, a taxpayer shall be removed from registration:

- the taxpayer died or is considered to have died;
- the legal entity is liquidated;
- the legal entity is bankrupt.

The Tax Office shall receive a taxpayer's request to be removed from registration and shall assign it to a Senior Inspector along with following documents necessary to be completed for removal from registration:

- Document inspection acts;
- Financial documents on conclusion of tax liabilities;
- Final balance sheet.

The Senior Inspector of the Tax Collection Division (Section) shall fill out TB-05

Form, have it checked and signed by the Head of Certification Division and give it to the Inspector in charge of the State Register. After the Registration Service removes the taxpayer from registration, the respective Tax Office shall make the removal.

In the following cases, a taxpayer shall be removed from registration of the particular type of taxpayers:

- the law of a particular type of tax was cancelled;
- the taxpayer was fully exempt from that particular type of tax.

From Order No.231, 2002 of the Chief of National General Taxation Authority

14. In order to register a taxpayer business entity or organization and open an individual taxpayer's file, Tax Inspectors shall fill out TB-01 and TB-02 forms and clarify the following items in detail:

- 14.1 Name of the taxpayer;
- 14.2 Address and registration number of the taxpayer;
- 14.3 Telephone and fax number, e-mail address;
- 14.4 Type of responsibility;
- 14.5 Basic or auxiliary field of activity;
- 14.6 Form of property;
- 14.7 Number and address of branches;
- 14.8 Name of respondent bank;
- 14.9 Account numbers for MNT and foreign currency accounts;
- 14.10 Last and first name, address of management body;
- 14.11 Term of operation;
- 14.12 Amount and composition of owner's equity;
- 14.13 Information on investors;
- 14.14 Office address of the taxpayer.

16. In registering a taxpayer - citizen, business entity or organization - by classifications of taxes, shall be kept the following principle and register with the help of software:

- 16.1 A business entity or organization shall be registered automatically as income taxpayer after 3 months of registration to the 'Information Database of Taxpayers'.
- 16.2 Having filled out TTB-01 application form of Value-added Taxpayer registration, a taxpayer shall be registered as VAT payer.
- 16.3 Citizens that conclude tax liabilities with citizen's Income and Tax Assessment List shall be registered on the basis of information indicated in the 11.3 of the TTB-03 Taxpayer Registration Form.



- 16.4 Excise taxpayers shall be registered by receiving Excise Tax label and on the basis of information indicated in the 7 of the TTB-01 Taxpayer Registration Form.
 - 16.5 Auto and Diesel Fuel taxpayers shall be registered on the basis of information indicated in the 7 of the TTB-01 Taxpayer Registration Form.
 - 16.6 Real estate taxpayers shall be registered on the basis of the XTT-01 Real Estate Taxpayer Registration Form. The registration database shall be updated by February of each year.
 - 16.7 Transport Facilities and Vehicles Tax taxpayers shall be registered on the basis of the XTT-03 Form of the Transport Facilities and Vehicles Tax Taxpayer Registration. The registration database shall be updated each year.
 - 16.8 Gun Tax taxpayers shall be registered on the basis of the TXT-01 form of the Gun Tax taxpayer registration. The registration database shall be updated each year.
 - 16.9 Payers of the Fee for Using Mineral Resources shall be registered on the basis of information indicated in the 7 of the TTB-01 Taxpayer Registration Form.
 - 16.10 State and local property dividend payers shall be registered on the basis of information received from the State Property Committee and local property representatives.
 - 16.11 Citizens, business entities and organizations that pay the following fees and duties shall not be registered as a particular type of taxpayer; instead, State organizations authorized to impose, collect and transfer those fees and duties to the budget shall be registered as the taxpayer. The fees and duties include:
 - 16.11.1 State stamp duty;
 - 16.11.2 Fees for using forest by preparing wood fuel and timber for consumption;
 - 16.11.3 Fees for using water and mineral springs;
 - 16.11.4 Fees for using natural plants;
 - 16.11.5 Fees for using widespread mineral resources;
 - 16.11.6 Fees for using wild animal reserves for hunting; license fees for hunting and catching;
 - 16.11.7 Land fees;
 - 16.11.8 License fees for using natural resources other than minerals;
17. Using and updating taxpayer registration database classified by types of taxes
- 17.1 Number taxpayers that “shall pay the particular type of tax” and “shall submit tax return” within the reporting period shall be determined on the basis of taxpayer registration classified by types of taxes.



- 17.2 The Head of a Tax Office, Division and Section shall make registration of taxpayers that “shall submit tax return” within the reporting period taken out from taxpayer registration database and shall exercise controls on taxpayers’ submission of tax returns prepared in compliance with 44 of this procedure.
- 17.3 If a citizen, business entity or organization not registered at all as a taxpayer or not registered in classified types of taxpayers submits a tax return, it shall register them as taxpayers.
18. Removal from taxpayer registration
 - 18.1 If a Tax Office receives a taxpayer’s application to be removed from registration, authorized officers of the Tax Office accepted the application, and if they filled out 1st part of the TB-05 form or the ‘Card of removal from taxpayer registration’; then the taxpayer shall be removed from all types of tax registration.
 - 18.2 Removal from any particular type of tax registration of classified registration shall be performed on the basis of information in the 2nd part of the TB-05 form or the ‘Card of removal from taxpayer registration’; and thereby terminates duties of the taxpayer to pay the particular type of tax and to submit the relevant tax return.
 - 18.3 A taxpayer shall be removed from taxpayer registration of the particular type of property taxes, on the basis of the ‘Statement on transfer and disposal of property’ or XTT-06 form.
19. Inspectors shall make proposals to their management on removal of taxpayers, which have been liquidated under charter of the business entity or organization, didn’t operate or conduct activities and were impossible to operate further, and shall make them resolved under the procedure approved by the Order No.119, 2001 of the Chief of NGTA.
20. Information of a taxpayer removed from registration under clause 19 of this procedure shall be forwarded to the economist and inserted in the information database.
21. A file of taxpayer shall be created and kept for each registered taxpayer citizen, business entity or organization and it shall be numbered by the documentation identity number recorded in the taxpayer registration database.
22. A file of taxpayer shall contain following documents and attachments:
 - 22.1 Taxpayer registration form;
 - 22.2 Changes made in the taxpayer registration;
 - 22.3 All types of tax returns submitted by the taxpayer;
 - 22.4 Tax imposition and payment table (prints out each time from information database)



- 22.5 Tax payment card (each month prints out from information database)
- 22.6 Tax inspection card
- 22.7 Tax liability card (each quarter prints out from information database)
- 22.8 Notifications sent to the taxpayer (prints out from information database)
- 22.9 Taxpayer's registration removal card
- 22.10 Documents of claimed responsibilities on the taxpayer

23. When a State Tax Inspector registers business entities, organizations or citizens and opens their file as taxpayer, he/she shall take notes on the following tax objects owned and possessed by them:

- 23.1 Names, types, numbers or amounts, locations and values of real estate
- 23.2 Names, types, numbers, locations and values of transport facilities and vehicles
- 23.3 Names, types, numbers or calibers of guns

24. If a State Tax Inspector is fired or appointed to different job, goes for long-term study or school, gets released from job due to health problems; he/she shall hand over files of corresponding taxpayers officially to the Head of Tax Collection Division or Section or to the State Tax Inspector left in charge.

25. Inspectors shall determine types of taxes shall be paid by the business entity or organization, introduce about it to the taxpayer and consult on tax legislation.

26. A file of taxpayer business entity or organization shall be updated on the basis of the TB-06 form of changes made in State registration; and if it is necessary to make changes in the types of taxes shall be paid by the business entity or organization, the inspector shall inform the taxpayer and insert the changes to the information database.

27. A State Tax Inspector shall give information on newly registered taxpayers and business entities, organizations and citizens that made changes in their taxpayer registration to the economist by TB-01, TB-02, TB-03, TB-05 forms and insert them to the information database.



Appendix 2 of Order No.129, 2002
of the Chief of NGTA



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"/>
Tax inspector:	<input type="text"/>
Received	Stamp
Date:	<input type="text"/>

(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



Appendix 2 of Order No.129, 2002
of the Chief of NGTA

Form TT-11

National Taxation Authority



Tax return on withheld taxes-I

TPN:

--	--	--	--	--	--	--	--	--	--

Name: _____

Reporting term: Year

--	--	--	--

 Quarter

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Only for official use																
Reg. No: <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																
Tax inspector: <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>							Stamp									
Received																
Date: _ _ . _ _ . _ _																

(Indicators shall be estimated aggregate totals from the beginning of year)

<ol style="list-style-type: none"> 1. Salary, wages and other similar income earned from a main job under labor contract (thousand MNT) <ul style="list-style-type: none"> a) Social insurance and Health insurance premiums (thousand MNT) b) Taxable income (1-1a) (thousand MNT) c) Total taxes imposed (1b* in progressive rate), (thousand MNT) d) Taxes to be withheld (1c-1d), (thousand MNT) e) Number of employees, by progressive rates for withholding taxes <ul style="list-style-type: none"> - 10% of taxes withheld - 11-20% of taxes withheld - 21-40% of taxes withheld f) Number of tax exempt citizens after estimation of tax relief 2. Total salary, wages and other similar income given to citizens performed contract works, (thousand MNT), (details are reported in TT-11(2) form) <ul style="list-style-type: none"> a) Taxes to be withheld, (thousand MNT) 3. Income provided to citizens for their private sale of goods and materials, (thousand MNT), (details are reported in TT-11(3) form) <ul style="list-style-type: none"> a) Taxes to be withheld, (thousand MNT) 4. Total taxes to be withheld in the reporting term (1e+2a+3a) 5. Payment of the previous reporting term: over (Ct) or under (Dt) 6. Total taxes withheld and transferred to the budget (Ct) 7. Final payment result: overpaid (Ct), underpaid (Dt) 8. Penalty for reporting (Dt) 9. Total amount of payment to the budget (Dt) 	<p>Total (number)</p> <table border="1" style="width: 100%; height: 200px; margin-bottom: 10px;"> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> <tr><td> </td></tr> </table> <p>(thousand MNT)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Debit</th> <th style="width: 50%;">Credit</th> </tr> </thead> <tbody> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </tbody> </table>											Debit	Credit												
Debit	Credit																								

Prepared the report truly:

Chief (Director).....

Accountant General

Checked and received the report:

State Tax Inspector

200 . . . / MM / DD.

P.S. Quarterly report shall be submitted to the respective Tax Office by 10th of the first month of following quarter and annual report shall be submitted by 10th February the following year.



Appendix 2 of Order No.129, 2002
of the Chief of NGTA



Form TT-11

National Tax Authority

Tax return on withheld taxes-II

TPN:

Name: _____

Reporting term: Year Quarter

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

(thousand MNT)

(Indicators shall be estimated aggregate totals from the beginning of year)

1. Prize income given to citizens for art performance, sports games and athletic competitions (1a+1b)

- a) Permanent resident citizen
- b) Temporary resident or non-resident citizen

2. Prize income given to citizens gambling, quiz and lottery (2a+2b)

- a) Permanent resident citizen
- b) Temporary resident or non-resident citizen

3. Remuneration income given to for authors of scientific, literary and art works, inventors, and designers

- a) Permanent resident citizen
- b) Temporary resident or non-resident citizen

4. Total taxes to be withheld in the reporting term (1+2+3) Dt

5. Payment of the previous reporting term: over (Ct) or under (Dt)

6. Total taxes withheld and transferred to the budget (Ct)

7. Final payment result: overpaid (Ct), underpaid (Dt)

8. Penalty for late reporting (Dt)

9. Total amount of payment to the budget (Dt)

Total taxable income	Total taxes to be withheld
Debit	Credit

Prepared the report truly:

Chief (Director).....

Accountant General

Checked and received the report:

State Tax Inspector

200 . . . / MM / DD.

P.S. Quarterly report shall be submitted to the respective Tax Office by 10th of the first month of following quarter and annual report shall be submitted by 10th February the following year.



Appendix 2 of Order No.129, 2002
of the Chief of NGTA



Form TT-13

National Tax Authority

Tax return on withheld taxes-III

TPN:

Name: _____

Reporting term: Year Quarter

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

(Indicators shall be estimated aggregate totals from the beginning of year)
(thousand MNT)

1. Dividend of shares allocated to individuals or legal entities or gains for shareholder (1a+1b+1c+1d)

- a) Permanent resident citizen
- b) Temporary resident or non-resident citizen
- c) Permanent resident business entity and organization
- d) Non-resident business entity and organization

Total taxable income	Total taxes to be withheld

2. Income from royalties given to individuals or legal entities (2a+2b+2c+2d)

- a) Permanent resident citizen
- b) Temporary resident or non-resident citizen
- c) Permanent resident business entity and organization
- d) Non-resident business entity and organization

3. Loan and deposit interest income given to individuals or legal entities (3a+3b+3c+3d)

- a) Permanent resident citizen
- b) Temporary resident or non-resident citizen
- c) Permanent resident business entity and organization
- d) Non-resident business entity and organization

4. Income given to non-resident business entities and organizations for rents, uses of tangible and intangible assets and other services

Debit	Credit

- 5. Total taxes to be withheld in the reporting term (1+2+3+4) Dt
- 6. Payment of the previous reporting term: over (Ct) or under (Dt)
- 7. Total taxes withheld and transferred to the budget (Ct)
- 8. Final payment result: overpaid (Ct), underpaid (Dt)
- 9. Penalty for late reporting (Dt)
- 10. Total amount of payment to the budget (Dt)

Prepared the report truly:

Checked and received the report:

Chief (Director).....

State Tax Inspector

Accountant General



Appendix 2 of Order No.129, 2002
of the Chief of NGTA



Form TT-14

National Taxation Authority

Tax return on withheld taxes-I

1. TPN: [][][][][][][][][][]

2.Name: _____

3. Current address of the taxpayer

[][][]	Aimag, city: _____	Tel 1: _____	Tel 2: _____
[][][]	Soum, district: _____	Fax: _____	
[][][]	Bagh, khoroo: _____	Post Box No.: _____	
[][][][]	Street, micro-district: _____	E-mail address: _____	
[][][][]	Building: _____		
[][][][]	Fence, door: _____		

For sold real estate:

4. Name, type: _____

5. Certificate No.: _____

6. Total value: _____

7. Date of sales: ____ - ____ - ____

For the purchaser of the real estate:

8. TPN: [][][][][][][][][][]

9. Name: _____

10. Address:

[][][]	Aimag, city: _____	Tel 1: _____	Tel 2: _____
[][][]	Soum, district: _____	Fax: _____	
[][][]	Bagh, khoroo: _____	Post Box No.: _____	
[][][][]	Street, micro-district: _____	E-mail address: _____	
[][][][]	Building: _____		
[][][][]	Fence, door: _____		

(in thousand MNT)

INDICATORS	Total
1. Income gained from sales of real estate	
2. Tax imposed	
3. Tax paid	
4. Underpaid	

Citizen, prepared the report truly:

State Tax Inspector, checked and received the report:

..... /

..... /

200... / MM / DD.



Appendix 2 of Order No.129, 2002
of the Chief of NGTA

Form TT-11(3)

National Taxation Authority



**Tax return on taxes withheld from income provided (transferred)
to citizens for supplied of goods and raw materials**

TPN:

Name: _____

Reporting term: Year Quarter

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

(Only for income provided in the reporting term)

(thousand MNT)

No.	Supplier's		Taxpayer's income and tax recording book number	Date of transfer	Total income	Taxes withheld
	TPN	Name				
TOTAL						

Prepared the report truly:

Chief (Director)..... /
Accountant General /

Checked and received the report:
State Tax Inspector /

200... / MM / DD.



Appendix 2 of Order No.129, 2002
of the Chief of NGTA



Form TT-02

National Taxation Authority

**Business entity or organization income
tax return**

1. TPN:

2. Name: _____

Aimag, city: _____ Tel 1: _____ Tel 2: _____

Soum, district: _____ Fax: _____

Bagh, khoroo: _____ Post Box No.: _____

Street, micro-district: _____ E-mail address: _____

Building: _____

Fence, door: _____

4. Type of business: Basic _____

5. Reporting term: Year Quarter

() If didn't run production and sales in the reporting term, then mark with (X)

(in thousand MNT)

	Indicator	Row	Determined by taxpayer	Inspected by Tax Office
	1. Total taxable income at progressive rate (2+3+...+14)	1		
Where	Income from basic production and service	2		
	Income from auxiliary production and service	3		
	Income from loan activities	4		
	Income from insurance activities	5		
	Income from stock exchange and brokerage	6		
	Income from pledged loans	7		
	Income from sales of tangible assets	8		
	Loan interest income	9		
	Income from property leasing	10		
	Income from intermediary activities	11		
	Income from sales of shares purchased from others	12		
	Income from foreign exchange	13		
	Other taxable income	14		
	2. Total income exempt from taxes (row 16+17+...+21)	15		
Where	Income from government credits	16		
	Income from use of donor blood, blood products, human cells and body parts for the purpose of medical treatment	17		
	Income of NGOs serve for the society and registered to the State register	18		
	Donations and membership fees contributed by members and supporters of the NGO	19		
	Investment for construction, repair and maintenance of international, State or local roads from own financial resources	20		
	Reinvestment made by foreign investors from own share of income to the business entity	21		
	3. Total expenses deductible from taxable income (row 23+24+...+4 9)	22		
Where	Salary and wages	23		
	Social and health insurance premiums	24		
	Raw materials, basic and supporting material expenses, semi processed products	25		
	Non-current expenses for package and wrapping	26		
	Electricity, steam and water	27		



	Normal depletion of inventories from these types of income	28	
	Fuel, petroleum, transportation and spare parts	29	
	Expenses for all kinds of remuneration, bonus, welfare allowance, donation, gift, reception and subscription of periodicals	30	
	Fixed asset depreciation	31	
	Expenses for master and current repair	32	
	All fines and compensation for damages caused to others due to the taxpayer's fault	33	
	Actual losses incurred from currency exchange	34	
	Payment for contract works and services performed by others	35	
	Rental payment	36	
	Loan interest expenses	37	
	Administrative expenses	38	
	Transportation Facilities and Vehicles Tax paid to the budget	39	
	Land Fee and Fee for Using Natural Resources paid to the budget	40	
	Excise Tax paid to the budget	41	
	Real Estate Tax paid to the budget	42	
	Insurance premiums	43	
	Assets for bank loan risk fund	44	
	Advertising, training and retraining expenses for staff	45	
	Purchased price of sold shares	46	
	Residual value of sold tangible assets	47	
	Annual fund created by insurance organization	48	
	Other deductible expenses	49	
	5. Adjustments to taxable income (row 51+52+...+59)	50	
	Amount of advertising, staff training and retraining expenses exceeded 10% of total taxable income	51	
	Overdue loan interest	52	
	Administrative cost exceeded the limit set by owners	53	
	Master repair expenses	54	
	All kinds of fines and compensation paid for damages caused to others by the taxpayer	55	
	Volunteer insurance premiums	56	
	Normal depletion of inventories	57	
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