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Unofficial translation

LAW OF MONGOLIA

July 9, 2015

Ulaanbaatar city

ON VALUE ADDED TAX /Revised version/

CHAPTER ONE GENERAL PROVISIONS

Article 1. Purpose of the Law

1.1. The purpose of this Law is to regulate the relations with respect to imposition, accumulated into the state budget, refund and reporting of value-added tax (hereinafter referred to as "tax").

Article 2. Legislation on value added tax

2.1. Legislation on value added tax consists of the General Taxation Law, this law and other legal acts enacted in conformity with them.

Article 3. Scope of the law

3.1. This law shall apply to imposition of value-added tax on goods imported to Mongolia or goods exported from Mongolia by individuals or legal entities, as well as goods, works and services sold in the territory of Mongolia.

Article 4. Definition of terms of this law

4.1. The following terms used in this law shall have the following meanings:

4.1.1. "sales" means transfer of goods into others' ownership, performance of work, and provision of services;

4.1.2. "goods" means all types of assets other than monetary assets;

4.1.3. "work" means "performance of work" specified in Chapter Thirty-one of the Civil Code;

4.1.4. "service" means any activity other than sale goods and performance of work;

4.1.5. "economic activity" means complete or partial sale of goods, performance of work, and provision of services for profit making as well as non-profit purposes.

4.1.6. "resident or non-resident" means an entity defined in the following manners in the Law on Business Entity Income Tax and the Law on Personal Income Tax respectively as follows:

4.1.6.a. "resident", means a taxpayer who is permanently based in Mongolia as specified in Article 5.3 of the Law on Business Entity Income Tax, as well as a taxpayer who resides in Mongolia permanently specified in Article 5.3 of the Law on Personal Income Tax the payer;

/This sub-paragraph was amended by the law as of March 22, 2019/

4.1.6.b. "non-resident" means a taxpayer who is not based in Mongolia specified in Article 5.5 of the Law on Business Entity Income Tax and Article 5.5 of the Law on Personal Income Tax;

/This sub-paragraph was amended by the law of March 22, 2019./

4.1.7. "premises being used for residential purposes" mean public or private residential buildings which have been built for human dwelling, are being used for the designated purpose and in a non-commercial manner, and that are subject to value-added tax under this law;

4.1.8. "day when obligation to withhold value-added tax arises" means the day when the amount of sale revenues of an individual or legal entity engaged in activities specified in Article 3 of this Law, has reached 50.0 million tugrugs or over;

4.1.9. "goods obtained from foreign governments and international organizations through humanitarian and grant aid, and soft loans" means goods received free of charge under international Agreement of Mongolia entered by the Government of Mongolia with Governments of foreign countries and international organizations for the purposes of eliminating losses suffered due to force majeure and other disasters identical to this. These shall also include goods, work and services purchased in the domestic market using funds provided by foreign governments and international organizations as part of grants and humanitarian aid;

4.1.10. "settlement of payment" means settlement of payment in cash or through bank transfer;

4.1.11. "integrated system administrator" means state administrative body in charge of tax issues responsible for managing collection, processing and filing of electronic data on goods, work, and services of entities who imported goods to Mongolia or exported goods from Mongolia, who sold goods or performed work or provided services in the territory of Mongolia.;

4.1.12. "user system supplier" means a legal entity responsible for supply of certified equipment and system that would work connected to records, payment components, and integrated system designed for operation of entities who imported goods to Mongolia or exported goods from Mongolia, who sold goods or performed work or provided services in the territory of Mongolia;

4.1.13. "value added tax invoice" means paper or electronic document printed out from designated equipment, containing information including date as proof of particular payment, unique payment number, name, address of value added tax withholding payer or trader, purchasing value added tax withholding payer, taxpayer number, particulars, code, quantity, price of sold goods, work, and service, payment and tax amounts;

4.1.14. "receipt" means paper or electronic document printed out from designated equipment, containing information including date as proof of particular payment, unique payment number certified under the integrated system, name and address of value-added tax withholding payer or trader, taxpayer number, particulars, code, quantity, and price of traded goods, work, and service, payment and tax amounts;

4.1.15. "unique payment number" means payment, payment card with special identification designed to prove purchase, payment for or sale of goods, work, and services, certified by competent authority, as well as all types of payment record devices capable to store or transmit similar data;

4.1.16. "registration tool" means payment, payment card and similar information certified by an authorized organization with a special identification that contains payment receipt information for the purpose of proving the purchase, payment, and sale of goods, work, or services, with the ability to store and transmit similar information, and all types of payment registration tools;

4.1.17. "register equipment" means equipment including cash register, pos terminal as its essential component or similar software designed to record sales of withholding taxpayer as stated in the receipt and to transmit records to the payment registry system;

4.1.18. "register system" means comprehensive activities to record sale data of withholding taxpayers through means of record containing information on goods, work, and services purchased by individuals or legal entities in the register equipment and collect to the tax authority's database;

4.1.19. "day of registration as withholding value-added taxpayer" means the day when an entity is registered as withholding value-added taxpayer pursuant to this Law and receives a certificate;

4.1.20."integrated system" means a system that collects, processes and reports on receipts for sale of goods, performance of work and provision of services for entities operating in Mongolia;

4.1.21."user system" means certified equipment and system that work connected to goods, warehouse and sale records, payment components, and integrated system of goods, work and services designed for entities operating in Mongolia.

CHAPTER TWO

IDENTIFICATION, REGISTRATION AND DEREGISTRATION OF TAX PAYERS AND WITHHOLDING TAXPAYERS

Article 5. Taxpayer and withholding taxpayer

5.1. Taxpayer is an individual who purchases or imports goods, works, and services for own personal use, without selling them in any manner.

/This paragraph was amended by the law as of March 22, 2019/

5.2. The following entities whose amount of sales has reached 50 million tugrugs or more and who is responsible to withhold value added tax and pay to the government shall be withholding value added taxpayers:

5.2.1. those who sold goods, work, and services in the territory of Mongolia;

5.2.2. those who imported goods, work, and services;

5.2.3. those who exported goods, work, and services.

5.3. If amount of sales of goods, work and services sold in the territory of Mongolia reaches 50 million tugrugs or more for a branch of foreign business entity stated in Law on Business Entity Income Tax, Article 5.2 of this law shall apply.

5.4. Value added tax shall not be imposed on salary, wages, pension, benefits, bonus and remuneration provided to any citizen who is permanently or temporarily employed under a labor contract.

5.5. Amount of sales stated in Articles 4.1.18 and 5.2 of this Law reaching 50 million tugrugs or more shall not apply to sale of fixed assets that were registered as property of that entity.

/This paragraph was amended by the law as of March 22, 2019/

5.6. The amount of sales income stated Article in 5.2 of this Law shall be proven with primary accounting vouchers.

Article 6. Registration of withholding tax payer

6.1. An individual or legal entity who have become obligated to withhold value added tax pursuant to Article 4.1.8 of this Law shall submit its application for registration as withholding value-added taxpayer to the relevant tax department within 10 working days.

/This paragraph was amended by the law as of March 22, 2019/

6.2. The relevant tax department shall register as a withholding value-added taxpayer within three working days after receiving the application of the entity stated in Article 6.1 of this Law and issue a certificate.

6.3. Articles 6.1 and 6.2 of this Law shall not apply to individuals or legal entities solely engaged in goods, work and services that are exempt from the value added tax stated in this Law.

6.4. If the withholding value-added taxpayer changes its type or form of business structure, relations, rights and obligations of withholding value-added taxpayer shall remain in effect and relevant changes shall be made in the certificate.

6.5. If the amount of sales for an individual or legal entity reaches 20 or more percent of the revenue stated in Article 5.2 of this Law, they may register voluntarily as withholding value-added taxpayer.

6.6. Period specified in Articles 6.1 and 6.2 of this law shall equally apply when submitting an application for registration as value added taxpayer on voluntary basis and during the issue of certificate.

6.7.The withholding value added taxpayer shall be automatically registered in the register system as soon as it is registered as withholding value-added taxpayer pursuant to Article 6.2 of this Law and receives the certificate.

6.8.The relevant tax department shall deregister and annul the certificate if it is proved with tax returns of consecutive 12 months that an individual or legal entity has not earned taxable revenue specified in this law or their revenue has not reached the threshold for withholding value-added taxpayer or proved with that they didn't operate.

6.9.The administrative body in charge of tax issues shall, on a monthly basis and national scale, publicize the names of individuals or business entities that have been registered as tax payers or excluded from the registry through mass media or web page.

6.10.The entity who has been deregistered as withholding value-added taxpayer shall still hold the obligations for the period when he had been a withholding value-added taxpayer, and it shall not serve as grounds for not being re-registered.

6.11.The invoice, receipts, pro forma certificate, and procedures concerning registration and deregistration of withholding value-added taxpayer and taxpayer stated in Articles 4.1.13, 4.1.14, 4.1.15, and 6.2 of this Law shall be approved by head of state administrative body in charge of taxation issues.

CHAPTER THREE GOODS, WORKS AND SERVICES SUBJECT TO TAX

Article 7.Goods, works and services subject to tax

7.1.Unless otherwise provided in laws, the value-added tax shall be imposed on the following goods, work and services:

- 7.1.1.all types of goods, work, and services sold in the territory of Mongolia;
- 7.1.2.all types of goods, work, and services imported by a foreign country to Mongolia;
- 7.1.3.all types of goods, work, and services exported by Mongolia.

7.2.The below-mentioned business activities shall be similarly covered under 7.1:

- 7.2.1.sale of rights;
- 7.2.2.the withholding value-added taxpayer has been deregistered as a withholding value-added taxpayer on the grounds stated in Article 6.9 of this Law and other grounds. Moreover, when shareholder, partner or withholding value added taxpayer retains goods when the withholding value added taxpaying legal entity is liquidated on the grounds stated in Article 32 of the Civil code;
- 7.2.3.notary services;
/This sub-paragraph was invalidated by the law as of May 30, 2019/
- 7.2.4.closing of debt payments through goods transfer, performance of work or provision of services;
- 7.2.5.goods sold, work performed, and services provided by non-residents to residents;
- 7.2.6.rendering of utility services such as electricity, heat, gas, water, sewerage, post, communication and other services;
- 7.2.7.leasing of goods or granting rights to possess or use in other forms;
- 7.2.8.renting of accommodation in a hotel or similar establishment or granting of rights to possess or use in other forms;
- 7.2.9.renting of immovable or movable properties or granting of rights to possess or use in other forms;
- 7.2.10.transfer, lease and sale of new invention, product design, useful design, copyright work, software, and trade mark, know-how and other proprietary information;
- 7.2.11.provide services such as issue of any material and monetary lottery tickets, organizing of paid quiz or gambling game;
- 7.2.12.brokerage services /brokering, exclusive brokerage rights, trade representation, commission or others similar to it/ stated in Chapter Thirty-nine of the Civil code;
- 7.2.13.receive interest, fines and penalty for late payment due to wrongful action of others;
- 7.2.14.property assessment services;

- 7.2.15. public funding, subsidies and financial incentives;
 - 7.2.16. funding through purchase of title /factoring and forfeiting, and similar deals/;
 - 7.2.17. attorney and legal counseling services;
 - 7.2.18. all types of services including hairdressing and cosmetic services, laundry and dry-cleaning other than those stated in Article 13 of this Law.
- 7.3. When imposing taxes on goods, work and services specified in Articles 7.1 and 7.2 of this Law, the following conditions shall be met:
- 7.3.1. the person shall be value added tax payer in accordance with Articles 5 and 6 of this Law;
 - 7.3.2. sales shall have been conducted within the scope of its business activities.
- 7.4. Article 7.2.5 of this Law shall not apply to sub-paragraph 7.3.1 of the same Law.

CHAPTER FOUR PROCEDURE FOR IMPOSING TAX

Article 8. Imposition of tax

- 8.1. Value added tax shall be imposed according to following procedures:
- 8.1.1. each and every time during which the goods, work and services were imported or exported as well as sold;
 - 8.1.2. each and every time in accordance with the schedule agreed to make lease payment, if financial leasing item was purchased;
 - 8.1.3. if arrangements of funding to purchase the title stated in Article 7.2.16 of this Law has been made, each and every time adhering to the payment schedule.
- 8.2. When imposing tax on revenues specified in Article 7 of this Law or exempting from such tax in accordance with the Article 13 of the same Law, "Sector classification of all types of economic activities" shall be complied.
- 8.3. The Government member in charge of financial and budgetary issues and head of the National statistical office shall approve the "Sector classification of all types of economic activities" stated in Article 8.2 of this Law.
- 8.4. The Government member in charge of financial and budgetary issues shall approve the procedure concerning collection of the value added tax specified in Article 11.4 of this law.

Article 9. Taxable value

- 9.1. Taxable amount of the value added tax shall be determined by the following procedures:
- 9.1.1. tax rates for imported goods shall be determined by adding customs duty and excise or other taxes to the customs price calculated pursuant to the Law on Customs tariffs and customs duties;
 - 9.1.2. the taxable amount of value added tax for goods, work, and services sold in the territory of Mongolia shall be based on the current market rates or tariffs;
 - 9.1.3. the taxable amount of value-added tax for activities specified in Articles 7.2.1 and 7.2.2 of this Law shall be based on the current market rates of the goods, works and services;
 - 9.1.4. the taxable amount of value added tax for individuals and legal entities those are engaged in the service of any material and monetary lottery and paid quiz or gambling game shall be determined by the total sum of money paid by players;
 - 9.1.5. the taxable amount, if debt has been satisfied through transfer of goods, performance of work and rendering of services, shall be based on the amount;
 - 9.1.6. regarding the brokerage service stated in Article 7.2.12 of this Law, the amount of brokerage fees specified in brokerage contract shall be based on the current market rates if it has not been specifically stated in the agreement;
 - 9.1.7. by deducting the amount of funding at the total amount applicable to the title to determine the tax rate for the entity who is funding by purchasing the title stated in Article 7.2.16 of this Law.

/This sub-paragraph was amended by the law as of March 22, 2019/

9.2. In the following circumstances, the taxable amount of value-added tax shall be determined by the relevant tax authority based on the current market rates:

9.2.1. the prices of the sold goods, work and service is uncertain;

9.2.2. goods, work and services have been mutually exchanged;

9.2.3. entities interdependent from each other sold goods, work, and services free of charge or at lower or higher market prices between them.

9.3. Where the taxable amount is expressed in foreign currency, it shall be converted into tugrugs using the exchange rate fixed by the Mongol bank on the day specified in accordance with the Article 10.2 of this Law.

Article 10. Period of imposition of tax

10.1. The period for imposition of value added tax on the sales of withholding value-added taxpayers shall be calculated from the day when the certificate is issued by the tax department.

10.2. The time of imposition of value added tax on each time when goods, work, and services sold shall be determined as taking place at the earliest of the following actions:

10.2.1. the day when the seller receives proceeds from the sale of goods, work and services;

10.2.2. the day when goods, work and services have been sold and receipt invoice has been issued;

/The sub-paragraph was added by the law as of March 22, 2019/

10.2.3. the day of purchase of goods, jobs and services.

10.3. In the case of services which are provided continuously, such as the supply of electricity, heat, gas, water, post, communication and other services, the time of imposition of value added tax shall be the day of issue of receipt or the day of receiving payment, whichever takes place earliest.

10.4. The time of imposition of value added tax on goods specified in Article 7.2.2 of this Law, shall be the day of such retention of such goods by the taxpayer.

10.5. The time of imposition of value-added tax on imported goods shall be the day of its declaring to the Customs authority.

CHAPTER FIVE TAX RATE

Article 11. Rate of taxation

11.1. 10 percent shall be imposed on the sale value of goods, work, and services stated in Articles 7.1.1 and 7.1.2 of this Law.

11.2. The rate of value added tax on goods, work and services specified in Article 7.1.3 of this Law shall be equal to zero /"0"/.

11.3. The rate of value added tax shall be imposed at 0-10 percent on the taxable amount of imported or manufactured petrol and diesel.

11.4. Percent of value added tax for petrol and diesel imported or produced and sold shall be set by the Government taking into account the industry characteristics within the limit stated in Article 11.3 of this Law.

Article 12. Application of zero /"0"/ rate of tax

12.1. The following goods, work, and services exported shall be imposed the percent stated in Article 11.2 of this Law:

12.1.1. goods exported from the territory of Mongolia and declared with the customs authority;

12.1.2. passenger and cargo transportation services rendered from the territory of Mongolia to foreign countries, from foreign countries to Mongolia, as well as from foreign countries to third countries through the border of Mongolia pursuant to international treaties of Mongolia;

12.1.3. any services rendered /including non-taxable services/ outside the territory of Mongolia;

12.1.4. services provided to entities not resident in Mongolia /including value-added tax-exempt services/;

12.1.5.any services of air navigation management, technical and fuel services, and cleaning which shall be provided for both foreign and domestic airplanes conducting international flight and sale, food and drink services provided for air crew members or passengers during flight;

12.1.6.state orders, medals and coins manufactured domestically based on an order placed by the Government or Mongol bank;

12.1.7.final mineral commodities.

12.2.Article 12.1.4 of this Law shall not apply to services, which are rendered in direct connection with movable or immovable property present in the territory of Mongolia.

12.3.Article 12.1 of this Law shall apply to withholding value-added taxpayers who are engaged in export business on the basis of contract made with entities not resident in Mongolia.

/This paragraph was amended by the law as of March 22, 2019/

12.4.Article 12.1.2 of this Law shall not apply to transport carried out separately within the border of Mongolia in connection with provision of international passenger or cargo services.

12.5.Types, classification and code of exported final mineral commodities stated in Article 12.1.7 of this Law shall be set by the Government.

CHAPTER SIX EXEMPTION FROM TAX

Article 13.Exemption from tax

13.1.The following goods shall be exempt from value-added tax:

13.1.1.personal goods carried by passengers, which have amount allowed without payment of taxes and approved by customs authority;

13.1.2.imported goods for the needs of diplomatic missions and consular offices, United Nations and its specialized organizations permanently residing in the territory of Mongolia;

13.1.3.goods obtained from foreign governments and international organizations through humanitarian and grant aid, and soft loans;

13.1.4.special purpose appliances, equipment and vehicles designed for citizens with disabilities;

13.1.5.any weapon and special devices imported for the needs of armed forces, police, and organizations of national security or court order enforcement, state special protection and anti-corruption agency;

/This sub-paragraph was amended by the law as of March 22, 2019/

/This sub-paragraph was amended by the law as of May 14, 2020/

13.1.6.civil aircraft, engines and ground trainers, their parts, components, sub-assemblies, spare parts, equipment, and related tools;

/This sub-paragraph was modified by the law as of December 17, 2021/

Note:"Engines and ground trainers, their parts, components, sub-assembly parts, spare parts, equipment, and related tools" means products specified in the annex of the "Agreement on Trade in Civil Aircraft" of the World Trade Organization, which Mongolia joined on October 12, 2018.

13.1.7.revenues from the sale of premises or part of it used for residential purposes;

13.1.8.blood, blood products, and organs to be used for medical treatment;

13.1.9.gas fuel, its container, equipment, special purpose machineries, devices, and accessories;

13.1.10.bill, commemorative coins, banknotes, and their models ordered abroad by Mongol Bank;

/This sub-paragraph was modified by the law as of April 22, 2022/

13.1.11.sold gold;

13.1.12.experimental products of research and science work;

13.1.13.exported mineral product except those stated in Article 12.1.7 of this Law;

- 13.1.14.loans transferred by banks, non-banking financial institutions and other legal entities to banks, special purpose companies or mortgage firms with the purpose of issuing asset-backed securities, and any title arising out of financial lease agreement;
- 13.1.15.crops, potato, vegetables, saplings, fruits grown and sold by farmers domestically and flour produced by them;
- 13.1.16.carcass and cuts of meat produced at plants and sold in the territory of Mongolia, unprocessed offal and byproducts;
- 13.1.17.milk and milk products produced with domestic raw materials in the territory of Mongolia and sold domestically;
- 13.1.18.equipment and parts designed for small and medium size enterprises produced and sold in the territory of Mongolia;
- 13.1.19.raw materials, inputs and reagents that are required to manufacture new goods and products for domestic and foreign markets through innovation projects but are not produced domestically;
- 13.1.20.imported logs, timber, sawn timber, planks, wooden workpieces, semi-finished wooden materials;
- 13.1.21.raw or washed, combed cashmere and hides that are exported;
- 13.1.22.materials, equipment, substances and devices to be used for study and restoration of cultural heritage;
- 13.1.23.the goods purchased, work performed, and services provided for the official use of diplomatic representative and consular offices and for personal use of their employees of Mongolia residing abroad, if such goods work, and services for the official use of diplomatic representative and consular offices and for personal use of their employees of foreign country who are residing in the territory of Mongolia are exempted from tax in that foreign country;
- 13.1.24.International postal parcel sent to an individual containing goods not more than two in quantity, with value of no more than 10-fold increase in the minimum wage and 30-fold increase in the minimum wage in the case of laptops;
- 13.1.25.special purpose machinery, devices, equipment, accessories, raw materials, inputs, chemical and blasting substances, spare parts imported by contractors or subcontractors during the entire exploration period or within the initial five years of mining for operations involving petroleum or non-conventional petroleum;
- 13.1.26.reports, samples and petroleum involving petroleum or non-conventional petroleum;
- 13.1.27.goods with value of up to three million tugrugs purchased by passengers in the free zones;
- 13.1.28.renewable energy research and production equipment, its accessories or spare parts.

/This sub-paragraph was added by the law as of December 18, 2015/

13.2.The list of goods referred in Articles 13.1.6, 13.1.9, 13.1.12, 13.1.18, 13.1.19, 13.1.20, 13.1.22, and 13.1.28 of this law shall be approved by the Government.

/This paragraph was amended by the law as of December 18, 2015/

/This paragraph was amended by the law of March 22, 2019/

/This paragraph was amended by the law as of December 30, 2021/

13.3.Article 13.1.4 of this Law shall not apply to the purchase of non-special purpose cars.

13.4.Article 13.1.7 of this Law shall not apply to residential buildings or part of it which was newly constructed for the purpose of selling.

13.5.The following services shall be exempt from tax:

- 13.5.1.currency exchange service;
- 13.5.2.banking services, such as the receipt or transfer of, or any dealing with, money, any security for money or any note or order for the payment of money and the operation of any savings account;
- 13.5.3.services of insurance, insurance brokerage, reinsurance and registration of property;

13.5.4.issue, transfer or sale, receipt of any securities and shares, and underwriting of such securities;

13.5.4.registration, issuance, trading, transfer, sale, reception, and storage of financial instruments in the primary, secondary and non-exchange markets, as well as guarantee service;

/This sub-paragraph was modified by the law as of March 22, 2019/

13.5.5.loan grant services;

13.5.6.provision or transfer of an interest on social and health insurance fund;

13.5.7.interest of banks or non-banking financial institutions, savings and loan cooperatives, interest specified in Article 9.4 of the Law on Business Entity Income Tax also specified in Article 10.1.3 shares, securities, other financial instruments, financial lease interest, dividends, loan guarantee fees and insurance contract fee payment services;

/This sub-paragraph was amended by the law as of March 22, 2019/

13.5.8.services to rent buildings that have been built for residential purposes and being used for the same purpose or part of it;

13.5.9.educational and professional service mentioned in the regulation of the citizen or legal entity that is engaged in and has a permit to conduct educational and professional training;

/The word "special" was removed from this sub-paragraph by the law of June 17, 2022, and it will be entry into forced from January 1, 2023/

13.5.10.medical services;

13.5.11.services of religious organizations;

13.5.12.public services. These shall include public services rendered by the Government, its agencies, and publicly funded institutions;

13.5.13.public transport services stated in Article 3.1.11 of the Law on Transport;

13.5.14.tour operating services such as to receive tourists, planning of the service, its advertising and preparation of relevant documents provided to foreign tourists by legal entity engaged in tour businesses on the bases of a contract which was concluded with foreign tourist organization;

13.5.15.cultural heritage restoration service;

13.5.16.funeral service;

13.5.17.the source income distributed from state budget to and investment income of fund to the future inheritance fund.

/This sub-paragraph was added by the law as of February 5, 2016/

13.5.18.veterinary service;

/This sub-paragraph was added by the law as of December 8, 2017/

13.5.19.notary service;

/This sub-paragraph was added by the law as of May 30, 2019/

13.5.20.virtual asset service.

/This sub-paragraph was added by the law as of December 17, 2021/

13.6.Entities that have sold goods, work, and services worth less than 50 million tugrugs annually /other than imported/ shall be exempt from value added tax.

13.7.Article 13.5.10 of this Law shall not apply to manufacturing and selling of drugs, medicines, medical devices and equipment.

13.8.Services specified in Article 13.5.14 of this Law shall not include services of tourist camps, restaurants, transportation of tourists, tour guide and hotel services.

13.9.In case goods, works and services were transferred to others for free of charge or used for personal use other than the usage in the internal circulation of manufacturing, then the value added tax shall not be exempted.

13.10.Article 13.1 of this Law shall not apply to the intermediate sales of goods stated in Articles 13.1.15, 13.1.16, 13.1.17 of this Law.

13.11.Procedure of exemption of goods obtained from foreign governments and international organizations through humanitarian and grant aid, and goods, work, and services purchased in

domestic markets using funds /monetary asset/ provided by Governments of foreign countries and international organizations as part of grant and humanitarian aid and soft loans shall be approved by the Government member in charge of financial and budgetary issues.

13.12. Certain public services contracted in full or part by non-public entities through funding based on government decisions or contracts shall not be covered under Article 13.5.12 of this law.

13.13. When exempting foreign diplomatic and consular offices, and their employees from the value added tax specified in Article 13.1.23 of this Law, the principle of repayment of already paid value added tax shall be adhered to.

13.14. Goods, work, and services funded pursuant to international treaties signed by the government of Mongolia with foreign governments or international organizations;

13.15. Names of projects and events stated in Article 13.14 of this Law, its implementing entities, amount of project funding, and implementation period shall be approved by the Government.

CHAPTER SEVEN DEDUCTION AND REFUND OF TAX

Article 14. Deduction of tax

14.1. The following tax paid by an individual or legal entity in conformity with Articles 7, 8 and 11 of this Law during the period since registering as a taxpayer shall be deducted from the value added tax to be paid to the Government:

14.1.1. paid for goods, work, and services purchased for the purposes of production and services in the territory of Mongolia;

14.1.2. paid for goods imported for the purposes of sale, production or service;

14.1.3. paid for good, work and services imported or purchased from others from the day of application for registration as a withholding value-added taxpayer until the day of registration as withholding value-added taxpayer;

14.1.4. if individuals and legal entities engaged in animal husbandry and farming has produced or grown on their own, and sold meat, milk, egg, hide, sheep, camel wool, cashmere, yak wool, five kinds of livestock for meat processing industry, potato, vegetables, fruits and domestically produced flour not undergone basic processing to local manufacturers, then it shall be considered that 10 percent value-added tax is included in the price and the value-added tax to be paid by the purchaser of those items shall be deducted at the same percent;

/This sub-paragraph was amended by the law as of March 22, 2019/

14.1.5. value added tax paid for goods, work, and services imported or purchased for arranging fixed assets as well as for purchasing fixed assets tax paid for import will be deducted proportionally for the following period:

14.1.5.a. buildings and facilities for 10 years;

14.1.5.b. equipment for 5 years; /This includes the cost of exploration activities/

14.1.5.c. direct fixed assets other than those specified in Articles 14.1.5.a and 14.1.5.b of this law.

/This sub-paragraph was modified by the law of March 22, 2019/

14.2. If basic raw materials specified in Article 14.1.4 of this Law have been imported or sold and resold, deduction shall not be made from the payable value added tax. If the cooperative member sells the goods specified in Article 14.1.4 of this law to domestic producers, it shall not be considered as such sale.

/This sub-paragraph was amended by the law as of May 6, 2021/

14.3. Receipt shall be given each and every time when goods are sold, work is performed or services are provided between withholding value-added taxpayers and value added tax invoice shall be issued for a single or combined receipts.

14.4. Value added tax shall be deducted based on value added tax invoice that confirms sale of goods, work and services between the withholding value-added taxpayers.

14.5. The value-added tax shall not be deducted if the fact that payment of value-added tax has been made by the withholding value-added taxpayer to the supplier is not stated in the invoice, value-added tax invoice or other accounting vouchers.

14.6. The value-added tax paid for importing or purchasing the following goods, work, and services shall not be deducted from the total amount of value-added tax payable by the withholding taxpayer:

14.6.1. passenger cars, its parts and spare parts;

14.6.2. goods, work, and services purchased for personal and employee's needs;

14.6.3. goods, work, and services imported or purchased for manufacturing or services specified in Article 13 of this Law;

14.6.4. imported or purchased goods, work, and services that are not applicable to the goods, work, and services taxable in the current tax period;

14.6.5. imported and purchased goods, works and services for pre-commissioning activities.

/This sub-paragraph was amended by the law as of March 22, 2019/

14.7. Article 14.6.1 of this Law shall not apply to a withholding taxpayer which is engaged in sale of passenger cars, its parts and spare parts as mentioned in its contracts and rules.

14.8. In case the amount of deduction to be made in a given month as specified in Article 14.1 of this Law exceeds the amount of value added tax payable for the same period, the tax authority shall resolve the issue in the following manner:

14.8.1. to carry it forward to the value-added tax payable in the following month, quarter or year;

14.8.2. to carry it forward to other types of taxes payable to the budget according to laws;

14.8.3. refunding the taxpayer.

14.9. In case the withholding value-added taxpayer used some part of the goods, work and services imported or purchased for production or services to earn taxable revenue and remaining part of it to earn tax-exempt revenue or used these for production and services that are not applicable to earning taxable revenue, only the value-added tax that is chargeable on the taxable production and services shall be deducted.

14.10. If the withholding value-added taxpayer sells goods or performs work and services for the entity stated in Article 13.1.3 of this Law, Article 14.6.3 of this Law shall not apply

/This paragraph was amended by the law as of March 22, 2019/

14.11. The withholding value added taxpayer shall deduct based on the contract schedule for purchase of goods, work and services pursuant to Article 7.2.16 of this Law at the amount of value-added tax paid according to that schedule.

Article 15. Tax refunds

15.1. Value added tax overpaid by the withholding value-added taxpayer shall be refunded according to the following procedure:

15.1.1. the withholding value-added taxpayer shall submit its refund request in writing to the relevant tax department at the time of settling and filing its taxes;

15.1.2. relevant tax authority shall submit its proposal upon its review and confirmation within 15 working days after the receipt of the request specified in Article 15.1.1 of this law to state administrative body in charge of taxation issues.

/This sub-paragraph was amended by the law as of March 22, 2019/

15.2. The following financial incentives may be provided to the value-added taxpayer:

15.2.1. refund up to 20 percent of the value-added tax paid by the taxpayer who meets conditions and requirements stated in Article 15.3 of this Law for purchases made with the withholding value-added taxpayer for the quarter;

/This sub-paragraph was amended by the law as of March 22, 2019/

15.2.2. through lottery wins.

15.3. The value-added taxpayer shall be refunded in case the following conditions and requirements are met:

15.3.1. provided that it is purchased from the value-added taxpayer;

15.3.2.provided that purchase is registered with the tax department;

15.3.3.ensure that it is goods, work, and services which have been imposed value added tax;

15.3.4.provided that it is registered in the means of register or register equipment.

15.4.Pursuant to Articles 15.2.1 of this Law, the tax department shall generate and confirm the amount of refund payable for the quarter for each value-added taxpayer within the 10th of the next month of the register system and submit to state administrative body in charge of taxation issues along with the value added tax refund proposal.

/This paragraph was modified by the law as of March 22, 2019/

15.5.Value-added tax paid for goods, work and services for official use of diplomatic representative or consular offices and personal use of its employees shall be refunded.

15.6.The entities seeking refund stated in Article 15.5 of this Law shall submit their request for refund of value-added tax paid for goods, works and services purchased from local market for the given month, together with relevant documents to the administrative body in charge of taxation issues within the 10th day of the following month.

15.7.The state administrative body in charge of taxation issues shall review the request and proposal submitted pursuant to Articles 15.1.2, 15.4, 15.6 of this Law and determine the amount of refund, and notify the value-added taxpayer accordingly within seven working days of receipt in writing or electronically. It shall review the amounts of refund and debt, and send its proposition to refund to the State central administrative body in charge of financial and budgetary issues within two working days.

15.8.The state administrative body in charge of financial and budgetary issues shall make a decision to refund within 45 working days of receipt of the proposition.

15.9.Procedures to review and confirm and enter into books the deduction stated in Article 14 of this Law and refunds stated in Articles 15.1, 15.2.1, 15.5 shall be approved by the Government member in charge of financial and budgetary issues.

15.10.The amount of refund stated in sub-paragraph 15.2.1 of this Law shall be approved by the Government member in charge of financial and budgetary issues depending on the mode of payment along with the forms of incentive stated in Article 15.2.2 and its procedure.

15.11.The entity specified in Article 6.7 of this Law shall have a right to have value-added tax deduction made and to get the return of its tax overpaid.

15.12.Tax shall be returned from state budget every month, if one has exported its own manufactured products, and value-added tax of other taxpayers shall be returned once a quarter.

15.13.The value-added tax to be returned shall be a part of the state budget and shall not exceed 30 percent of the same type of tax to be collected in the same month, quarter or year.

15.14.The deduction stated in Article 14 of this Law and the incentives stated in Article 15.2 of Article 15 of this shall not overlap.

15.15.Article 15.2 of this law does not apply to taxes paid on goods, works and services imported by the taxpayer.

/This paragraph was added by the law as of March 22, 2019/

CHAPTER EIGHT COLLECTION OF TAX TO BUDGET AND REPORTING OF IT

Article 16.Imposition, collection and reporting of tax

16.1.The withholding taxpayer shall transfer the value-added tax imposed on goods, work and services to the consolidated account of the state treasury within the 10th of the following month according to the below-mentioned procedures and submit the report to the relevant tax authority using the approved forms:

16.1.1.the withholding taxpayer shall pay the due value added tax imposed on goods, work, and services sold for the month;

16.1.2.when a non-resident entity purchases goods, work and services stated in sub-paragraph 7.2.5 of this law that have not been declared at customs, it shall withhold the value added tax and pay to the government;

- 16.1.3. Article 16.1.2 shall not apply to the goods imposed value-added tax pursuant to Article 16.2 of this Law;
- 16.1.4. the value added tax imposed on goods, work, and services considered as payment for debts specified in Article 7.2.4 of this Law shall be paid by the entity who is paying such payment.
- 16.2. Taxes on imported goods shall be imposed and filed in the following manner:
- 16.2.1. customs authority shall impose taxes on imported goods specified in subparagraphs 7.1.2 and 8.1.1 of this Law in accordance with Article 9.1.1 and 11.1 of the same Law and take measures to collect it;
- 16.2.2. the importer shall transfer the taxes imposed in accordance with subparagraph 16.2.1 of this Law to the consolidated account of the state treasury;
- 16.2.3. the Central customs authority shall prepare the monthly report on tax payment before the 10th day of the following month and the annual report before the 15th of January of the following year and submit it to the State central administrative body in charge of budgetary matters;
- 16.2.4. the value added tax which shall be imposed on gasoline and diesel fuel imported for the purpose of creating company reserve shall be imposed based on the Government resolution listing the names of the economic entities those are to create company reserve, amount and quantity of mandatory reserve of gasoline and diesel fuel, and a period of its re-charge on a day when the sale to create the company's reserve started;
- 16.2.5. the value added tax on gasoline and diesel fuel that equal to 30-day supply of Mongolia other than those imported to create company reserve by the company licensed to engage in wholesale trading and manufacturing of oil products, shall be imposed after 30 days.
- 16.3. The value added tax return form for imported goods specified in Article 16.2 of this Law shall be approved by head of the central customs authority.
- 16.4. Information on value-added tax imposed and collected on imported goods shall be submitted by the customs authority to the tax department in a timely manner.

CHAPTER NINE MISCELLANEOUS

Article 17. Unified and customer systems

- 17.1. The Government member in charge of financial and budgetary issues shall approve the procedure on operation of service providers of integrated and user system.
- 17.2. The integrated system administrator shall be responsible for the following:
- 17.2.1. ensure smooth operation of the integrated system;
- 17.2.2. enter data transmitted by the user system into the primary database system completely and accurately and report to the competent authority;
- 17.2.3. manage matching and refund of the value-added tax incentives, and the procedure shall be approved by the Government member in charge of financial and budgetary issues.
- 17.3. The withholding taxpayer shall engage in the following activities:
- 17.3.1. data on payments made by the value-added taxpayers shall be recorded in the user system each time payment is made;
- 17.3.2. receipt shall be issued to the taxpayer each time goods, work, and services are sold;
- 17.3.3. data on the receipts recorded in the user system shall be sent to the integrated sales system within three days;
- 17.3.4. records of value-added tax invoices that confirm sale of goods, work and services between the withholding value-added taxpayers shall be entered in the relevant database and data shall be sent to the integrated system within a week.
- 17.4. The withholding taxpayer shall have user system.
- 17.5. It shall be prohibited for the withholding value-added taxpayer to refuse to issue receipt or issue fraudulent receipt or receipt which has an amount different from the payment made.

17.6. In case the withholding value-added taxpayer has issued a receipt with a different amount or has refused to issue a receipt, the value-added taxpayer shall be obligated to notify accordingly the administrative body in charge of taxation issues or relevant tax department immediately.

17.7. Entities other than those mentioned below shall not be entitled to review the data on receipts transmitted by the user system supplier and shall be prohibited to disclose it:

17.7.1. tax departments;

17.7.2. statistical office;

17.7.3. the entity that transmits the data.

Article 18. Entry into force of the Law

18.1. This law shall be entry into forced from January 1, 2016.

CHAIRMAN OF THE STATE GREAT KHURAL OF MONGOLIA

Z. ENKHBOLD