

# Amendments to the Minerals Law and related tax issues

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## In brief

On April 19, 2024, the Mongolian Parliament approved the Law on the Sovereign Wealth Fund. This legislation outlines the procedures for establishing, distributing, and managing the Sovereign Wealth Fund. The primary objective of this law is to ensure the equitable and fair distribution of mineral resource benefits to every citizen of Mongolia, both present and future.

In connection with the approval of this law, respective amendments (“**Amendments**”) have been made to the Minerals Law. Thus, we hereby highlight the new regulations introduced by these Amendments, along with related tax changes.



## Key updates to the Minerals Law

### Restrictions imposed on shares

16 deposits have been classified as strategically important mineral deposits according to Resolution No. 27 approved by the Mongolian Parliament on February 6, 2007.

The recent Amendments prohibit any entity, either alone or jointly with affiliated parties (except for legal entities that have signed an Investment Agreement with the Government of Mongolia or state-owned legal entities), from owning more than **34 percent** of the total issued shares in a legal entity holding a license for a strategically important deposit.

Notably, the law does not specify a time frame for compliance with this new requirement.

### Authorized representative

Failure to meet the above requirement will result in the state appointing an authorized representative. This authorized representative will assume the responsibility of managing the legal entity and ensuring compliance with the law.



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## Key updates to the Minerals Law (cont.)

### State ownership of shares in derivative deposits associated with strategically important mineral deposits



Sections 5.4 and 5.5 of the Minerals Law specify that the percentage of state ownership in mineral deposits of strategic importance ranges from 34 percent to 50 percent, depending on whether exploration work is conducted with state budget.

The recent Amendments extend this regulation to both the original mineral deposits of strategic importance and their **derivative deposits**. In practical terms, the state will acquire shares from holders of licenses for derivative deposit associated with strategically important deposits, following the same principle outlined above.

### Pending procedures

In connection with the amendments to the Minerals Law, the "Operational Procedures for the Authorized Representative" will be enacted. The Government of Mongolia will endorse these procedures within its authority.



## Related tax changes

### Special tax rate

The tax is levied at a rate of **30 percent** if the beneficial owner of a mining license holder for a strategically important mineral deposit fully or partially transfers the right to own and use land, as well as exploration and exploitation licenses for minerals, radioactive minerals, and oil. Such transfers may occur through gifting or bequeathing shares, participation, or voting rights of a legal entity.



If you need advice on the above topics or other issues, please contact us. For more information on the amendments to the Minerals Act, click [here](#).

