




On August 30, 2024, the Parliament of Mongolia amended the Law on the 2024 State Budget. These amendments included revisions to the Corporate Income Tax (CIT) Law, introducing tax incentives for expenses related to social activities. Additionally, changes were made to the CIT Law, Value Added Tax (VAT) Law, Excise Tax, and Customs Duty laws, in accordance with amendments to the Law on the Legal Status of Herder Household Associations, the Law on Organic Products, and the Law on the Legal Status of Towns and Villages.

On the same date, the Government presented the draft State Budget for 2025 to the Parliament, which is currently under discussion. Along with the draft budget, several proposed amendments to tax laws were also submitted for parliamentary consideration.

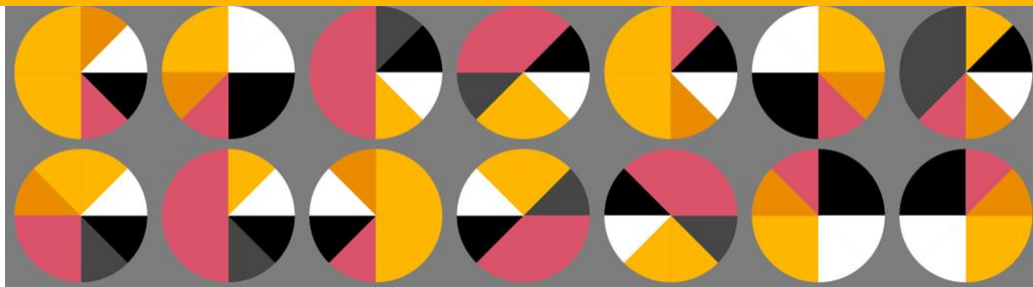
This alert aims to provide a brief overview of the tax law amendments enacted in 2024, as well as the proposed changes to tax legislation currently under review by the Parliament in conjunction with the 2025 state budget.

1. Amendments to the CIT Law

Date of Amendment	Content
17 January 2024	The CIT credit will be granted exclusively to income derived from the production of organic products, at a rate of 100% for the first five years, and 50% for the subsequent five years.
19 April 2024	In cases where the ultimate beneficial owner (UBO) of a special license for a strategically important mineral deposit transfers ownership, use rights, or special licenses for mineral and petroleum exploration and exploitation, either fully or partially, through gifting, inheritance, or other means, a tax rate of 30% will be applied. In all other cases, a tax rate of 10% will be imposed. (This amendment follows the enactment of the Law on the Sovereign Wealth Fund. For more information on the Sovereign Wealth Fund, please refer to our tax and legal alert by clicking here.)
16 May 2024	The CIT credit will be provided for the primary activities of cultural and creative industry operators, registered with the competent authority, at a rate of 90% for the first three years and 50% for the subsequent three years.
5 June 2024	The financial support and donations provided for the construction, furnishing, capacity enhancement, and expansion of facilities for care and welfare organizations have been included as other deductible expenses.
5 June 2024	Expenses incurred for the construction or renovation of public sanitation facilities, as well as costs directly related to the purchase and installation of surveillance cameras in nearby streets and public areas, will be fully deductible from taxable income.
5 June 2024	Accompanying with the Law on Supporting Information Technology Production, the sales income of legal entities registered in the virtual zone will be exempt from tax for the first five years.
30 August 2024	<p>In alignment with corporate social responsibility objectives, investments in fixed assets and financial support or donations provided to unrelated parties for the following activities, which are not directly related to the taxpayer's income-generating operations, will be eligible for the CIT credit:</p> <ul style="list-style-type: none"> ✓ Protection, enhancement, sustainable use, and restoration of natural resources such as forests, wildlife, and water; reduction of air, water, and soil pollution; and mitigation of desertification. ✓ Provision of care services for the elderly, persons with disabilities, and children; protection of their rights; creation of accessible environments for persons with disabilities; and construction and operation of playgrounds, camps, and parks for children. ✓ Protection and restoration of cultural heritage; operation of museums and libraries; creation, performance, and dissemination of music, films, crafts, and stage arts; and construction and operation of cultural and creative industry complexes. ✓ Construction, operation, protection, and maintenance of public roads, squares, and parks; support for public transportation development. ✓ Compensation for damages caused by force majeure and other similar disasters. ✓ Construction and operation of sports facilities; organization of Olympic-type competitions; and financial support provided to Olympic-type sports associations registered with the Mongolian National Olympic Committee, including teams, professional athletes, and coaches. ✓ Scholarships provided to students studying at foreign universities in priority areas announced by the Government, as well as to students at accredited domestic universities and vocational and technical education institutions. ✓ Scholarships provided for research purposes to universities and the Academy of Sciences. ✓ Operation of state and local government-owned educational and healthcare institutions. ✓ Operation of special government funds. ✓ Other restoration expenses. <p> <ul style="list-style-type: none"> • This CIT credit will be available until January 1, 2035. • The amount of the CIT credit shall not exceed 1% of the taxable income for the relevant tax year. • The requirements and standards for the development projects, activities, and operations eligible for the CIT credit will be approved and monitored by the responsible ministries. </p>

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1. Amendments to the CIT (cont'd)

Date of Amendment	Content
30 August 2024	<p>In connection with the previously mentioned CIT credit introduction, the following expenses shall not be deductible from taxable income:</p> <ul style="list-style-type: none"> Financial support provided to vocational education and training institutions for the purpose of training specialists on order. Donations up to 10 million MNT provided to non-governmental organizations established by persons with disabilities in Mongolia. Donations up to 100 million MNT provided to support the activities of sports associations and clubs, organize Olympic and continental competitions, and construct and operate sports facilities in compliance with international sports association standards. Donations and investments provided to the fund supporting vocational education and training. Donations provided to reduce air pollution. Donations provided to support cultural creative industries and protect cultural heritage, not exceeding 5% of the taxable income. Operational expenses for social welfare and care services performed under agreements with social welfare organizations.

2. Amendments to VAT

Date of Amendment	Content
5 June 2024	<ul style="list-style-type: none"> Primary unprocessed products such as meat, milk, hides, skins, wool, cashmere, camel wool, and yak hair which are sold by herders' cooperatives and herders will be exempt from VAT.

3. Amendments to the Law on Customs Tariffs and Customs Duties

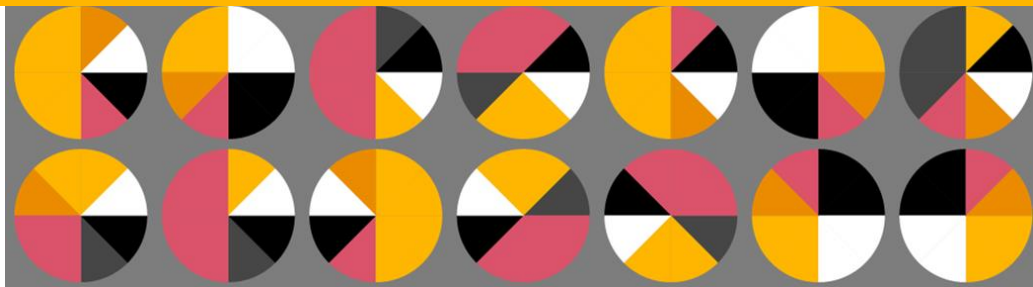
Date of Amendment	Content
16 May 2024	Large-scale sculptures and artworks that cannot be produced in Mongolia, as well as replicas of cultural heritage items brought into Mongolia from abroad, are exempt from custom duties.
5 June 2024	Building materials and equipment imported for the development of the New Zuunmod City project, which cannot be sourced domestically, as well as raw materials, primary and auxiliary materials for garment production that cannot be supplied by domestic production, are exempt from customs duties.

4. Law on Exemption from Customs Tariffs and Customs Duties, and VAT

Date of Amendment	Content
5 June 2024	<p>Additionally, the Government now has the authority to extend the payment period of customs duties and VAT for up to four years, or to allow partial payments over a four-year period, for imported building materials and equipment used in following major projects:</p> <ul style="list-style-type: none"> Major projects and initiatives that are consistent with the regional development policy and supported by a technical and economic feasibility study. Construction projects included in the general and partial master plans for the development of New Zuunmod City, backed by a technical and economic feasibility study. Projects for sports facilities that meet the requirements for hosting Olympic and continental competitions.

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5. Amendments to the Law on Excise Tax

On June 5, 2024, various beverages and water containing sugar or sugar substitutes were added to the list of goods and activities subject to excise tax. (This does not include natural concentrated juices and powdered concentrates used as raw materials for production.)

The excise tax will be applied to these beverages and water based on a specified unit per liter.

Types of Goods Subject to Excise Tax	Units	Amount of Excise Tax to be Levied			
		2027	2028	From 2029 onwards	
Sugar and Sugar Substitutes Contained per 100 ml	0-5 grams	1 liter	0	0	0
	5 grams or more	1 liter	₮ 500	₮ 525	₮ 550

This amendment will take effect on January 1, 2027.

6. Amendment to the Law on Immovable Property Tax (IPT)

Within the regional development project, the Citizens' Representative, as well as the Council of state-level cities, are now authorized to reduce the IPT rate for projects implemented under this policy by up to **0.6% for a period of up to 10 years**.

Additionally, public libraries, senior centers, primary healthcare facilities, and buildings constructed in accordance with national and local urban development projects for educational, cultural, and social welfare services that meet international standards **will be exempt from the IPT for the first 5 years** from the date of their commissioning. The list of real estate properties eligible for this tax exemption will be approved by the responsible ministries.

7. Proposed Amendments to Tax Laws Accompanying the 2025 "Budget Law"

Supporting Regional Development:

To promote projects, initiatives, investments, and manufacturing industries in line with the Government's prioritized regional development areas, the following changes to the CIT Law have been proposed:

- Projects aligned with the Government's prioritized regional development directions that focus on import substitution and export promotion will receive a 90% CIT credit on income derived from these activities for the first five years.

Transfer Pricing Reporting:

In relation to transfer pricing reporting, the threshold for multinational corporations required to prepare country-by-country transfer pricing reports is currently set at MNT 1.7 trillion in the CIT Law. Due to exchange rate fluctuations causing this amount to deviate from international standards when expressed in euros, it is proposed to change the threshold from MNT 1.7 trillion to EUR 750 million.



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