LAW OF MONGOLIA

July 09, 2015 Ulaanbaatar

LAW ON VAT

/Revised/

CHAPTER ONE
General provisions

Article 1. The purpose of the Law

1.1. The purpose of this Law is to regulate the relations with respect to the imposition of a VAT, the payment of VAT to the budget and the back-payment of the VAT from the budget.

Article 2. Legislation on VAT

2.1. The legislation on Value-added-tax (VAT) consists of General Taxation Law, this Law and other legislative acts enacted in conformity with the above laws.

Article 3. Scope of the Law

3.1. This Law shall apply when imposing VAT on imported and exported goods by citizens and legal entities, as well as goods sold or manufactured, works performed and services rendered in the territory of Mongolia.

Articel 4. Definitions of terms

4.1.The terms below used in this Law shall have the following meaning:

4.1.1."sales" refers to transfer of goods to ownership of others for payment, performing works, and provision of services;

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

4.1.3. “works” means “performing work” as defined in Article 31 of the Civil Code;

4.1.4. “services” means any activities other than sale of goods and performance of work;

4.1.5. "business activity" refers to full or partial sale of goods, performance of works and provision of services for the purpose of making profit or not for profit purposes;

4.1.6. “Resident or non-resident” refers to an individual or legal entity defined in the Economic Entity Income Tax Law or Personal Income Tax Law as follows;

4.1.6 a/ “Resident” refers to a taxpayer specified in Article 5.3 of the Economic Entity Income Tax Law who permanently resides in Mongolia and a taxpayer specified in Article 5.3 of the Personal Income Tax Law who permanently resides in Mongolia;

/ This article was amended by the Law of March 22, 2019./

4.1.6 b/ “Non-resident” refers to taxpayer specified in Article 5.5 of the Economic Entity Income Tax Law and Article 5.5 of the Personal Income Tax Law who does not reside permanently in Mongolia;

/ This article was amended by the Law of March 22, 2019./

4.1.7 “Premise used for residential purpose” means an apartment or private house put into use for the residential purpose but not for the business activities and that is subject to VAT under this Law;

4.1.8. “Day to assume that obligations to withhold value added tax is risen” means the day when the amount of sales revenue of an individual or legal entity that earns income from its activities specified in Article 3 of this Law has reached MNT 50.0 million or more;

4.1.9. “Goods received from foreign governments and non-government organizations, international or charitable organizations as humanitarian assistance or grant aid” means goods accepted for the purpose of removing damages resulted from force majeure or other equivalent disasters and goods received from international humanitarian organizations with no return payment as specified in agreements entered between the Government of Mongolia and foreign governments or international organizations. This includes goods, work or services purchased domestically with the funds provided by foreign governments and international or charitable organizations as part of grant aid or humanitarian assistance;

4.1.10. “Payment” means making cash or non-cash payments;

4.1.11. “Unit in charge of integrated system” means public administrative organization responsible for tax matters that arranges activities to collecting, processing and reporting the electronic bills information of goods, work or services which imported in Mongolia or exported from Mongolia or sold goods, performed works or rendered services in the territory of Mongolia by an entity or an individual;

4.1.12."Supplier of user system" means a legal entity that supplies components of registration and payments/estimations of the operations of an entity or an individual that imported in Mongolia or exported from Mongolia or sold goods, performed work or rendered services, verified equipment and system which operate in connection with the integrated system;

4.1.13. “VAT invoice” document on tax credits” refers to paper or electronic documents produced from the dedicated equipment which contains the information of dates that verifying payments made, non-recurring payment number, name, address and registration number with identifications of a tax withholder or seller and purchaser and name, code, quantity, price, payment and tax amount of sold goods, work or services;

4.1.14. “Payment receipt” refers to paper or electronic document produced from the dedicated equipment which contains the information of dates to verifying payments made, non-recurring payment number, name, address and registration number with identification sign of tax withholder or seller and code, quantity, price and payment and tax amount of sold goods, work or services;

4.1.15. “Non-recurring payment number” refers to non-recurring payment number which expresses registration number of tax withholder that engage in trade or services and branch number, payment date and payment sequential number in case of branch or representative office in continues denotation with no any intervals among them;

4.1.16. “Registration facility” means all kinds of payment registration facility capable to store and transfer the payment that validated by competent authority with specific identification sign which contain information on Payment receipt to verify purchase and sell of goods, work or services and payments made, payment card and its equivalent information;

4.1.17. “Registration machine” refers to cash machine with the specific purpose to register sales of tax withholder as specified in Payment receipt and pos terminal, its integral part, or its equivalent equipment with software program;

4.1.18. “Registry system” means the aggregate structure of operation to register and collect sales information of tax withholder in the registration machine using registration equipment with information on goods, work or services purchased by an individual or legal entity to the information database of tax administration;

4.1.19. “Date of registration as a VAT withholder” means the date when a taxpayer was registered as value added tax withholder and issued a certificate under this Law;

4.1.20. “Integrated system” refers to a system that has functionalities to collect, process and report the information of payment documents on goods sold, work performed, or services rendered by entity or person operating in Mongolia;

4.1.21."User system" refers to verified equipment and system which operate in connection with goods and warehouses intended to the entity or person operating in Mongolia, sales records, payment components and the integrated system of goods, work or services.

CHAPTER TWO

VAT payer, VAT withholder, and registration and deregistration of a taxpayer

Article 5. VAT Payer and Withholder

5.1**.** A VAT payer refers to an individual who has purchased and imported goods not for sales in any form or business purposes, but for personal use.

/ This article was amended by the Law of March 22, 2019./

5.2. A tax withholder refers to the following legal entity or person whose operational sales revenue reaches MNT50 million or more and that has obligation to withhold taxes and pay to the budget:

5.2.1. sold goods, works, or services in the territory of Mongolia;

5.2.2. imported goods, works, or services;

5.2.3. exported goods, works, or services.

5.3. Article 5.2 of this Law shall apply if the amount of income from the sale of goods, works and services sold by a Permanent Establishment of a foreign business entity specified in the Corporate Income Tax Law in the territory of Mongolia has reached 50 million MNT or more.

5.4. Salaries, wages, allowances, pensions, benefits, bonuses, and incentives paid to full time and part time employees working under an employment contract shall not be subject to VAT.

5.5. The “…sales revenue of MNT50 million or more” specified in Articles 4.1.8 and 5.2 of this Law shall not include the sale of fixed assets that had been registered with the person.

/ This article was amended by the Law of March 22, 2019./

5.6. Sales revenue amount that was specified in 5.2 of this Law shall be supported by the accounting records.

Article 6. Registration of a VAT payer

6.1. An individual or legal entity that is obligated to withhold tax under Article 4.1.8 of this Law shall file an application for registration as a withholding taxpayer to the relevant tax department within 10 working days.

/ This article was amended by the Law of March 22, 2019./

6.2. The respective tax department shall register the applicant as a VAT payer within 3 working days after the receipt of the application from the person specified 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 and legal entities engaged exclusively in goods, works and services exempt from tax specified in this Law.

6.4. If a taxpayer changes the type and form of organization, the taxpayer's relations, rights, and obligations shall be remain and appropriate changes shall be made to the certificate.

6.5. An individual or a legal entity may register as a tax withholder on voluntary basis when the sales revenue reaches 20 percent or more of the revenue specified in 5.2 of this Law.

6.6. The timeframes specified in Articles 6.1 and 6.2 shall apply to filing of an application for registration as VAT payer on voluntary basis and issuance of a certificate.

6.7. A VAT withholder shall be automatically registered with the system upon registration as a tax withholder and issuance of a certificate specified in 6.2 of this Law.

6.8. If an individual or legal entity has not earned taxable income specified in this Law after registration as a withholding taxpayer, or the amount of income has not reached the threshold for registration as a withholding taxpayer according to tax returns of 12 consecutive months, or it is proved that the taxpayer did not conduct business, it shall be de-registered by the relevant tax department and the certificate shall be revoked.

6.9. The state administrative body in charge of tax matters shall publish the list of individuals and legal entities registered and deregistered as tax withholders on a monthly basis through the mass media and the website.

6.10. Deregistration of a person as a taxpayer shall release them from his / her obligations as a tax withholder and shall not be a ground for not registering again.

6.11. The Commissioner of the state administrative body in charge of tax matters shall approve templates of the voucher, documents or the certificate specified in Articles 4.1.13, 4.1.14, 4.1.15 and 6.2 of this Law and the procedures for registration and de-registration of a tax withholder and a taxpayer.

CHAPTER THREE
Goods, works, and services subject to VAT

Article 7. Goods, works, and services subject to VAT

7.1. Unless otherwise provided by law, the following goods, works and services shall be subject to VAT:

7.1.1. all types of goods, works, and services sold in the territory of Mongolia;

7.1.2. all types of goods, works, and services imported from foreign country to Mongolia;

7.1.3. all types of goods, works and services exported from Mongolia.

7.2. The following activities shall be equally subject to 7.1:

7.2.1. Sale of titles;

7.2.2. Shareholders or stakeholders and tax withholders retain goods when the tax withholder was de-registered on the grounds specified in Article 6.9 of this Law or others and in the event of liquidation of a withholding legal entity on the grounds specified in Article 32 of the Civil Code;

~~7.2.3. Notary services;~~

/This Article was abolished by the law of May 30, 2019./

7.2.4. Repayment of debt by transferring goods, performing works and providing services;

7.2.5. Goods sold, works performed, and services rendered by a non-resident to a resident;

7.2.6. Provision of electricity, heat, gas, water supply, sewerage, post, communication, and other services;

7.2.7. Provision of goods on lease or allowing to possess or use them in other forms;

7.2.8. Lease of rooms in hotels or similar lodging or allowing to possess or use it in other forms;

7.2.9. Lease of immovable and movable property, or allowing to possess or use it in other forms;

7.2.10. Transfer, lease and sale of inventions, product designs, utility models, copyrighted works, software, trademarks, know-how and property information;

7.2.11. Issuing lotteries and provide quizzes or gambling services;

7.2.12. provision of intermediation service /intermediate, special right to intermediate, trade agent, commission or other equivalent/ that specified in Article 39 of the Citizens Law;

7.2.13. collecting interests, penalties, or due losses because of others faulty activity;

7.2.14. provision of assets valuation services;

7.2.15. budget financing, subsidies or bonuses granted by the state;

7.2.16. financing through purchase of claim rights (other equivalent deals including factoring and forfeiting);

7.2.17. provision of advocacy or legal consulting services;

7.2.18. all types of services other than those specified in Article 13 of this Law such as hair dressing, beauty, and maintenance services, laundering and dry cleaning;

7.3. The following conditions shall be met in imposing taxes on goods, work or services specified in 7.1 and 7.2 of this Law:

7.3.1. the person shall be a tax withholder under Articles 5 and 6 of this Law:

7.3.2. the sales shall have been made as a part of business activities.

7.4. Provision of the Article 7.2.5 of this Law shall not apply to Article 7.3.1 of this Law.

CHAPTER FOUR
Tax Assessment Procedures

Article 8. Assessment of the VAT

8.1**.** VAT shall be imposed under the following procedures:

8.1.1. each time when goods, works and services are imported, exported or sold;

8.1.2. where a financial lease item has been acquired, each time under the agreed lease payment schedule;

8.1.3. where a financing agreement item to purchase the claim right specified in 7.2.16 of this Law is acquired, each time under the agreed payment schedule.

8.2. "Industry classification of all types of economic activities" shall be followed in imposing tax on the income specified in Article 7 of this Law or exempting from such tax under Article 13 of this Law.

8.3. “Industry classification of all types of economic activities” specified in Article 8.2 of this Law shall be approved jointly by the Cabinet member in charge of finance and budget affairs and the Head of the National Statistics Office.

8.4. The Cabinet member in charge of finance and budget affairs shall approve the procedure related to payment of tax specified in Article 11.4 of this Law to the budget.

Article 9. Assessment of the amount subject to VAT

9.1. Amount subject to VAT shall be assessed under the following procedures:

9.1.1. The taxable amount of VAT for imported goods shall be determined by adding customs duty, excise and other tax on customs price which was determined in accordance with the Law on Customs tariffs and tax;

9.1.1. The value of imported goods subject to VAT shall be the Customs value determined under the Law on Customs Tariff and Customs Tax plus the Customs duty, excise and other taxes;

9.1.2. The value of goods, works and services sold in the territory of Mongolia subject to VAT shall be determined based on their current market prices and tariffs;

9.1.3. The value of activities specified in Articles 7.2.1 and 7.2.2 of this Law subject to VAT shall be determined based on current market prices and tariffs for those goods, works and services;

9.1.4. The value subject to VAT for individuals and legal entities engaged in lotteries, paid puzzles and gambling services shall be the total amount paid by the participants ;

9.1.5. The total amount, if the debt was settled through transfer of goods, performance of work or provision of services;

9.1.6. For brokerage services specified in Article 7.2.12 of this Law, the value of the services subject to VAT shall be determined based on the current market prices and tariffs, unless the brokerage service fees are specified in the brokerage contract;

9.1.7. For the person acquiring the claim right specified in 7.2.16 of this Law and financing the value subject to VAT shall be equal to the total value of the claim right less the value of financing.

/ This article was amended by the Law of March 22, 2019./

9.2. In the following cases, the value subject to VAT tax shall be determined by the relevant tax authority based on the current market price and tariffs:

9.2.1. The price or tariff of the sold goods, performed works and rendered service is uncertain;

9.2.2. Goods, works, and services are exchanged;

9.2.3. Related parties transfer goods, works and services to each other free of charge or at prices or tariffs lower or higher than the market price.

9.3. If the value subject to VAT is assessed in a foreign currency, it shall be converted into MNT based on the exchange rate of the Bank of Mongolia on the date specified in 10.2 of this Law.

Article 10. The period subject to tax assessment

10.1. The sales of the VAT withholder shall be subject to VAT starting from the date of issuance of the certificate by the tax administration.

10.2. Each time when goods are sold, works are performed and services are rendered, VAT shall be imposed from the earliest of the dates when the following actions took place:

10.2.1. The date on which the seller received income from the sale of goods, works and services;

10.2.2. The date of sale of goods, works and services and receipt of payment and invoice;

/ This article was amended by the Law of March 22, 2019./

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

10.3. The period for imposition of VAT on electricity, heat, gas, water supply, post, telecommunications and other regular services shall be determined as of the date on which the payment receipt was made or the date on which the payment was received.

10.4. The period for imposition of VAT on goods specified in 7.2.2 of this Law shall be determined by the date on which the goods are retained.

10.5. If the goods are imported, the period for imposition of VAT shall be set on the date the goods are declared to the Customs.

CHAPTER FIVE
VAT RATE

Article 11. VAT rate

11.1. 10 percent VAT shall be imposed on the sales value of goods, works and services specified in 7.1.1 and 7.1.2 of this Law.

11.2. Zero / "0" / rate VAT shall be imposed on goods, works and services specified in 7.1.3 of this Law.

11.3. 0-10 percent VAT shall be imposed on imported gasoline or diesel fuel.

11.4. The rate of VAT imposed on imported and manufactured petrolium and dissiel fuel shall be determined by the Government within the limit specified in article 11.3 of this Law taking into account the specifics of the industry.

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

12.1. Following goods, works and services exported shall be taxed at rate specified in the article 11.2 of this Law:

12.1.1. Goods exported from the territory of Mongolia and declared to the Customs;

12.1.2. International passenger and freight services from Mongolia to overseas, from overseas to Mongolia, as well as through Mongolian borders under an international treaty to which Mongolia is a party;

12.1.3. Services provided outside the territory of Mongolia (including tax exempt services);

12.1.4. Services provided to non-residents of Mongolia (including tax exempt services);

12.1.5. Air traffic control, technical and fuel services, cleaning, and the flight crew and passengers catering services provided to domestic and foreign aircraft operating international flights;

12.1.6 State medals, banknotes and coins produced domestically by order of the Government and the Bank of Mongolia;

12.1.7. Finished product of mineral resources.

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 situated in the territory of Mongolia.

12.3. Article 12.1.1of this Law shall apply to tax withholder in exports business under a contract signed with a non-resident.

/ This article was amended by the Law of March 22, 2019./

12.4. Article 12.1.2 of this Law shall not apply to transportation handled separately within the border of Mongolia in relation to international passenger and freight transportation services.

12.5. The type, classification and code of the finished export minerals specified in the article 12.1.7 of this Law shall be established by the Cabinet.

CHAPTER SIX
Exemption from VAT

Article 13 . Exemption from VAT

13.1. Following goods shall be exempted from VAT :

13.1.1. Goods for personal use approved by the Customs and in the amount allowed for duty-free entry for passengers;

13.1.2. Goods imported for the needs of foreign diplomatic missions and consulates, the United Nations, and its specialized branches permanently residing in the territory of Mongolia;

13.1.3. Goods received from foreign governments and international organizations on grants, humanitarian aid and soft loans;

13.1.4. Special purpose appliances, equipment, and vehicles for use by persons with disabilities;

13.1.5. Weapons and special equipment imported for the needs of the armed forces, police, and organizations for national security, court decision enforcement, state protection and the Anti-Corruption Agency;

/ This article was amended by the Law of March 22, 2019./

/ This article was amended by the Law of May 14, 2020./

13.1.6 passenger aircraft and their spare parts;

13.1.7. income from the sale of an establishments used for housing purposes or part thereof;

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

13.1.9. gas fuel, its containers, equipment, special purpose machinery, facilities, and equipment;

13.1.10. the national currency of Mongolia made by order abroad;

13.1.11 gold sold;

13.1.12. experimental products of scientific research;

13.1.13. mineral products exported other than those specified in 12.1.7 of this Law;

13.1.14. any claim right arising from a loan or financial lease agreement transferred from a bank, non-bank financial institution or other legal entity to a bank, special purpose company or housing finance company for the purpose of issuing asset-backed securities;

13.1.15. crops, potatoes, vegetables, seedlings, fruits and berries grown and sold by farmers locally and flour produced;

13.1.16. lean and processed meat, unprocessed internal organs and by-products sold domestically in the territory of Mongolia;

13.1.17. milk and dairy products processed and sold domestically in the territory of Mongolia;

13.1.18. equipment and spare parts for small and medium enterprises manufactured and sold in the territory of Mongolia;

13.1.19. raw materials, materials, and reagents to be used in production of new goods and products in the domestic and foreign markets as part of innovation project;

13.1.20. imported round timber, logs, sawn timber, planks, lumber, and semi-finished timber;

13.1.21. raw, washed, and combed cashmere and leather exported;

13.1.22. Materials, tools, equipment, substances, and tools to be used for research and restoration of cultural heritage;

13.1.23. Goods, work, or services purchased in the territory of Mongolia for the official use of a diplomatic missions and consular offices or for the personal use of their employees residing in Mongolia if purchased goods, performed works, and provided services for the official use of a diplomatic missions and consular offices of Mongolia or for the personal use of their employees in foreign countries are exempted from tax in respective countries;

13.1.24. An international postal item addressed to an individual with no more than two identical goods of value not exceeding 10 times the minimum monthly wage and 30 times the minimum monthly wage for a laptop;

13.1.25. Special purpose machinery, equipment, raw materials, chemicals, explosives, and spare parts imported by contractor or sub-contractor during an exploration activity or during the first five years of mining for the purpose of petroleum and non-conventional petroleum extraction activities;

13.1.26. Reporting material, samples and petroleum related to petroleum and non-conventional petroleum

13.1.27. Goods worth up to MNT3 million purchased by a passenger in the free trade zone.

13.1.28. Renewable energy research and production equipment, its accessories, and spare parts

/ This article was amended by the Law of December 18, 2015./
/ This article was amended by the Law of March 22, 2019./

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

13.4. Article 13.1.7 of this Law shall not apply to a newly built apartment building for sale or its part.

13.5. Following services shall be exempted from VAT:

13.5.1. currency exchange;

13.5.2. Banking services related to receiving, transferring money, issuing guarantees, payment invoices, promissory notes and savings accounts;

13.5.3. Insurance, insurance brokerage, reinsurance, and property registration services;

13.5.4.Services for issuing, transferring, selling, receiving, and issuing guarantees for securities and shares;

13.5.4. The activities of registering, issuing, trading, transferring, selling, receiving, storing financial instruments specified in Article 4.1.6 of the Securities Market Law in the primary, secondary and over-the-counter markets and issuing guarantees for them;

/ This article was amended by the Law of March 22, 2019./

13.5.5. Lending services;

13.5.6. Services for payment and transfer of interest on investment of social and health insurance funds;

13.5.7. . Services to pay interests banking and non-bank financial institutions, savings and credit cooperatives, interests specified in Article 9.4 of the Corporate Income Tax Law, shares, securities, other financial instruments specified in Article 10.1.3. of the Law, financial lease interests, dividends, loan guarantee fees and insurance contract fees;

/ This article was amended by the Law of March 22, 2019./

13.5.8. rent of an apartment built for residential purposes and a certain part of it;

13.5.9.education and vocational training services specified in the charter of individuals and legal entities licensed to conduct educational and vocational training activities;

13.5.10. health services;

13.5.11. services of religious organizations;

13.5.12. services provided by government organizations. This includes public services provided by the government, its agencies, and budgetary entities;

13.5.13. public transportation services specified in 3.1.11 of the Law on Road Transportation [6];

13.5.14. services provided to foreign tourists (tour operator) by a legal entity engaged in tourism activities by concluding an agreement with a foreign tourism organization to receive tourists, plan and advertise the service, and prepare documentation;

13.5.15. restoration and repair of cultural heritage;

13.5.16. funeral services.

13.5.17. receipts and sources of revenue allocated from the state budget to the Future Heritage Fund and investment returns of the fund.

/ This provision was added by the Law of February 05, 2016 /

13.5.18. Veterinary services.

/ This article was amended by the Law of December 08, 2017./

13.5.19. Notary services.

/ This article was amended by the Law of May 30, 2019./

13.6. A person who sells goods, works and services worth less than MNT50 million per year (except for import) shall be exempted from VAT.

13.7. Article 13.5.10 of this Law shall not apply to the production and sale of drugs, medicines, medical devices and equipment.

13.8. The services specified in 13.5.14 of this Law shall not include tourist camps, restaurants, tourist transportation, guiding and hotel services.

13.9.Goods, work, or services transferred for free, in any forms, to others or for personal use other than consuming in the internal production cycle shall not be exempted from VAT .

13.10. Article 13.1 of this Law shall not apply to persons doing resale of the goods specified in articles 13.1.15, 13.1.16 and 3.1.17 of this Law.

13.11. Government cabinet member in charge of finance and budget matters shall approve the procedures to adhere to the tax exemptions of goods, work or services purchased in the local market using the funds (monetary assets) extended by foreign country government and international organizations under the goods received through humanitarian assistances and grant aides of foreign government and international organizations.

13.12. Services provided by non-governmental organizations that receive funding based on the government decisions and agreements and perform certain functions of the state executive body in full or in part shall not be subject to Article 13.5.12.

13.13. The VAT refund principles shall apply to VAT exemption for foreign diplomatic missions and consulates and their employees under Article 13.1.23 of this Law.

13.15. The Government shall approve the name of the project or activity specified in 13.14 of this Law, the person implementing it, the amount of project financing and the project implementation period.

CHAPTER SEVEN
VAT deduction and refund

Article 14. VAT deduction

14.1. The following taxes paid under Articles 7, 8 and 11 of this Law after the registration of an individual or legal entity as a VAT withholder shall be deducted from the VAT payable to the budget:

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

14.1.2. VAT paid for goods imported for sale, as well as for production and service purposes;

14.1.3. VAT paid for goods, works and services imported or purchased from others from the date of application for registration as a VAT withholder to the date of registration as a VAT withholder;

14.1.4. if an individual or a legal entity engaged in livestock breeding and agricultural production sells meat, milk, and eggs, processing of hides, sheep and camel wool, cashmere, and yak wool and meat prepared and grown by themselves that have not gone through primary processing to local producers, then it shall be deemed that 10 percent VAT is included in the value and the VAT withholder who purchased these shall be subject to 10 percent VAT exemption.

/ This article was amended by the Law of March 22, 2019./

14.1.5. Taxes paid on goods, works and services imported or purchased for the preparation of fixed assets and taxes paid on the purchase and import of fixed assets shall be deducted in equal proportion over the following periods:

14.1.5.a. 10 years for buildings and structures;
14.1.5.b 5 years for equipment; / This includes exploration costs./
14.1.5.c. straight away for fixed assets other than those specified in 14.1.5., and 14.1.5.b of this Law.

/ This article was amended by the Law of March 22, 2019./

14.2. No deduction shall be made from the tax payable if the primary raw materials specified in 14.1.4 of this Law are imported or purchased and resold. If a cooperative marketed its member's goods specified in Article 14.1.4 of this Law to a domestic producer, it shall not be deemed as a resale.

/ This article was amended by the Law of May 06, 2021./

14.3. A payment receipt shall be issued on each transaction between VAT withholders to sell goods, perform work or render service, and a VAT voucher shall be created on each of these receipts or in consolidated manner.
14.4. Tax deductions shall be made based on the VAT voucher that verifies transaction on goods, works, or services between VAT withholders.
14.5. The VAT shall not be deductible if the VAT voucher or other accounting records do not reflect the payment of VAT by withholder to the supplier.
14.6. VAT paid on the import and purchase of the following goods, works and services shall not be deducted from the total VAT payable by the taxpayer:

14.6.1. Passenger car, its components, and spare parts;
14.6.2. Goods, works, and services purchased for personal and employee needs;
14.6.3. Goods, works, and services imported or purchased for production and services specified in Article 13 of this Law;
14.6.4. Goods, works, and services imported and purchased with no relevance to the taxable goods, works and services for the reporting period;
14.6.5. Goods, works, and services imported and purchased for pre-operational activities.

/ This article was amended by the Law of March 22, 2019./

14.7. Article 14.6.1 of this Law shall not apply to VAT payers who are engaged in the sale of passenger cars, their components and spare parts under their contract and charter.
14.8. If the amount of deduction to be made in the month under Article 14.1 of this Law exceeds the amount of tax payable in the same period, the tax administration shall regulate it as follows:
14.8.1. To offset against the VAT payable in the next month, quarter and year;
14.8.2. To offset against other types of tax payable to the budget under the legislation;
14.8.3. To refund to the taxpayer.

14.9.In case, some parts of imported or purchased goods, works and services for manufacturing or servicing purposes were utilized for the need or manufacturing and servicing where VAT is to be paid and other parts for the need where there is an exemption from a VAT, then the only part which was utilized for the manufacturing and servicing where VAT apply shall be deducted.

14.10. Article 14.6.3 of this Law shall not apply if a taxpayer sells goods and provides services to a person specified in 13.1.3 of this Law.

/ This article was amended by the Law of March 22, 2019./

14.11. Tax withholder shall deduct taxes paid according to the schedule of procurement contract of goods, work or services based on Article 7.2.16 of this Law.

Article 15. VAT refund

15.1. Any overpayment of VAT of a withholding taxpayer shall be refunded as follows:

15.1.1. A withholding taxpayer shall submit his / her request for a refund in writing to the relevant tax department at the time of preparation and filing of the tax return;

15.1.2. The relevant tax department shall, within 15 working days after receiving the request specified in Article 15.1.1 of this Law, submit it to the state administrative body in charge of tax matters for review and approval, together with a proposal for tax refund.

/ This article was amended by the Law of March 22, 2019./

15.2. Following forms of incentives can be granted to VAT payer:

15.2.1. to refund up to 20 percent of the tax paid by a taxpayer who meets the conditions and requirements specified in 15.3 of this Law on purchases made with a withholding taxpayer in the quarter;

/ This article was amended by the Law of March 22, 2019./

15.2.2. lottery.

15.3. VAT refunds shall be granted to taxpayers if they fully meet the following conditions and requirements:

15.3.1. purchase was made from a VAT withholder;

15.3.2. the purchase has been registered with the Tax Administration;

15.3.3. goods, works. or services are taxable;

15.3.4.recorded with a registration device or registration facility;

15.4. The tax administration shall extract the amount of VAT refundable to each taxpayer in the quarter from the registration system by the 10th of the following month, certify it and deliver it to the state administrative body in charge of tax matters by the 10th of the following month together with a proposal to pay the refund.

/ This article was revised by the Law of March 22, 2019./

15.5. Taxes paid on the goods, works and services purchased in the territory of Mongolia for official needs of diplomatic missions and consular offices or for the personal needs of their employees shall be refunded.

15.6. An individual entitled to get the refunds specified in 15.5 of this Law shall file a request and proof evidence related to the purchase of goods, works and services at domestic market in the reporting month to the state administrative body in charge of tax matters within the 10th of the following month.

15.7. The state administrative body in charge of tax matters shall review the request and proposal filed according to the Articles 15.1.2, 15.4 and 15.6 of this Law and calculate the amount to be refunded notify the taxpayer in written or electronic form within 7 business days after receipt of the request and proposal, review and validate the tax subject to refund and tax arrears and file tax refund proposal to the Ministry of Finance within 2 business days.

15.8. The state central administrative body in charge of finance and budget matters shall make a decision on tax refund within 45 working days after receiving the proposal.

15.9. The Cabinet member in charge of finance and budget shall approve the procedure for reviewing and approving the deductions specified in Article 14 of this Law and refunds specified in Articles 15.1, 15.2.1 and 15.5 of this Law and reflecting them in accounting.

15.10. The Cabinet member in charge of finance and budget shall approve the amount of VAT refund specified in Article 15.2.1 of this Law depending on the form of payment, the form of incentive specified in Article 15.2.2 and the procedure for its implementation.

15.11. The person specified in Article 6.7 of this Law shall be entitled to VAT deduction and refund overpaid VAT.

15.12. If a domestic product is exported, the VAT shall be refunded monthly and the VAT of other taxpayers shall be refunded quarterly from the state budget.

15.13. Taxes and bonuses to be refunded shall be a part of the state budget and shall not exceed 30 percent of the type of tax to be paid to the state budget in a given month, quarter or year.

15.14. The deductions specified in Article 14 and the bonuses specified in Article 15.2 of this Law shall not overlap.

15.15. Article 15.2 of this Law shall not apply to taxes paid by a taxpayer on imported goods, works and services.

/ This article was revised by the Law of March 22, 2019./

CHAPTER EIGHT
Payment of VAT to budget and reporting

Article 16. VAT assessment, payment, and reporting

16.1. A taxpayer shall pay the VAT imposed on goods, works and services to the treasury single account by the 10th of the following months according to the following procedures and file a tax return to relevant tax department using the approved forms:

16.1.1. VAT on goods, works and services sold in the month shall be paid by the tax withholder to the budget;

16.1.2. When purchasing goods, works and services not specified in 7.2.5 of this Law from a non-resident person, the tax shall be deducted from the amount and paid to the budget;

16.1.3. Article 16.1.2 of this Law shall not apply to taxable goods specified in Article 16.2 of this law;

16.1.4. The person paying the debt specified in Article 7.2.4 of this Law in goods, works and services shall pay VAT to the budget on these.

16.2. VAT on imported goods shall be imposed and reported as follows:

16.2.1. The Customs shall impose VAT on imported goods specified in Articles 7.1.2 and 8.1.1 of this Law and take measures to ensure payment of the tax to the budget under Articles 9.1.1 and 11.1 of this Law;

16.2.2. The importer shall transfer the tax imposed under Article 16.2.1 of this Law to the treasury single account;

16.2.3. The Customs Agency shall prepare the monthly report on VAT payment by the 10th of the following month and the annual report by the 15th of January of the following year and submit it to the State Central Administrative Body Responsible for Finance and Budget Matters;

16.2.4. VAT on gasoline and diesel fuel imported for the purpose of creating company reserve shall be imposed on the day of sale for the purpose of recharging the reserve based on the Government resolution establishing the list of companies to create reserve, the amount of required reserve of gasoline and diesel fuel.

16.2.5.VAT which is to be imposed on gasoline and diesel fuel equals to the amount which is required for 30 day usage of Mongolia other than those imported to create company reserve by the company which holds the special license to run trading and manufacturing of crude oil products, shall be imposed after 30 days.

16.3. VAT return form for imported goods specified in article 16.1 of this Law shall be approved by the head of Customs Agency.

16.4. The Customs Agency shall report the VAT imposed and paid for imported goods to the Tax Administration in timely manner.

SECTION NINE

MISCELANEOUS

Article 17. Integrated and User systems

17.1. Operational rules of the unit in charge of services of integrated and user systems shall be approved by the cabinet member in charge of finance and budget matters.

17.2. The unit in charge of the integrated system shall have the following functions:

17.2.1. Ensure the smooth functioning of the integrated system;

17.2.2. Secure full and accurate reconciliation of data transferred by the user system into the core system database and issue reports for report authorized parties;

17.2.3. Organize the VAT incentive lottery and refund. The operational procedure shall be approved by the cabinet member in charge of finance and budget affairs.

17.3. Tax withholder shall implement the following activities:

17.3.1. enter the taxpayer accounts data into the user system after each payment made by taxpayer;

17.3.2. provide payment receipt for each sale of goods, work and services;

17.3.3. send the details of the payment receipt registered with the user system to the integrated system of sales data within 3 business days;

17.3.4.enter the registration of VAT voucher proving the sale of goods, work or services held between tax withholders into relevant information database and send to the integrated system within 7 days.

17.4. Tax withholder shall have a user system.

17.5. It is restricted for tax withholder to provide payment receipt or to issue a fraudulent payment receipt or payment receipt with amount differing from the actual payment.

17.6. Taxpayer is obligated to inform the tax administration or the respective tax office about any case where the tax withholder issued a payment receipt with different amount or refused to issue a payment receipt.

17.7.Persons other than the those stated below shall not access and are restricted to disclose the payment receipt data forwarded by supplier of the user system:

7.7.1. Tax administration;
7.7.2. Statistics Office;
7.7.3. Person forwarding the data.

Article 18. Entry into Force

18.1. This Law shall come into force from January 1, 2016.

CHAIRMAN
PARLIAMENT OF MONGOLIA **Z.ENKHBOLD**