



Asian Development Bank

PERSONAL INCOME TAX (PIT)



2023

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1. PERSONAL INCOME TAX (PIT)

1.1. OBJECTIVES OF THE MANUAL

With expansion of the economy, finance and business activities in Mongolia, the income and property of citizens and their types of sources are expanding rapidly.

It creates requirements on one hand, a requirement for fair and equitable collection of PIT, and on the other hand, it requires tax authorities to educate taxpayers and explain their responsibilities in paying taxes and preventing tax risks.

Nowadays, individuals can register as taxpayer using an electronic system of the Tax Office (e-tax.mta.mn, itax.mta.mn) and submit accurate income tax report using the electronics system. As the digital tax filing system develops, the Tax Office is obligated to regularly inform taxpayers about the structure and organization of PIT, its calculation methods, principles, and reporting obligations.

Therefore, as part of the “Tax Education-2022” goal of the Tax Office of Mongolia, this manual for individual taxpayers was prepared and presented to taxpayers with support of the Asian Development Bank.



1.2. PERSONAL INCOME AND PERSONAL INCOME TAX (PIT)

Personal Income Tax is a financial mechanism to levy a tax from everyone on their income in an equal and fair manner, depending on the amount, type and source of income received by them, as well as their ability to pay taxes, levied by the state to finance all public services provided free of charge to each citizen, such as education, health care, social welfare, infrastructure development, environmental protection, defense and local development.

The obligation of everyone to pay taxes is specifically stated in Article 17 of the Constitution of Mongolia that “A citizen of Mongolia shall respect justice and humanity... will conscientiously fulfill his or her general duty to pay taxes in accordance with applicable law.”

The amount of income of an individual is determined by the amount of growth in income, assets, savings and consumption resulting from his work, employment, economic and investment activities.

The laws and regulations of Mongolia on personal income tax, as in other countries of the world, are based on the above general principles, and every person is required to annually report on their earned income and property, is obliged to pay taxes.

Within the framework of above goals, according to the Law on Personal Income Tax of Mongolia, the following personal income will be taxed:

1	2	3
Wages, salaries, rewards, incentives and similar employment income	Operation income	Capital income
4	5	6
Income from sale and transfer of assets	Indirect income	Other incomes

1.3. LEGISLATION REGARDING PERSONAL INCOME TAX

The following laws and legal documents shall be followed in the imposition, payment and reporting of PIT.

1	2	3
Law on Personal Income Tax (2019)	The Law on Procedures for Compliance with the Law on PIT (2019)	Procedures for granting benefits, exemption from PIT (Decree of the Head of General Tax Department, Number A/261, 30-12-2019)
4	5	6
Procedures for identification, registration, deregistration of permanent resident and non-resident taxpayers in Mongolia, as well as tax calculation procedures (Decree of the Head of General Tax Department, number A/266, 30-12-2019)	Procedures for registration, consideration and deregistration of taxpayers' applications to use a simplified tax mode (Decree of the Head of General Tax Department, number A/259, 30-12-2019)	Procedures for filing and confirming applications to deduct of taxes levied in the foreign countries (Decree of the Head of General Tax Department, number A/267, 30-12-2019)
7		
List of equipment for solar, wind, geothermal and renewable energy, semi-coking fuel from coal, equipment for extracting gas and liquid fuels, typical furnaces, low pressure furnaces, insulation materials, electric and gas heaters that are eligible for personal income tax reduction (Government Resolution, number 469, 25-12-2019)		

1.4 TAXPAYER OF PERSONAL INCOME TAX

Following people, who earned taxable income in a given tax year or is required to pay tax in accordance with the law are considered as a taxpayer:



A citizen of Mongolia



A foreigner



A stateless person

For tax purposes, taxpayers are classified as permanent resident taxpayer of Mongolia and taxpayer who are non-residents of Mongolia.

Permanent resident taxpayer of Mongolia

- Resided in Mongolia for a total of 183 days or more in a continuous 12-month period;
- If 50% or more of taxable income is derived in Mongolia or income sources from Mongolia;
- Work in Mongolia for 183 or more days within 12 months is confirmed by an employment contract or a permit issued by an authorized organization;
- A civil servant of Mongolia who is assigned to a foreign country.
- A taxpayer who is a permanent resident of Mongolia is subject to tax on income from Mongolia and foreign countries in the current tax year.

Non-resident taxpayer of Mongolia

- Individuals who have resided in Mongolia for less than 183 days in a continuous 12-month period, or
- Foreign citizens appointed to diplomatic missions and consulates of foreign countries in Mongolia, the United Nations and their specialized offices, as well as members of their families.
- The tax is levied on income of taxpayer who is non-resident of Mongolia, which is received in Mongolia or income resources from Mongolia in the current tax year.

1.5. INCOME TAX EXEMPTION

The following incomes are exempted from PIT:

- Pensions, allowances, payments, discounts, compensations and one-time non-repayable subsidy provided in accordance with the laws and regulations;
- Income of a person with disability;
- Assistance provided by international organizations, foreign governments, legal entities and citizens to the Government of Mongolia and local organizations, legal entities and citizens during natural disasters;

- Debt/bond payment, interest, etc. of the Government and Development Bank of Mongolia;
- Income earned by free of charge transfer of land ownership and use rights certificates between persons specified in Section 3.1.4 of the Law on Family;
- revenue from value added tax incentives;
- Wages and benefits of foreign citizens and their family members who work in diplomatic missions and consulates of foreign countries in Mongolia, the United Nations and their specialized offices, as well as income received by their family members abroad.

1.6. TAX DEDUCTIONS

- Taxes on wages, salaries, emoluments, bonuses and equivalent income from the employment of taxpayers will be eligible for tax reductions in the following amounts:

The amount of annual income subject to official taxation /in MNT/	Amount of tax concessions /in MNT/
from 0 to 6 000 000	240 000
from 6 000 000 to 12 000 000	216 000
from 12 000 000 to 18 000 000	192 000
from 18 000 000 to 24 000 000	168 000
from 24 000 000 to 30 000 000	144 000
from 30 000 000 to 36 000 000	120 000
36 000 000 and above	-

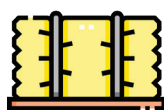
- The specified tax deductions do not apply to wages, bonuses, salaries, allowances and other similar income received for work and performance of duties under contracts with legal entities and individuals that are not the main place of work.
- It is applicable 50% tax deduction for taxpayers permanently residing in Mongolia, who earns income from following agricultural activities:



Grain



Potatoes, vegetables and their seeds



Fodder plant



Tree seedlings



Fruits, berries, their seeds and seedlings

- If a taxpayer of Mongolia purchases a residential accommodation with mortgage loan fund for the first time, deduction of equal amount of the highest loan interest determined by the Government of Mongolia shall be applied.
- If a citizen of Mongolia either constructs or purchases a residential accommodation for personal use only for the first time with his or her taxable income or loan fund provided by a bank or financial institution, the taxpayer receives tax concession on income up to 6 million MNT, equal to taxable amount of income used for the residential accommodation cost.



**Discount up to
6 million MNT**



- In case if own child, stepchild or adopted child of taxpayer of Mongolia or a child under care and support of a citizen of Mongolia is enrolled as a student in a foreign or domestic university, college, vocational or technical education school, during the period of his or her study for the first bachelor's degree or course with professional diploma, a tax concession will be granted on income equal to the paid and documented tuition fees paid in that tax year.

- During the period of study, a citizen of Mongolia paid tax on his earned employment income and first-time students in university, institute, vocational and technical education schools or colleges, who have paid tuition fees, will be included in above tax concession.



- Equipment for solar, wind, geothermal and other renewable energy, equipment for extraction of semi-coking coal, gas and liquid fuels, standard furnaces, low-pressure furnaces, insulation materials, electric and gas heaters purchased for private use are included in the tax concession for income of the current tax year in the amount of documented payment.

- Taxpayers will be granted a tax concession on the current year's income equal to a donation supported by documents provided for protection and restoration of cultural heritage.



- Tax concessions are provided for donor benefits and insurance reimbursements.

- State award of Mongolia, award of the Government, National and Honored Worker's award of Mongolia, Scientific Discovery award.



- Tax on income from activities of taxpayers who are citizens of Mongolia living in provinces and soums, the center of soum which of is located at more than 500 km far from Ulaanbaatar city, the taxpayer is provided with 50 percent concession on operating income, 90 percent concession for remote provinces and districts located at more than 1000 km far from Ulaanbaatar city.

- Tax concession must not exceed the amount of tax paid and declared in the report.



1.7. SIMPLIFIED TAX MODE

- An individual whose taxable income for the previous year does not exceed 50.0 million MNT must apply to the Tax Office for transition to a simplified tax mode.
- Taxpayers using the simplified tax mode are connected to the electronic tax reporting system and database.
- Individuals apply for a simplified mode before 31st of December, and legal entities within the third quarter of the tax year.
- The Tax Office notifies the taxpayer about permission to pay and report taxes in a simplified mode.
- If approved, a simplified mode will be used from 1st January of next year.
- The **annual income** of an individual who switched to a simplified mode will be taxed at a rate of **1 percent**.
- Taxpayers switching to a simplified mode must pay taxes by 15th February of next year.
- Tax report on the collected tax is submitted to the relevant Tax Office by 15th February of next year on accrual/accumulated basis.
- In the following cases, taxpayers shall be removed from simplified tax mode during tax year:
 - Taxpayer registered as VAT payer in accordance with conditions and requirements established by the Law on Value Added Tax;
 - During taxable year, taxpayer engaged in the following activities:
 - Exploration, extraction, use, transportation and sale of minerals and radioactive mineral resources;
 - Production and import of alcoholic beverages;
 - Planting tobacco plants, producing and importing tobacco;

Individuals who pay tax under simplified mode shall not receive other tax benefits.

1.8. MICRO RETAIL TRADE, WORK AND SERVICE INCOME

- The income tax of micro trade and commercial service providers is determined within the following limits by decision of the Citizens' Representative Board of provinces and the capital city:
 - For individuals engages in open trade and services who are not located in a specific location, such as a workplace or counter, the minimum amount of tax is 1 percent of the minimum wage and the maximum amount is 50 percent of the minimum wage;
 - For individuals who engages private passenger or delivery transportation services, the minimum tax amount is 5 percent of the minimum wage, and the maximum amount is equal to the minimum wage amount.

1.9. TAX RATES

Tax rates vary depending in the registration of the taxpayer, type of sources of taxable income
See: Attachment-1. Simplified table on PIT

2.

PERSONAL INCOME TAX REFUND

- If the Personal Income Tax (PIT) paid and withheld by the taxpayer in the tax year exceeds the amount of tax due, the amount of excess is called tax overpayment.
- According to Article 49 of the Law on General Tax, the Tax Office shall resolve the overpaid tax of the taxpayer as follows:

1	2	3
To refund	To be deducted from other taxes due during that period	If the taxpayer agrees, it is set to be deducted from the tax amount payable in next period

- In accordance with Article 28 of the Law on Personal Income Tax, the refund is made to the taxpayer through the State treasury account of the administrative unit to which the Tax Office belongs;
- Within 20 working days from the date of submission of the annual report, the Tax Office considers and determines the amount of tax to be refunded and submits it to the relevant State treasury;
- PIT refund is completed within the 2nd quarter of next year.
- Personal Income Tax (PIT) report and overpayment report is submitted and checked in the electronic reporting system is eligible for a refund.

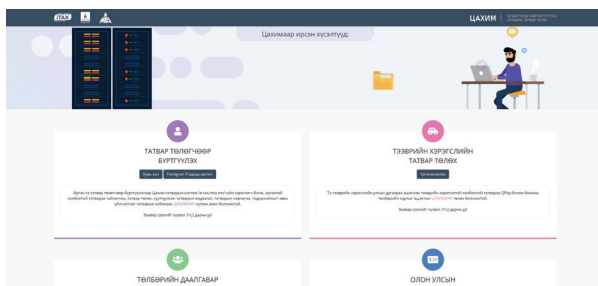
3. ELECTRONIC REPORTING SYSTEM OF PERSONAL INCOME TAX

- To log into the PIT electronic reporting system an individual: must register as a taxpayer through the “Register” button or the “Register as a taxpayer” menu in the following electronic link:

- <https://www.etax.mta.mn>



- <https://www.itax.mn>



- By registering as a taxpayer in the electronic reporting system, an individual has the right to submit personal income tax and other tax reports electronically and has a right to receive a refund.
- Deadline for the submission of report on PIT: Within 15th of February of the upcoming year.

Picture: Example of submitted report state on online system

 ЗАСГИЙН ГАЗРЫН ХЭРЭГЖҮҮЛЭГЧ АГЕНТЛАГ ТАТВАРЫН ЕРӨНХИЙ ГАЗАР			
Хувь хүний орлогын албан татварын тайлангийн төлөв шалгах			
	Тайлан	Төлөв	Тайлбар
1	ХХОАТ-ын тайлан	Шинэ	Шинээр тайлан гаргана
2	ХХОАТ-ын тайлан <i>/хадгалсан/</i>	Шинэ	Хадгалсан тайланг засварлаад илгээх шаардлагатай
3	ХХОАТ-ын тайлан	илгээсэн	Хэрэв хөнгөлөлт, буцаан олголтын тайлан бол шалгаж, дахин илгээх
4	ХХОАТ-ын тайлан	хуваарилагдсан	Татварын улсын байцаагчид хуваарилагдсан буюу шалгаагдахаар хүлээгдэж байгаа
5	ХХОАТ-ын тайлан	хүлээж авсан	Татварын алба хүлээн авсан, тайлан баталгаажсан
6	ХХОАТ-ын тайлан	<i>ТТ-д буцаасан</i>	Тайлангийн мэдээлэл дутуу, шаардлага хангаагүй тул хүлээн аваагүй, засварлаж дахин илгээх шаардлагатай

Government Implementing Agency: THE GENERAL TAX DEPARTMENT

1	Report	Status	Explanation
2	PIT report	New	Required to submit new report.
3	PIT report /saved/	New	Required to resubmit the saved report after updating.
4	PIT report	Sent	Required to resubmit after updating for a refund or deduction report.
5	PIT report	Allocated	Allocated to a state tax inspector and pending inspection.
6	PIT report	Received	Received by Tax Office, report is confirmed.
	PIT report	TR- -Rejected	Errors found in tax report. Corrections are required before resubmission.

Appendix 1. SIMPLIFIED TABLE TO IMPOSE PERSONAL INCOME TAX

	Taxable income (statutory)	Determination of taxable income	Tax rates and brackets	Determine taxes and pay to the budget	Due date	Reporting period
I. Wages, salaries, rewards, incentives and similar employment income						
1	7.1.1. Basic salary, additional salary, perks, bonuses, incentives, vacation pay, pensions, allowances and other similar incomes received in accordance with an employment contract concluded with an employer;	(Income-Health Insurance, Social Insurance contribution)	0-120 mil: 10% 120-180 mil: 12 mil+15 % of exceeding amount of 120 mil Above 180 mil: 21 mln+20% of exceeding amount of 180 mil	Withholder	Before 10th day next month	-Quarterly report: within 20th day of the first month of next quarter, -Annual report: in accumulated basis by 15th February of next year/
2	7.1.2. Benefits and similar income provided by an employer to an employee and a member of his family;	(Income-HI, SIC)		Withholder	Before 10th day next month	
3	7.1.3. A gift from an employer to an employee or his family member;	(Income-HI, SIC)		Withholder	Before 10th day next month	
4	7.1.4. Salaries, bonuses, incentives and equivalent income of members of the Board of Directors, Supervisory Board, part-time Council /non-staff council/ and other councils, Committees and Working Groups;	(Income-HI, SIC)		Withholder	Before 10th day next month	
5	7.1.5. All types of awards and incentives provided by foreign and domestic enterprises, organizations, citizens and other persons, and equivalent income;	(Income-HI, SIC)		Withholder	Before 10th day next month	
6	7.1.6. Wages, bonuses, salaries, allowances and other equivalent income received for work and performance of duties under contracts concluded with legal entities and individuals outside the main place of work;	(Income-HI, SIC)		Withholder	Before 10th day next month	
7	7.1.7. Food and transport allowance;	(Income-HI, SIC)		Withholder	Before 10th day next month	

	Taxable income (statutory)	Determination of taxable income	Tax rates and brackets	Determine taxes and pay to the budget	Due date	Reporting period
II. Operating income						
8	8.1.1. Income from self-employed professional work and services;	(Income-Expenditure deductible according to the Law on PIT ²)	10%	Татвар төлөгч	Before 15th day next month	By 15th February of next year
9	8.1.2. Income received from production and sale of products, performance of work, provision of services and participation in brokerage activities;		10%	Татвар төлөгч	Before 15th day next month	
10	8.1.3. Income received from creation of scientific, literary and artistic works, creation of new inventions, products and useful structures, organization and participation in sports competitions or artistic performances, and other equivalent income;		10%	Taxpayer	Before 15th day next month	
11	8.1.4. Goods, work, or services received from others free of charge in connection with current activities		10%	Taxpayer	Before 15th day next month	
12	8.2. Income from non-regular activities shall be included in operating income;		10%	Taxpayer	Before 15th day next month	
13	15.6. Taxpayer’s income who is not a VAT payer , from sales less than 50 million MNT	By amount of income	1%	Taxpayer	Before 15th day next month	
III. Capital income						
14	9.1.1. Income from capital utilization and rent;	(Income - expenses related to use and rent)	10%	Taxpayer	Before 15th day next month	By 15th February of next year
15	9.1.2. Royalty revenue;	By amount of income	10%	Withholder	Before 10th day next month	Within 20th day of the first month of next quarter
16	9.1.3. Dividend income;	By amount of income	10%	Withholder	Before 10th day next month	
17	9.1.4. Interest income;	By amount of income	10%	Withholder	Each interest payment	

18	21.5. Interest income and dividend income received in connection with stocks, unit right and debentures of a taxpayer located in Mongolia, which are publicly traded debt instruments, stocks, unit right in the primary and secondary markets for foreign and domestic securities	By amount of income ³	5%	Withholder	Before 10th day next month	Within 20th day of the first month of next quarter
IV. Income from sale and transfer of assets						
19	10.1.1. Income from sale of real estate;	By amount of income	2%	Withholder	Before 10th day next month	Within 20th day of the first month of next quarter
20	10.1.2. Income from sale or transfer of land ownership and use rights and other intangible assets;	(sales revenue -purchase price and related expenses ⁴)	10%	Taxpayer	Before 15th day next month	By 15th February of next year
21	10.1.3. Income from sale of movable property;	(sales revenue -purchase price and related expenses)	10%	Taxpayer	Before 15th day next month	
22	10.1.4. Income from the sale of shares, securities and other financial instruments;	(sales revenue -purchase price and related expenses)	10%	Taxpayer ⁵	Before 15th day next month	
V. Indirect income						
23	11.1.1. Service by transport vehicle free of charge or at a reduced price;	By amount of income	0-120 mil: 10% 120-180 mil: 12 mil+15 % of exceeding amount of 120 mil Above 180 mil: 21 mil+20% of exceeding amount of 180 mil	Withholder	Before 10thday next month	Within 20th day of the first month of next quarter
24	11.1.2. Payment for apartment use and rent, utility bill for apartment and payment for fuel consumption;					
25	11.1.3. Entertainment fees;					
26	11.1.4. Payment of expenses for provision of housekeepers, drivers, gardeners and other services;					
27	11.1.5. Debt settlement payments to employers or other parties;					

28	11.1.6. The difference between the loan interest rate provided at a lower rate than the commercial loan rate;	By amount of income	0-120 mil: 10% 120-180 mil: 12 mil+15 % of exceeding amount of 120 mil Above 180 mil: 21 mil+20% of exceeding amount of 180 mil	Withholder	Before 10thday next month	Within 20th day of the first month of next quarter
29	11.1.7. Voluntary insurance fees paid by the employer, other than those specified in Article 11.2.7 of this Law;					
30	11.1.8. Tuition fees for family members;					
31	11.1.9. Payment of expenses related to moving to and from Mongolia;					
32	11.1.10. Allowances for living and working in extreme climatic conditions;					
33	11.1.11. Other income comparable to the above.	VI. Other income				
34	12.1.1. Arts or sports competition prizes, festival prizes and other similar income;	By amount of income	5%	Withholder	Before 10thday next month	Within 20th day of the first month of next quarter
35	12.1.2. Income from paid puzzles, gambling and winnings from cash lotteries;		40%	Withholding	Before 10thday next month	
36	12.1.3. Income from micro-trading, work and services: Income from an open-air trade service provider	Minimum wage amount	1%-50%	Authorized Local Unit	Every occasion	By 15th February of next year
37	12.1.3. Income from micro-trading, works and services: income from passenger and freight transport operators.		5%-100%		Every occasion	
VII . Non-resident income						
38	20.1. Income earned in Mongolia and with resources from Mongolia.	By amount of income	20%	Withholder	Before 10thday next month	Within 20th day of the first month of next quarter
39	20.3. Expenses related to coming to work in Mongolia.	By amount of expense	20%	Withholder		

Explanation:

- 1. If a taxpayer who is a permanent resident of Mongolia earns the income indicated in lines 1-7, 15-17, 19, 23-35 of this table in the foreign country in a given tax year, he or she determines the due tax amount in accordance with the method indicated in the table above, must submit a report and pay by 15th February of next year.*
- 2. When determining the taxable income of an individual receiving operation income, must be guided by the following principle. Deductible expenses are not recognized as deductible if they are used by the taxpayer for personal needs, manufacture of products, performance of work, provision of services for his needs or his family. If machines, mechanisms, equipment and buildings used for operation are simultaneously used for needs of the family, the operating costs will be calculated proportionally and will be included in the deductible costs. Wages paid to a family member are considered a deductible expense in proportion to the amount of social insurance contributions paid.*
- 3. The tax rates specified in line 18 of this table apply equally to residents and non-residents.*
- 4. When determining the income from the sale of the right of land ownership and use specified in line 20 of this table, the method specified in Article 30.6 of the Law on Corporate Income Tax shall be applied.*
- 5. In case of sale of securities and shares indicated in line 22 of this table, which are jointly owned, after determining the taxable income, the tax is calculated from the amount of share attributable to one taxpayer.*

