

**LAW OF MONGOLIA**  
**ON THE LEGAL STATUS OF TSAGAANNUUR FREE TRADE ZONE**

December 18, 2003  
Ulaanbaatar city

(Turiin medeelel #1, 2004)

**Article 1. Purpose of the Law**

1.1. The purpose of this Law shall be to determine the legal status of Tsagaannuur free trade zone (hereinafter "Tsagaannuur zone") and to govern relationships concerning its implementation.

**Article 2. Legislation on Tsagaannuur zone**

2.1. Legislation on Tsagaannuur zone shall consist of the Constitution of Mongolia, Law on Free Zones, this Law and other acts of legislation enacted in conformity therewith.

2.2. If an international agreement to which Mongolia is party provides otherwise than this Law, then the former shall prevail.

**Article 3. Territory of Tsagaannuur free trade zone**

3.1. Tsagaannuur zone shall occupy the territory of Nogoonuur soum of Bayan-Olgii aimag within boundaries defined by the State Ikh Hural of Mongolia.

**Article 4. Income tax exemptions and relieves**

4.1. The amount of investment of companies into the main infrastructure of Tsagaannuur zone such as electricity, heating and water supply, telecommunications networks, automobile roads and railroads, shall be deducted from the taxable income.

4.2. Business entities which invest into construction of storage facilities, cargo terminals and hotels in Tsagaannuur zone shall be granted exemption from the income tax for 5 years from the date of commencement of operations, and a 50 percent income tax relief in the subsequent 3 year period.

4.3. Business entities engaged in storage and protection of goods and products or improvement of packaging and which concluded contracts with the Office of the Governor to operate for 10 and more years, shall be granted exemption from the income tax in the first year from the date of commencement of operations, and a 50 percent income tax relief in the subsequent 3 year period.

4.4. Foreign nationals, business entities and organizations residing permanently in Tsagaannuur zone by having registered with the Governor's Office shall be exempted from the immovable property tax.

4.5. Foreign nationals, business entities and organizations residing permanently in Tsagaannuur zone by having registered with the Governor's Office shall be exempted from the income tax in the cases of sale of the immovable property in their ownership to Mongolian business entities, organizations or citizens.

**Article 5. Exemptions from and Relieves of Land Use Fees**

5.1. Exemptions and relieves of the land use fees shall be granted in Tsagaannuur zone in the following cases:

5.1.1. business entities engaged in trade and services shall be granted exemption from the land use fees in 3 year period from the date of commencement of operations, and a 50 percent relief in the subsequent 3 year period;

5.1.2. business entities engaged in the creation of main infrastructure of Tsagaannuur zone as provided in 4.1 and 4.2 of this law shall be granted exemption from land fees in the first 5 years from the date of commencement of operations and a 50 percent relief in the subsequent 3 year period.

VICE CHAIRMAN OF THE  
STATE IKH KHURAL

J. BYAMBADORJ