

LAW OF MONGOLIA
ON LEGAL STATUS OF ZAMIN UUD FREE TRADE ZONE

June 20, 2003
Ulaanbaatar city

(Turiin medeelel #25, 2003)

Article 1. Purpose of the Law

1.1 The purpose of this Law shall be to determine the legal status of Zamin Uud free trade zone (hereinafter referred to as “Zamin Uud zone”) and to govern relationships concerning its implementation.

Article 2. Legislation on Zamin Uud zone

2.1 Legislation on Zamin Uud zone shall consist of the Constitution of Mongolia, Law on Free Zones, this law and other laws 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 and Form of Zamin Uud zone

3.1 Zamin Uud zone shall be located in Zamin Uud soum of Dornogovi aimag within the boundaries determined by the State Ih Hural of Mongolia.

3.2 Zamin Uud zone shall consist of industrial, trade and tourism service forms.

3.3 A casino can be set up in the Zamin Uud zone.

Article 4. State Frontier protection and entry clearance at Zamin Uud zone

4.1. The State Frontier Protection Authority shall exercise the duty of protecting the borders of Zamin Uud zone and controlling the entry clearance to the zone. Section 2 of Article 18 of the Law on Free Zone shall not apply to Zamin Uud zone.

4.2. Entry to Zamin Uud zone shall be only through the border control-point administered by the customs authority and established by a relevant authority.

4.3. The state central administrative bodies in charge of justice and home affairs and foreign relations shall jointly establish rules of entry to Zamin Uud zone.

Article 5. Taxes, fees and exemptions and relieves at “Zamin Uud” Zone

5.1. Rates of tax exemptions and relieves and rates of land rental for using and possessing land shall be differentiated in Zamin Uud zone by taking into account the form of the free zone.

5.2. Foreign nationals, business entities and organizations residing permanently in Zamin Uud 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.

5.3. Foreign nationals, business entities and organizations residing permanently in Zamin Uud zone by having registered with the Governor's Office shall be exempted from the immovable property tax for the period of 5 years from the date of commencement of operations.

5.4. The following tax exemptions and relieves shall be granted in Zamin Uud zone:

5.4.1. Amount of investment of business entities made into energy transmission, water supply facility, sewage and cleansing facility, road, railway, and major communication network of Zamin Uud shall be deducted from the taxable income;

5.4.2. Business entities which invest into construction of storage facilities, cargo terminals and hotels in the Zamin Uud 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;

5.4.3. Business entities engaged in storage and protection of goods and products, 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.

5.5. The following concessions shall be granted for using land in the "Zamin Uud" Zone:

5.5.1. business entities engaged in trading and public 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;

5.5.2. Business entities engaged in the creation of infrastructure of Zamin Uud zone as provided in 5.4.1 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.

Article 6. Currency and financing

6.1 Account settlements in Zamin Uud zone can be made by both national and foreign currencies. Currency regulations shall be established by Bank of Mongolia.

6.2 Business entities with foreign investment may open current accounts at domestic or foreign banks in an agreement with the currency exchange control agency.

6.3 A banking institution operating in Zamin Uud zone may conduct foreign transactions upon obtaining permit from the currency exchange control authority.

6.4 Business entities and legal persons with foreign investment may transfer securities denominated in foreign currency to the units or organizations located in Zamin Uud zone.

CHAIRMAN OF THE
STATE IKH KHURAL

S. TUMUR-OCHIR