



## LAW OF MONGOLIA

29 June 2006

Ulaanbaatar

# LAW ON VALUE-ADDED TAX

/Revised version/  
/Unofficial translation/

## 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 value-added tax, the payment of value-added tax to the budget and the back-payment of the value-added tax from the budget.

### **Article 2. Legislation on value-added tax**

2.1. The legislation on value-added tax (VAT) consists of General Taxation Law<sup>1</sup>, 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 value-added tax 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.

### **Article 4. Definitions of terms**

4.1. Following terms used in this law shall have the following meaning:

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<sup>1</sup> General Taxation Law-No 1, 1993, State Information bulletin

4.1.1. "sales" means transfer of goods into others' ownership for payment and performance of services for payment;

4.1.2. "goods" means all types of property other than money capital;

4.1.3. "VAT tax invoice with unified numbering" means primary book-keeping document of accounting with unified numbers issued by Tax authorities, showing thereon the names, types, quantity of sold goods, performed works and rendered services, their unit and total prices, as well as amount of a value-added tax;

4.1.4. " economic activity" means activities of complete or partial sale of goods, render of service and performance of works for the purpose of profit making as well as for non-profit purposes;

4.1.5. "citizen" means a citizen of Mongolia, Foreign citizen and stateless person specified in the Article 5 of Personal income tax law;

4.1.6. "permanent resident, non-resident" means definition specified in articles 6, 7 of Personal income tax law;

4.1.7. "legal entity" means an entity that has been registered in accordance with the article 7 of the Law on state registration of Legal entity<sup>2</sup> and has been issued state registration certificate of legal entity in accordance with article 17.4 of the same Law;

4.1.8. "services" means any activity other than the sale of goods and monetary transaction;

4.1.9. "Premise used for housing purpose" means a building put into use for the purpose of residential housing and that is subject to value-added tax under this law; *(This article was amended by the law dated on February 20, 2009)*

4.1.10. "day being determined as value added tax payer" means first day of the month following the day on which the amount of sale revenues of a citizen or legal entity that is engaged in activities specified in article 3 of this Law, has reached 10.0 million togrogs or over according to the income tax statement of legal entity or citizen's income and tax sheet ;

4.1.11. "humanitarian and grant aid goods obtained from foreign governments and non-governmental organizations and international and charity organizations" means grant aid goods received free of charge under international Agreement of Mongolia entered by the Government of Mongolia with Governments of foreign countries and international organizations for the purposes of eliminating losses suffered due to force majeure and other disasters identical to this.

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<sup>2</sup> Law on State registration of Legal entity-State information bulletin, Number 22, 2003

4.2. Goods, works and services to be purchased on domestic markets using funds granted by Governments of foreign countries and international organizations within the scope of grant and humanitarian aid specified in section 4.1.11 of this article, shall be included into it.

## **CHAPTER TWO**

### **Value-added taxpayers, their registration, and exclusion from registry**

#### **Article 5. Value-added taxpayer**

5.1. Any citizen and legal person, who is engaged in import and export of goods, as well as sale and manufacturing of any goods, performance of work and rendering of services in the territory of Mongolia, shall be value-added taxpayers.

5.2. Article 5.1 shall apply to the representative office of the foreign legal entity whose revenue of sold goods, performed works and rendered services in the territory of Mongolia, has reached 10 million tugrugs or more.

5.3. Any citizen permanently or temporarily employed under a labor contract shall not be treated as VAT-taxpayer and pay, salary, remuneration, pension, benefit, bonus and premium provided to him shall not be subject of VAT imposition.

#### **Article 6. Registration and de-registration of value-added taxpayer**

6.1. A person, who has met the requirements specified in article 4.1.10 of this Law, shall submit its application for registration as a value-added taxpayer to the concerned tax authority within 3 working days.

6.2. Relevant tax authority, within 2 working days after the receipt of an application from the person specified in article 4.1.10 of this law other than those mentioned in article 7.1.3 and 13 of this law, shall register as a value-added taxpayer and issue the person a certificate.

6.3. The Chairman of the state administrative body in charge of taxation shall approve the format of the certificate specified in article 6.2 of this law. *(This article was amended by the law dated on December 19, 2008)*

6.4. Any citizen and a legal entity may be registered as value-added taxpayer on the voluntary bases in case they met the following conditions:

6.4.1. sale revenue of the primary manufacturing, work and service which shall be the subject of the VAT imposition has reached the 80 percent of the revenues specified in article 4.1.10 of this Law;

6.4.2. despite the fact that whether the sale revenue of the primary manufacturing, work and service has reached the amount specified in article 6.4.1 of this Law or not, if an investment which amounted to US\$ 2.0 million or more has been made into Mongolia.

6.5. Revenues and investments specified in article 6.4 of this Law should be compatible with the income tax statement and income and tax sheet of the citizen and legal entity as of the last single year, as well as that person should have complied with the Law on Accounting<sup>3</sup> and international standard when keeping the basic and other accounting work.

6.6. Period specified in articles 6.1 and 6.2 shall equally apply when submitting an application for registration as value-added taxpayer on voluntary bases and during issuance of certificate.

6.7. In case 66 or more percent of the assets or voting rights of two or more legal entities are owned by one or several legal entities, they may be registered as one group of value-added taxpayer, however, each legal entities included in this one group shall be value added taxpayer in accordance with this Law.

6.8. Permission to be registered as one group as specified in article 6.7 of this Law shall be issued by relevant taxation authority in written.

6.9. Any one of the persons registered in accordance with the article 6.7 of this Law shall bear the responsibilities of the value added taxpayer on behalf of such group and deal with relevant taxation authority.

6.10. Each persons specified in article 6.7 of this Law shall not be required to make value-added tax calculation and submit tax statement, however, each shall be required to keep accounting record in accordance with Law and responsible for the final liability with regard to issues relevant to him as a value-added taxpayer.

6.11. An individual or legal person which were registered as value added tax payers shall be excluded from taxpayers' registry and their certificate shall be cancelled by respective tax authority if it has been proven by financial statements for a business entity or organization or by income and tax sheet for an individual that their taxable income amount for the subsequent year after being registered as VAT payer is less than 10 million togrog and if taxable income amount for next years will not reach 10 million togrogs.

6.12. The state administrative body in charge of taxation shall publicize nationally a list of persons and legal entities registered or de-registered as value-added taxpayers to the public through the mass media and its website on a monthly basis. *(This article was amended by the law dated on December 19, 2008)*

6.13. Excluding the taxpayer from value-added taxpayers' registry shall not serve as grounds for not being re-registered as an value-added taxpayer or for releasing him from

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<sup>3</sup> Law on Accounting- No 4, 2002, State Information Bulletin,

liabilities under the Law on Value added tax for his previous activities conducted as a value-added taxpayer.

## **CHAPTER THREE**

### **Goods, work, and services subject to value-added tax**

#### **Article 7. Goods, work, and services subject to value-added tax**

7.1. Unless otherwise provided in Law, the value-added tax shall be imposed on the following goods, works and services:

- 7.1.1. all types of good sold in the territory of Mongolia;
- 7.1.2. all types of goods exported from the territory of Mongolia for sale, use or consumption foreign country;
- 7.1.3. all types of goods imported from foreign country into the territory of Mongolia for sale, use or consumption;
- 7.1.4. works performed and services rendered in the territory of Mongolia.

7.2. In case the total sum of performed works or rendered services of foreign legal entity as well as individual those are not located in or resident of the territory of Mongolia exceeds 10.0 million togros or is more than this, article 7.1.4 of this law shall equally apply.

7.3. Following activities shall be regarded as “sale of goods”:

- 7.3.1. sale of business or certain business rights;
- 7.3.2. retaining of any goods by the taxpayer from the business assets when taxpayer ceases his trade, manufacturing, works and services and is excluded from the registry of value-added taxpayer;
- 7.3.3. tax deduction on goods in accordance with the article 14 of this law;
- 7.3.4. closing of any debts through the transfer of goods;
- 7.3.5. When an individual who does not reside in the territory of Mongolia sells goods based on orders placed by a person or legal entity of Mongolia. *(This article was amended by the law dated on February 20, 2009).*

7.4. Following activities shall be regarded as “rendering of services”:

- 7.4.1. rendering of services such as electricity, heat, gas, water, sewage, post, communication and other services;
- 7.4.2. leasing of goods or granting rights to possess or use in other forms;
- 7.4.3. renting of accommodation in a hotel or similar establishment or granting of rights to possess or use in other forms;
- 7.4.4. renting of premises in a building or construction or granting of rights to possess or use in other forms;
- 7.4.5. renting of immovable or moveable properties other than buildings or constructions, or granting of rights to possess or use in other forms;

7.4.6. transfer, lease and sale of new invention, product design, useful design, copyright work, and trade mark, know-how and other proprietary information;

7.4.7. issuing of any material and monetary lottery, organizing of paid quiz or gambling game, and providing intermediation service;

7.4.8. closing of debt payments through performing works or rendering services;

7.4.9. When an individual who does not reside in the territory of Mongolia performs work and provides services based on orders placed by a person or legal entity of Mongolia; (*This article was amended by the law dated on February 20, 2009*).

7.4.10. pay of interests or fine as a result of misconduct;

7.4.11. tax deduction on works and services in accordance with the article 14 of this law.

7.5. When imposing taxes on goods, works and services specified in article 7.1 of this Law, following conditions must be met:

7.5.1. the person shall be value-added tax payer in accordance with articles 5 and 6 of this Law;

7.5.2. sales shall have conducted within the scope of its business activities.

7.6. Articles 7.3.5 and 7.4.9 of this Law shall not apply to article 7.5.1 of the same Law.

## **CHAPTER FOUR**

### **Procedures of imposing value-added tax**

#### **Article 8. Imposing of value-added tax**

8.1. Value-added tax shall be imposed according to following procedures:

8.1.1. each and every time during which the goods, works and services were imported or exported as well as sold;

8.1.2. on final sale when construction works have been implemented;

8.1.3. time to time in accordance with the schedule agreed to make lease payment, if financial leasing item was purchased or imported.

8.2. When imposing tax on revenues specified in article 7 of this Law or exempting from such tax in accordance with the article 13 of the same Law, “Sector classification of all types of economic activities” shall be adhered to.

8.3. “Classification” specified in article 8.2 of this Law shall be approved by the Government member in charge of financial matter.

8.4. The regulation related to payment of tax specified in article 11.4 of this law to the budget shall be approved by the Government member in charge of financial and fiscal matter.  
*/This article was added by the law dated on September 11, 2012/*

## **Article 9. Taxable amount of value-added tax**

9.1. Taxable amount of the value-added tax shall be determined by the following procedures:

9.1.1. The taxable amount of value-added tax 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; *(This article was amended by the law dated on May 20, 2008)*

9.1.2. The taxable amount of value-added tax for goods sold or manufactured, works performed and services rendered in the territory of Mongolia shall be based on the current market price or tariffs of goods sold or manufactured, jobs performed and services rendered.

9.1.3. The taxable amount of value-added tax for activities specified in articles 7.3.1 and 7.3.2 of this Law shall be based on the current market price or tariffs of the goods, works and services;

9.1.4. The taxable amount of value-added tax for citizens and legal entities those are engaged in the service of any material and monetary lottery and paid quiz or gambling game shall be determined by deducting sum of money paid for winning from total sum of money paid by players;

9.1.5. The taxable amount, if debt has been satisfied through transfer of goods, performance of works and rendering of services, shall be based on the sum of price.

9.2. In following circumstances, the taxable amount of value-added tax shall be determined by the relevant tax authority based on the current market price or 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 have been mutually exchanged;

9.2.3. Entities interdependent from each other sold goods, performed works and rendered services free of charge or at lower or higher market prices or tariffs between them.

9.3. Where the taxable amount is expressed in foreign currency, it shall be converted into togrogs using the exchange rate fixed by the Mongol Bank on the day specified in accordance with the clause 10.2 of this Law.

## **Article 10. Time of tax imposition**

10.1. The time of imposition of value-added tax on revenues of citizens and legal entities those registered as value-added tax payer, shall start from the day of issuing certificate by tax authority.

10.2. The time of imposition of value-added tax on each time when goods sold, works performed and services rendered shall be determined as taking place at the earliest of the following actions:

10.2.1. the day when the seller issues invoice specified in article 4.1.3 of this Law;

10.2.2. the day when the seller receives payment for the sold goods, performed works and rendered services;

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

10.3. In the case of services which are provided continuously, such as the supply of electricity, heat, gas, water, post, communication and other services, the time of imposition of value-added tax shall be the day of issuing an invoice or the day of receiving payment specified in article 4.1.3 of this Law, or whichever takes place earliest.

10.4. The time of imposition of value-added tax on goods specified in article 7.3.2 of this Law, shall be the day of such retention of such goods by the taxpayer.

10.5. The time of imposition of value-added tax on imported goods shall be the day of its declaring to the Customs authority.

10.6. Retailer, once a month and wholesaler, every time it makes sale, shall produce invoice specified in 4.1.3 of the Law.

## **CHAPTER FIVE**

### **Rate of value-added tax**

#### **Article 11. Rate of value-added tax**

11.1. Unless otherwise provided in this Law, the value-added tax shall be imposed at the rate of 10 percent of the taxable amount of imported, manufactured or sold goods, performed works and rendered services.

11.2. The rate of value-added tax on goods, works and services specified in the article 12 of this law shall be equal to zero / "0"/.

11.3. Value-added tax rate for gasoline and diesel fuel imported, produced or sold shall be 0 to 10 percent of taxable amount of value-added tax on the gasoline and diesel fuel. *(This article was added by the law dated on May 22, 2008.) (This article was amended by the law dated on January 16, 2009.)*



11.4. Value-added tax rates for gasoline and diesel fuel imported, produced or sold shall be approved by the Government within the limits specified in Article 11.3 of this Law based on sector specifics. *(This article was added by the law dated on May 22, 2008.), (This article was amended by the law dated on January 16, 2009.), (This article was amended by the law dated on September 11, 2012.)*

## **Article 12. Application of the zero /"0"/ rate**

12.1. The rate of value-added tax imposed on the following exported goods, works and services shall be equal to zero /"0"/:

12.1.1. goods exported from the territory of Mongolia for the purpose of sale and declared with the customs organization;

12.1.2. passenger and cargo transportation services rendered from the territory of Mongolia to foreign countries, from foreign countries to the territory of Mongolia, as well as from foreign countries to third countries transiting through the territory of Mongolia;

12.1.3. services provided in a foreign country (including tax-exempt services);  
*/This article was amended by the law dated on February 20, 2009/*

12.1.4. any rendering of services /including "non-taxable services"/ to a foreign citizen or a legal person, who was outside the territory of Mongolia at the time, the services were rendered;

12.1.5. any services of air navigation management, technical and fuel services, and cleaning which shall be provided for both foreign and domestic airplanes conducting international flight and sale, food and drink services provided for air crew members or passengers during flight;

12.1.6. State medals and coins manufactured domestically on the order of the Government or the Bank of Mongolia. */This article was amended by the law dated on February 20, 2009/*

12.1.7. mining finished product that was exported. */This article was amended by the law dated on July 21, 2009/*

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. The article 12.1 of this Law shall apply to citizens and legal entities registered as value-added taxpayer and engaged in exporting activities on the bases of contract concluded with foreign citizen and legal entity.

12.4. In following circumstances, citizens and legal entities specified in article 12.1.4 of this Law shall be considered as not-present in the territory of Mongolia:

12.4.1. have a permanent representative office in his country and no such office in the territory of Mongolia;

12.4.2. has not representative office in his country but resides permanently in a country other than Mongolia;

12.4.3. have representative offices both in his country and in Mongolia, but the services are wholly or mainly used for the representative office in foreign country.

12.5. The Government shall establish type, category and code of mining finished product that was exported, specified in article 12.1.7 of this law. */This article was amended by the law dated July 21, 2009/*

## **CHAPTER SIX**

### **Exemption from value-added tax**

#### **Article 13 . Exemption from value-added tax**

13.1. Following goods are exempted from value-added tax:

13.1.1. passengers' personal use goods with permitted amount to let without tax and approved by customs authority;

13.1.2. imported goods for the work needs of diplomatic missions and consular offices, UN and its specialized branches permanently residing in the territory of Mongolia;

13.1.3. goods purchased, works done and services rendered in the territory of Mongolia for work needs of diplomatic missions and consular offices residing in the territory of Mongolia, and their employees' personal use, if such goods, works and services purchased are exempted from tax in respective countries;

13.1.4. goods received through humanitarian and grant aid from foreign governments, NGOs and international or humanitarian organizations;

13.1.5. Special purpose appliances, equipments and machinery designed for citizens with learning difficulties; */This article was amended by the law dated on August 3, 2007./*

13.1.6. any weapons and special equipments imported for the needs of armed forces, police, and organizations of national security or court order enforcement;

13.1.7. civil passenger airplane, its spare parts;

13.1.8. revenues from the sale of establishments used for housing and/or their parts;

13.1.9. equipments, materials, raw materials, spare parts, gasoline, and diesel fuel imported for oil-related operations under a product-sharing agreement entered with government in the oil industry; *(This article was amended by the law dated on February 20, 2009).*

13.1.10. blood, blood products, and organs to be used for treatment purposes;

13.1.11. gas fuel, its container, equipments, special purpose machineries, mechanisms, and mechanics;

13.1.12. Mongolian monetary notes made abroad by order;

13.1.13. sold gold;

13.1.14. sold newspapers;

13.1.15. experimental products of research and science work. */This article was added by the law dated on December 28, 2006./*

13.1.16. mining products other than those specified in Article 12.1.7 of this law. */This article was added by the law dated on July 21, 2009/*

13.1.17. transferred loan, right derived from financial leasing contract and other claim right from bank, non-banking financial institution or other legal entities to bank, a special purpose company and housing finance company for the purpose of issuing an asset backed security. */This article was added by the law dated on April 23, 2010 and shall be effected from January 1, 2011/*

13.1.18. cereal, potatoes, vegetables and fruits domestically grown and sold by farmers and domestically produced flour. */This article was amended by the law dated on February 02, 2011/*

13.1.19. carcass meat, sliced boneless and graded meat, unprocessed entrails and byproducts of livestock that are prepared through manufacturing process and sold within territory of Mongolia. */This article was amended by the law dated February on 02, 2011/*

13.1.20. grocery milk and dairy products processed from domestic-origin raw materials and sold within territory of Mongolia. */This article was amended by the law dated on February 02, 2011/*

13.1.21. equipments and spare parts produced and sold within territory of Mongolia for intended use in small and medium enterprise's production line. */This article was amended by the law dated on February 09, 2011/*

13.1.22. Raw materials, reagents that are not produced domestically and required for carrying out production of new goods and products within innovation project for domestic and foreign markets. */This article was amended by law dated on May 22, 2012/*

13.2. The Government shall approve the list of goods specified in articles 13.1.11, 13.1.21 and 13.1.22 of this law. */This article was added by the law dated on May 22, 2012/*

13.3. Article 13.1.3 of this Law shall not apply to one time purchase of goods, works and services valued under ten thousand togrogs.

13.4. Article 13.1.6 of this Law shall not apply to the purchase of non-special purpose cars.

13.5. Article 13.1.8 of this Law shall not apply to buildings for housing which was newly constructed for the purpose of selling.

13.6. Following services are exempted from the value-added tax:

13.6.1. currency exchange;

13.6.2. banking services, such as the receipt or transfer of, or any dealing with, money, any security for money or any note or order for the payment of money and the operation of any savings account;

13.6.3. services of insurance, reinsurance and registration of property;

13.6.4. the issuance, transfer or receipt of any securities and shares, and underwriting of such securities;

13.6.5. the making the advance or the granting of credit;

13.6.6. the provision, or transfer of an interest on social and health insurance fund;

13.6.7. any services in respect of fees for bank or financial interest, dividend, credit guarantees or insurance contract;

13.6.8. the renting service of accommodation for housing and its part;

13.6.9. educational and professional service mentioned in the regulation of the citizen or legal entity that is engaged in and has a special permission to conduct educational and professional training;

13.6.10. medical services;

13.6.11. services of religious organizations;

13.6.12. services provided by the government organization; This shall include public services provided by the Government, its agencies and budgetary organizations. */This article was amended by law dated on February 20, 2009 /*

13.6.13. public transportations service specified in article 3.1.11 of the Law on Auto transportation<sup>4</sup>;

13.6.14. tour operating services such as to receive tourists, planning of the service, its advertising and preparation of relevant documents provided to foreign tourists by legal entity engaged in tour businesses on the bases of a contract which was concluded with foreign tourist organization.

13.7. Persons /other than importers/ engaged in manufacturing, works and servicing with a sales volume of 10 million togrogs or less annually shall be exempted from value-added tax.

13.8. Article 13.6.10 of this Law shall not apply to manufacturing and selling of drugs, medicines, medical devices and equipments.

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<sup>4</sup> Law on Auto transportation-State information bulletin, number 28, 1999

13.9. Services specified in article 13.6.14 of this Law shall not include services of tour base, restaurants, transportation of tourists, tour guide and hotel.

13.10. When exercising the exemption specified in article 13.1.3 of this Law to foreign diplomatic and consular missions, and their employees, the principle of repayment of already paid tax shall be adhered to.

13.11. In case goods, works and services were transferred to others for free of charge or used for personal use other than the usage in the internal circulation of manufacturing, then the value-added tax shall not be exempted.

13.12 Article 13.1 shall not be apply to purchase and intermediate sale of goods specified in Articles 13.1.18-13.1.20 of this law. */This article was amended by law dated on February 2, 2011 /*

## **CHAPTER SEVEN**

### **Deduction and refund of value-added tax**

#### **Article 14. Deducting value-added tax**

14.1. Following value added taxes paid by an individual or legal entity in conformity with Articles 7, 8 and 11 of this Law after being registered as a taxpayer shall be deducted from value-added tax to be paid to the state budget:

14.1.1. taxes paid in connection with the purchased goods, performed works and rendered services for production and services purposes;

14.1.2. taxes paid for goods, works and services directly imported by himself for the purpose of selling as well as manufacturing and servicing;

14.1.3. by deducting value-added tax paid from the sum amount if goods, works and services were purchased with value-added tax when being registered as value-added tax payer;

14.1.4. Where unprocessed meat, milk, egg, leather, vegetable, fruits prepared or grown by individuals and legal entities running animal husbandry and agricultural farming, and flour produced domestically and sold to domestic producers, the selling price shall be assumed as VAT inclusive of 10 percent and be offset by the purchasers as VAT paid at the same rate on their input. */This article was amended by law dated on February 2, 2011 /*

14.2. If imported or sold through intermediation by purchasing those basic raw materials specified in article 14.1.4 of this Law, deduction shall not be made from the value-added tax to be paid.

14.3. In case the value-added tax paid by purchaser to supplier is not reflected in invoice, bill and other documents of accounting, such tax shall not be deducted.

14.4. Value-added taxes paid in importing and purchasing following goods, works and services shall not be deducted from the total sum of value-added tax which will be paid by purchaser:

14.4.1. passenger car, its parts and spare parts;

14.4.2. goods and services purchased for personal and employee's need;

14.4.3. goods, works and services purchased or imported for manufacturing or servicing specified in article 13 of this Law.

14.5. Article 14.4.1 of this Law shall not apply to value-added taxpaying legal entity which is engaged in selling activities in passenger car, its parts and spare parts as reflected in its contract and regulations.

14.6. In case, the amount of deduction which is to be made in the month as specified in article 14.1 of this Law, exceeds the sum of value-added tax which is to be made in the same period, tax authority shall resolve the issue in a following manner:

14.6.1. to include in and transfer to the value-added tax which is to be paid in the following month, quarter and year;

14.6.2. to include in and transfer to other types of taxes which is to be paid to state or local budget according to legislation.

14.7. 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 value-added tax is to be paid and other parts for the need where there is an exemption from a value-added tax, then the only part which was utilized for the manufacturing and servicing where value-added tax apply shall be deducted.

## **Article 15. Refund of value-added tax**

15.1. Value-added tax shall be refunded to the taxpayer in following procedures, if paid in extra amount or specifically provided for in Law:

15.1.1. taxpayer who paid the value-added tax in extra amount shall submit an application to refund his extra paid tax in written to relevant tax authority when he estimates tax and submits report;

15.1.2. Foreign diplomatic missions, consular offices and their employees specified in provision 13.1.3 of this Law shall submit the application, along with related documents, for refund of VAT paid on work and services purchased domestically in a month concerned, to the state administrative body in charge of taxation by 10th of the following month. */This article was amended by the law dated on December 19, 2008/*

15.1.3. A relevant tax office shall review, validate the ending balance, and submit its proposal to the state administrative body in charge of taxation within 15 working days following the receipt of application specified in Article 15.1.1 of this law; */This article was amended by the law dated on December 19, 2008/*

15.1.4. The state administrative body in charge of taxation shall review the request and proposal submitted in articles 15.1.2 and 15.1.3 of this law, determine the refundable amount, and provide written notice to the taxpayer within 7 working days after it received the request and opinion, and submit its findings in addition the taxpayer's name, registration number, bank account number, refundable amount, and total arrears to the state central administrative body in charge of finance within 2 working days. */This article was amended under the law dated December 19, 2008/*

15.1.5. State Central administration in charge of financial matters, within 45 days after the receipt of the proposal as specified in article 15.1.4 of this Law, shall refund the tax.

15.2. Procedures regulating the relations with respect to deduction and refunding of value-added tax and reflecting them on accounting shall be approved by the Cabinet member of Government in charge of financial matters.

15.3. The value-added tax allocated for refund shall be part of the state budget and shall not exceed 15 percent of total value-added tax revenue to be paid into state budget in a given month, quarter, or year. */This article was amended by the law dated on July 21, 2009/*

15.4. Person specified in article 6.9 of this Law shall have a right to have value-added tax deduction made and to get the refund of its tax paid in extra amount.

15.5. Tax shall be refunded from state budget every month, if one has exported its own manufactured products and taxes of other taxpayers shall be refunded once a quarter.

## **CHAPTER EIGHT**

### **Value-added tax payment to budget and preparation of report**

#### **Article 16. Imposition of value-added tax on goods, work, or services, and its payment to the budget and reporting**

16.1. A taxpayer shall transfer the value-added tax which is imposed on goods, works and services to consolidated account of state treasury before the 10th day of the following months according to the following procedures and submit the report to relevant tax authority in accordance with approved forms:

16.1.1. Taxpayer, himself, shall pay the tax imposed on sold goods, performed works and rendered services for the month to the budget;

16.1.2. Mongolian citizen and legal entity, when purchasing goods, works and services specified in articles 7.3.5 and 7.4.9 of this Law from the persons non-resident or not residing in the territory of Mongolia, shall charge the value-added tax on the price of such goods, works and services and pay to the budget;

16.1.3. Value-added taxes imposed on goods, works and services which shall be considered as satisfaction of debts as specified in articles 7.3.4 and 7.4.8 of this Law shall be paid by the person who is paying such payment.

16.2. Value-added taxes shall be imposed on imported goods and report is to be prepared in a following manner:

16.2.1. Customs organization shall impose value-added tax on imported goods as specified in articles 7.1.3 and 8.1.1 of this Law in accordance with articles 9.1.1 and 11.1 of the same Law and take measures of making the taxes paid to the budget;

16.2.2. Importer shall transfer the taxes imposed in accordance with the article 16.2.1 of this Law to consolidated account of the state treasury:

16.2.3. The Central Customs Authority shall prepare a monthly statement with respect to payment of value-added tax and submit it the state administrative unit in charge of finance by the 10th of the next month and annual statement by January 15 of the next year. */This article was amended by the law dated on May 20, 2008/*

16.2.4. Value-added tax which shall be imposed on automotive gasoline and diesel fuel imported for the purpose of creating company reserve shall be imposed based on the Government resolution listing the names of the economic entities those are to create company reserve, amount and quantity of mandatory reserve of automotive gasoline and diesel fuel, and a period of its re-charge on a day when the sale to create the company's reserve started;

16.2.5. VAT on gasoline or diesel fuel, which is able to cover 30 days consumption of Mongolia and is imported by a company that holds a license to engage in wholesale and production of oil products, except gasoline and diesel fuel imported to keep the company's reserve, shall be imposed 30 days later. */This article was added by the law dated on December 21, 2007/*

16.3. Value-added tax report form of the imported goods specified in article 16.1 of this Law shall be approved by the head of Central customs organizations. */This article was amended by the law dated on May 20, 2008/*

16.4. Customs organization shall provide all the information on value-added tax imposed on imported goods and paid at the demand of tax authority.

## CHAPTER NINE



## **Liabilities for violators of value-added tax law**

### **Article 17. Liabilities for violators of value-added tax law**

17.1. If it is determined that an individual or legal person, who must have been registered as value added tax payer according to Articles 6.1 and 6.2 of this Law, has manufactured or sold goods, as well as performed works and rendered services, and has not paid value-added tax without getting registered so with respective tax authority or obtaining a certificate, competent state inspector shall make the tax paid in compensation and impose following liabilities:

17.1.1. to impose a 0.3 percent interest on total sum of value-added tax which is to be paid in compensation;

17.1.2. to impose a fine of not more than 50 percent of the total sum of value-added tax which is to be paid in compensation.

17.2. If it is determined that an individual or legal entity who was registered as value added tax payer has not imposed the value-added tax on its goods sold or manufactured, works performed and services provided or has not paid the tax after imposition, competent state inspector shall impose the liabilities specified in article 17.1 of this Law.

17.3. If it is determined that the goods were sold or manufactured, as well as works were performed and services were provided without having registered and issued certificate in accordance with the articles 6.1 and 6.2 of this Law and failed to pay the value-added tax even though it was imposed on them, competent state inspector shall make the tax paid in compensation and impose interest specified in article 17.1.1 of this Law and fine not more than total amount of the tax which is to be paid in compensation.

## **CHAPTER TEN Miscellaneous**

### **Article 18. Coming into force of Law**

18.1. This Law shall enter into force on January 1, 2007.

SPEAKER OF THE STATE GREAT  
KHURAL OF MONGOLIA

TS.NYAMDORJ