

DOING BUSINESS

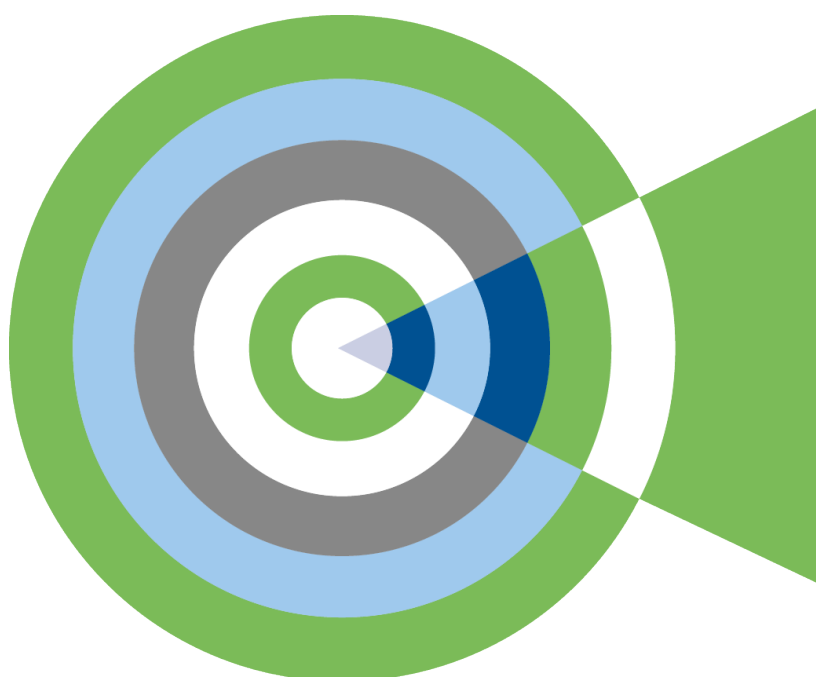
IN MONGOLIA



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Mongolia has been provided by the office of UHY representatives:

UHY GROWTH FINANCE AUDIT LLC

“Growth Finance audit” LLC started its operation on 21 August 2013 as a professional firm providing property valuation and consulting services in the field of accounting, financing, and business. According to Decree #271 of the Ministry of Finance, dated 3 December 2013.

Services areas

Audit,
Advisory services, Business consulting,
Property valuation, tax planning
Accounting, Financing, outsourcing
Carbon accounting

Our team consists of highly qualified professionals with over 10 years of extensive experience in auditing, accounting, tax, and property valuation service who were employed with leading audit firms.

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at June 2023.

We look forward to helping you do business in Mongolia.

2 – BUSINESS ENVIRONMENT

BACKGROUND

Over the past 30 years, Mongolia has transformed into a vibrant democracy, tripling its GDP per capita since 1991. Primary school enrolments are at 97 percent. Infant mortality rate per 1,000 live births declined from 13.6 in 2017 to 11.6 in 2021, but maternal mortality rate per 100,000 live births increased from 26.9 in 2017 and reached 94.9 in 2021. With vast agricultural, livestock and mineral resources, and an educated population, Mongolia's development prospects look promising in the long-term assuming the continuation of structural reforms.

Mongolia's economic growth is projected to rise slightly but remain modest at 2.4 percent in 2022, with the rise mainly driven by the removal of COVID-19 related restrictions and a strong rebound in the agriculture sector. Rising private and public investments and household consumption are expected to support domestic demand. However, lingering border frictions with China, weaker global economic prospects, and higher prices of imports due to the war in Ukraine are expected to constrain the economic recovery.

Mongolia's national poverty headcount rate in 2020 was 27.8 percent, 0.6 percentage points lower than in 2018. While estimates show that poverty in 2020 was slightly lower than it was in 2018, the COVID-19 pandemic has sharply slowed down the pace of poverty reduction. Simulations indicate that had the COVID-19 pandemic not occurred, the poverty rate may have declined to 24.3 percent in 2020, suggesting that the pandemic may have contributed to an increase in poverty by about 3.5 percentage points in 2020. The wide array of COVID-19 relief packages, including top-ups on existing social assistance programs, played a crucial role in preventing a rise in poverty between 2018 and 2020.


To ensure sustainable and inclusive growth and to reduce poverty, Mongolia will also need to strengthen governance; build institutional capacity to manage public revenues efficiently; allocate its resources effectively among spending, investing, and saving; and ensure equal opportunities to all its citizens in urban and rural areas.

POPULATION

Mongolia does not border Kazakhstan, although they are separated by only 37 kilometres (23 miles). It covers an area of 1,564,116 square kilometres (603,909 square miles), with a population of just **3.3 million**, making it the world's most sparsely populated sovereign nation.

GEOGRAPHY



Continent	Asia
Region	East Asia
Coordinates	 46°0'N 105°0'E
Area	Ranked 18
• Total	1,564,116km ² (603,909 sq mi)
• Land	99.3%
• Water	0.7%
Borders	Russia : 3,485 kilometres (2,165 mi) China : 4,676 kilometres (2,906 mi)
Highest point	Khüiten Peak 4,374 m (14,350 ft)
Lowest point	Hoh Nuur 560 m (1,840 ft)
Longest river	Orkhon River 1,124 kilometres (698 mi)
Largest lake	Uvs Lake by area: 3,350 km ² (1,290 sq mi) Khövsgöl Nuur by volume: 480.7 km ³ (115.3 cu mi)
Climate	Desert; continental
Terrain	Vast semidesert and desert plains, grassy steppe, mountains in west and southwest
Natural resources	Oil, coal, copper, molybdenum, tungsten, phosphates, tin, nickel, zinc, fluorspar, gold, silver, iron
Natural hazards	Dust storms; grassland and forest fires; drought
Environmental issues	Limited natural freshwater; the burning of soft coal for power; poor enforcement of environmental laws; severe air pollution in Ulaanbaatar; deforestation, overgrazing , soil erosion; desertification and poor mining practise

CURRENCY

The **tögrög** or **tugrik** ([Mongolian Cyrillic](#): төгрөг, [Mongolian script](#): ᠲᠦᢉᠷᠦᠭ, transcription: *tögürig*; [sign](#): ₮; [code](#): **MNT**) is the official currency of [Mongolia](#). It was historically subdivided into 100 *möngö* (мөнгө / ᠮᠦᠩᠭᠡ). Currently, the lowest denomination in regular use is the 10-tögrög note and the highest is the 20,000-tögrög note. In [Unicode](#), the currency sign is U+20AE ₮ TUGRIK SIGN.

LANGUAGE

Official language of [Mongolia](#) and both the most widely spoken and best-known member of the [Mongolic language family](#). The number of speakers across all its dialects may be 5.2 million, including the vast majority of the residents of [Mongolia](#) and many of the [ethnic Mongol](#) residents of the [Inner Mongolia](#) Autonomous Region of the People's Republic of [China](#). In Mongolia, [Khalkha Mongolian](#) is predominant, and is currently written in both [Cyrillic](#) and the [traditional Mongolian script](#). In [Inner Mongolia](#), it is [dialectally](#) more diverse and written in the [traditional Mongolian script](#). However, Mongols in both countries often use the [Latin script](#) for convenience on the Internet.

MAJOR EXPORTS

Since the 1990's revolution, the change in the state of Mongolian export reflects the change in the state of the political landscape. In accordance with the National Statistics Office, 81% of the exports were to Russia and 0.7% to China in 1990, and in 2018, 92% of the total exports were to China versus only just 1% to Russia. As of now, the main exports products (as a percent of total exports) are coal (40%), copper concentrate (29%), gold (2%), crude oil (6%), iron ore (5%), and cashmere (5%).

MAJOR IMPORTS

In contrast, as of 2018, the import is more evenly source from multiple nations compared to export with 34% of the total import coming from China, 29% from Russia and followed by Japan, South Korea, USA, and Germany. The main imports are industrial equipment (26%), fuel (19%), automotive (9%), electricity (2%) and the remaining imports are medicine, mobile phones, consumer goods, and food.

EDUCATION – PRIMARY AND SECONDARY

The system for lower-level education in Mongolia has been similar to the one used during communist times, though the government has begun reforms to expand it. The original system included four years of compulsory schooling followed by a further four years of compulsory lower-secondary education. There were then two years of upper-secondary non-compulsory education that either have a vocational, technical, or general education focus. The expansion began in 2004 with the official school entry age dropping from age 8 to 7. A further expansion was set to take place in 2008 with the entry grade level dropping one more year to age 6. The goal is to have a 12-year 6-4-2 system for primary and secondary education.

As of 2003, there were 688 primary and secondary schools with about 528,000 students and 20,725 teachers. There were 32 vocational and technical training centers with 20,000 students and over 800 teachers. General education starts at age 6. In 2015, Mongolian children enrol in school at the age of six for 12 years (5-4-3) of education.

TERTIARY EDUCATION

There are a number of tertiary education facilities in Mongolia, including the Institutes of Medicine, Agriculture, Economics, Pedagogics and Polytechnics.

Chief among these is the National University of Mongolia in Ulan Bator founded in 1942 and illustrated here. It has 12 schools, has branches in Zavkhan and Orkon Aimags, and claims credit for over one third of graduate Mongolians. In Soviet times it was the territory of the communist elite. These days a system of bursaries ensures that peasant children benefit too.

HEALTH CARE SYSTEM

Mongolia has a rich heritage of traditional medicine that is directly connected with nomadic way of life Mongolians have been following for many centuries. Herbal medicine, acupuncture, cauterization, massage and bone setting have been popular for many years. The history of modern medicine started in 1925 when the Russian doctor, Shastin, initiated and founded the first 'People's hospital with 15 beds. During the socialist period, the policy to develop a network of medical organizations with trained staff and required equipment had been successfully implemented. The health sector of the country is represented by medical schools of all levels; the Center for hygiene and epidemiology; medical research institutes; Mother and Child Care center; Central Clinical hospitals, Medicine supply agency, pharmaceutical factory, Agency of Quality Assurance Drugs; Bio preparations and Medical Care; aimag and soum center hospitals, and many other medical institutions and agencies. Political and economic changes that are taking place in the country have led to transformation in the structure of the health sector. As a result of those, about 400 new private and state clinics, hospitals and health centers are being opened. Mongolian doctors are can speak Russian very well.

COMMUNICATIONS

Mongolia is a relationship-driven culture, so it is important to prepared to build relationships before agreements are made.

Many Mongols prefer to have third parties introduced to them by an intermediary that they know or trust. By developing your relationships therefore, you may find it easier to make contact with other Mongols with whom you have no existing relationship in other businesses.

Small talk at the beginning of meetings is essential to building the trust needed to advance your business plans. Mongols are very proud of their heritage, so consider complimenting your counterparts on their country and culture as this will be well received.

Ignoring small talk and jumping too quickly into business discussions is likely to give the impression that you are more interested in the business than in your relationship. This will not benefit you.

Expect your counterparts to show little respect for personal space. Mongols tend to live in close proximity to each other. For example, it's not uncommon for Mongol families to all sleep in the same bed. You might also see people sitting on each other's laps when on public transport. People are also likely to be fairly tactile when communicating; it's not unusual for men, for example, to place a hand on each other's shoulders when talking. If someone comes particularly close to you when talking, then avoid stepping back to increase your personal space as this would be considered offensive.

There is clearly an inappropriate level of touching which spans all cultures and should be avoided – for example, touching someone's leg. Also avoid touching someone's head as heads are sacred in Buddhist belief.

Be alert for nuances and hidden meanings. It is a good idea to repeat details, as you understand them to confirm that you and your business colleagues are in agreement.

BANKING AND FINANCIAL SERVICES

The Mongolian financial sector consists of 14 commercial banks, 188 nonbank financial institutions (NBFI), and about 207 savings and credit cooperatives (SCCs). The banking sector, which dominates the financial sector, underwent several crises in the 1990s. Following the severe banking crisis of 1998-1999, the Government implemented measures to restructure ailing banks, privatize major banks, improve the Bank of Mongolia's ability to enforce compliance with prudential regulations, and strengthen market discipline and incentives for sound bank management.

TRANSPORTATION LINK [HTTPS://WWW.TRANSDEP.MN](https://www.transdep.mn)

LAND AND BUILDING

Architectural generations: yurt, temple and skyscraper



Holidays in Mongolia:

Date	2022 Date	English name	Local name	Remarks
January 1		New Year's Day	Шинэ жил (<i>Shine jil</i>)	
First three days of the first spring month of the lunar year	February 2 – February 4	Lunar New Year or Tsagaan Sar (<i>White Moon</i>)	Цагаан сар (<i>Tsagaan sar</i>)	Tsagaan Sar is celebrated according to the lunar calendar . The date falls anywhere between the end of January and early March in the lunar calendar .

March 8		International Women's Day	Олон улсын эмэгтэйчүүдийн өдөр (<i>Olon ulsyn emegteichүүдийн өдөр</i>)	
June 1		Children's Day	Хүүхдийн баяр (<i>Khүүkhdiin bayar</i>)	
15th day of the first summer month of the lunar year	June 14	Buddha's Birthday	Бурхан багшийн Их дүйчин өдөр (<i>Burkhan bagshiin ikh düichin өдөр</i>)	
July 11 – July 15		Naadam Holiday	Үндэсний их баяр наадам, Ардын хувьсгалын ойн баяр (<i>Ündesnii ikh bayar naadam, Ardyn khuvisgalyn oin bayar</i>)	Six day holiday to coincide with the Naadam Festival
First day of the first winter month of the lunar year	November 24	Genghis Khaan's Day	Их эзэн Чингис хааны өдөр (<i>Ikh ezen Chingis Khaany өдөр</i>)	Established in 2012. This day expresses a symbolic Birthday of Genghis Khan as his exact date of birth is not found.
November 26		Republic Day	Бүгд Найрамдах Улс тунхагласан өдөр (<i>Bүgd nairamdakh uls tunkhaglasan өдөр</i>)	
December 29		Independence Day	Үндэсний эрх чөлөө, тусгаар тогтнолоо сэргээсний баярын өдөр (<i>Ündesnii erkh chөлөө, tusgaar togtноloo sergeesnii bayaryn өдөр</i>)	

3 – FOREIGN INVESTMENT

The “Mongolia Investment Law 2013” is another positive step toward a secure investment climate. International investment law (1993) and Foreign Investment Law in Strategic Sectors (2012) have been replaced by legislation. It also addressed some problems faced by investors following the 2012 Strategic Sector Investment legislation.

Following the introduction of the new Investment Law, international investors have been granted the same rights as domestic investors, which provides a legal structure to protect their investments. To promote investments in Mongolia and to further encourage foreign investments, the investment law provides tax stabilization incentives and other non-tax incentives. The new law also seeks to simplify the registration process to form a company by requiring only to be registered by the General Authority for State Registration, thus, as a result, cutting down the required time needed for opening a business from entry to operation by 30 days.

The Law also contains a provision for a national investment agency (National Development Agency), which will encourage, support, and control investment activities and will grant investment stabilization certificates and track whether these certificate holders operate in accordance with the laws and regulations of Mongolia. The applicable rates of the following taxes, fees, and duties can be stabilized under stabilization certificates for a period up to 18 years and maybe extended to 27 years for qualifying projects:

- Corporate income tax
- Customs duty
- Value added tax
- Minerals royalty

As established in the laws of Mongolia, and defined under the Investment Law, the definition for foreign investment entity in Mongolia is a minimum of twenty-five percent of the share that is held by a foreign investor which also applies for Mongolian citizens who are permanently residing overseas. The registration of a foreign investment company would require a minimum initial investment of one hundred thousand dollars (100,000 USD) per foreign investor.

4 – SETTING UP A BUSINESS

Starting a business in Mongolia is not as difficult as one might think. With the need to promote start-ups, the Mongolian government has lowered the required capital for setting up a joint stock company for 100,000 USD. Theoretically, it is possible to set up an entity in 14 days. Mongolia's economy is inextricably linked to and reliant on China. Mongolia, in this view, serves as both a large launchpad for investors looking to access China's market and a suitable gateway to other markets. There are the 4 options for setting up a business in Mongolia:



Representative Office

A Representative Office does not require registration with the legal affairs bureau and tax forms. It is only permitted to carry out functions such as market research, PR etc and no sales activities may be undertaken. It may be suitable if Mongolian clients already have established a good relationship with the foreign exporter and the sales transaction and paperwork is being carried out entirely between the foreign exporter and the Mongolian client and the Mongolian Representative Office's role is limited. It is not possible to open a bank account or sign a tenant agreement with this status.

Mongolia branch office

A branch office may engage in sales activities. After the Ministry of Justice required companies to appoint a local Mongolian representative, once confirming an office address it has become significantly easier to open a Mongolia branch office. You will need to create an affidavit document concerning establishment of a branch office and have it notarized at the State Registration Office. You will then need to register the branch office at the legal affairs bureau and register the company seal. This is often regarded as an easier option compared to setting up a Mongolian incorporation.

Mongolian subsidiary

The JSC is the most prevalent form of entity and can enjoy credibility and a good social standing. An LLC is less recognized but the number of such incorporation has been rising rapidly including adaptation by some of the large foreign companies. Since the shareholders and managers of the companies are not separated in the case of an LLC, it has the benefit of having more management freedom e.g. sharing of profits. It is necessary to have at least one director who is resident in Mongolia to set up a JSC. For setting up an LLC, it is necessary to have a personal seal certificate of a representative member who has to be resident in Mongolia.

Limited Liability Partnership (LLC)

An LLC is formed when two or more individuals/corporations conclude a limited liability partnership agreement, pay the investment as agreed and register at the legal affairs bureau. At least one member of an LLC must be resident in Mongolia. It is not possible to convert an LLC to a JSC and nor does an LLC have the authority to be an applicant for licenses/approvals required in regulated business sectors.

5 – LABOUR

The Labour Law of Mongolia mediates the relationship between employee with provisions and rules regarding labour contracts, working conditions, labour disputes as well as labour relations. All foreign and domestic parties entering into labour contracts are subject to comply with the general provisions articulated in the Labour Law as long as it is done on the Mongolian soil, unless the employee in subject is from a country with existing special trade agreement.

Labour contracts

In accordance to The Labour Law of Mongolia, it is mandatory for contracts to be in written form and to include the following information:

- Job title
- Responsibilities
- Compensation amount
- Work environment (e.g. factors that may impact or risk employee's ability to perform or its safety)

During the course of negotiation, failure to provide any of the above-mentioned requirement shall render the employment contract invalid. Employment contracts can either be in fixed term or permanent. The fixed term contracts can be lawfully terminated prematurely per established conditions by the Labour Law of Mongolia, e.g. mutual agreement to terminate the contract early, the employee is required to draft into military or fulfil their conscript duties etc.

Salary

Monthly salaries are generally paid in two parts, and it may vary depending on how it is negotiated on the employment contract. The total amount consists of base salary, overtime, awards and bonus pays. The current minimum monthly salary is set by the law at 420'000 MNT (approx. 150 USD) per month since 1st of January, 2020.

In following circumstances, it is mandatory for employers to pay extra compensation:

- Employee works overtime on employer's initiative (no less than 150% rate of normal pay)
- Employee worked during public holiday (no less than 200% rate of normal pay)
- Night shift, which the rate is determined by the employment contract.

Working hours

The typical full-time employment in Mongolia is 5 working days a week from Monday to Friday, each day has 8 hours of work hours, totalling 40 hours a week. As stated in the Labour Law of Mongolia, there has to be at least continues 12 hours of off duty between each work day. If the employer asks the employee to work longer than 8 hours a day, the extra work hours are considered overtime and it is to be compensated by either in time or overtime pay. There are additional restrictions that employer must comply with when they require employees to work during weekends and public holidays.

Overtime Pay:

If an employee works over 40 hours a week, then the company is expected to pay for overtime to the employee unless they work in Management position.

Companies that intend to use overtime on a regular basis should put in place a written agreement between employees and management commonly called "article ..." and submit it to Labor Standards Inspection Office.

Severance pay

The employee is entitled to have a severance payment if the employment contract has been lawfully terminated or the employee is drafted for military service or conscript duties as articulated in Labour Law of Mongolia. The entitled amount of severance pay is no less than the average salary that the employee is currently receiving. However, the amount may vary if it is stipulated otherwise in the employment contract. The method to determine average salary for the employee is set by the Minister of Social Welfare and Labour.

Paid vacation

Employee annual paid vacation is mandatory in Mongolia, and the minimum is 15 days a year. The number of paid vacation days may differ depending on factors such as the years worked for the employer or the type of job, or even the economic sector. A new employee becomes entitled to annual paid vacation after 11 months of employment, and if the employee is unable to take their annual vacation, it can be exchanged for extra payment.

Maternity leave

New mothers are entitled to have 120 days of maternity leave as stated in the Labour Law of Mongolia, and they receive benefit payments from the state for two months on the either side of expected delivery. The maximum benefit is currently set at ten times the minimum monthly salary. In occurrence of delivery complications, which can entitle the new mother for extra maternity leave days. The new mothers are also entitled to extra one or two hours of rest during work days until their child is one year old.

Sick Leave:

In general, there is no sick leave rights in Mongolia. When employees get sick they use their paid vacation to take leave of absence. Some foreign companies grant sick leave to their employees as a special benefit.

Business Expenses:

Business related expenses are fully reimbursed to employees (travel, meals, lodging). Expenses non related to work usually have to be included in salary and are subject to taxation. Example: sport club membership, Expenses refunds are typically not included in the payroll slip.

Short Term Leave / Long Term Leave

Short Term leave and Long Term leave are not regulated by Labor law. It is a matter of agreement between the company and the employee. Usually employees can take unpaid short leave.

Child Care Leave

Child care leave applies to female employees for 120 days.

6 – TAXATION

INCOME TAX LAW

Taxpayers in Mongolia are separated into two separate classifications – resident and non-resident taxpayers, with different rates applying to various revenue streams depending on whether the entity is a tax resident in Mongolia.

- A resident taxpayer is an entity that resides in Mongolia on a permanent basis and comprises of entities established under Mongolian law and foreign entities that have their headquarters in Mongolia.
- A non-resident taxpayer is an entity that undertakes business activities in Mongolia through a permanent establishment (PE) or foreign entities that earn income sourced in Mongolia.

We outline the applicable tax rates for taxpayers considered Mongolian tax residents below. The payment date requirements vary depending on the type of income. Local advice should be sought to ensure that you comply with the various payment date requirements.

Permanent resident taxpayer	Non-resident taxpayer of Mongolia	Related party /if the following relation is present with a taxpayer, it shall be “a related party/
An economic entity formed within the laws of Mongolia	A foreign economic entity that conducts its business activities in Mongolia under its representative office <ul style="list-style-type: none"> •Branch (unit and section) •Plant •Trade and service provider •Oil and natural gas well or a mine that extracts natural resource 	Holds 20 percent or more of the common stock
A foreign economic entity that has its headquarter office located in Mongolia	A foreign economic entity that earns income in the territory of Mongolia or from a source in Mongolia in forms other than representative office	Has the right to receive 20 percent or more of the dividends or distributions
		Has the right to appoint 20 percent or more of the management of the economic entity or is otherwise able to determine its policies

Taxable income and rates

A taxpayer that resides in Mongolia

Income From Activities	Income From Property
<ul style="list-style-type: none"> Income from primary and auxiliary production and sale of work and services; Income from goods, work and service received from others free of charge; Realized gain from foreign currency exchange rate; Income from technical, management, consulting, and other services; Income from interest and/or penalty for non-performance of contract duties, and compensation for a damage; Income from immovable and movable property lease; Income from sale of movable property; Income from sale of share and securities; Income from sale tangible asset; 	Up to MNT6 billion taxable income- 10% excess of MNT6 Billion – 25% CIT rate is 1% for business entities with annual turnover under MNT300 million and certain qualifying conditions may apply.
<ul style="list-style-type: none"> Income from interest; Income from dividend; Income from royalty; 	10%
Income from sale of rights;	10%
<ul style="list-style-type: none"> Income from quiz, gambling and lottery; Income from sale and rental of erotic publications, books, and video recording and service of erotic performance 	40%
Income from sale of immovable property;	2%
Debt instruments and shares that will be offered and traded publicly within domestic and foreign primary and secondary securities market, taxpayer's interest and dividend that bought par value of a taxpayer not holding minerals, radioactive minerals, oil exploration and mining special license and resided in Mongolia	5%
Interest income accruing from loans and debt instruments drawn from foreign and domestic sources of a commercial bank of Mongolia	5%
Taxable income of a taxpayer who earned an income of up to 300 million MNT (Article 20.2.7)	1%
Sale income of intellectual property	5%
Income transferred to a legal entity that does not reside in Mongolia with respect to software license fee and server renting fee to be used for its primary operation of taxpayer residing in Mongolia that is engaged in primary activities of software development	5%

A taxpayer that does not reside in Mongolia

Income from dividend;	20%
Loan interest and payment for issuing a guarantee;	

Income from royalty;	
Income from interest on finance lease, payment for administrative expense;	
Income from tangible and intangible asset lease;	
Income from goods sold, work performed, and service provided in the territory of Mongolia	
In the case of the representative office of a foreign economic entity transfers its own profit to overseas;	

As stated in the Article 20.3 of the Corporate Income Tax Law, a holder of a stabilization certificate shall be imposed with a tax at a stabilized rate for the period of validity of the stabilization certificate.

Double Tax treaties

Mongolia has made Double Tax Treaties with following countries:

- | | | |
|------------------|---------------|------------------|
| - Austria | - Hungary | - Poland |
| - Belarus | - India | - Russia |
| - Belgium | - Indonesia | - Singapore |
| - Bulgaria | - Italy | - Switzerland |
| - Canada | - Kazakhstan | - Turkey |
| - China | - Korea | - Ukraine |
| - Czech Republic | - Kyrgyzstan | - United Kingdom |
| - France | - Malaysia | - Vietnam |
| - Germany | - North Korea | |

Time frame for Tax Reporting

Quarterly tax statement shall be reported by the 20th of the first month of the following quarter. Annual tax statement shall be reported by the February 10th of the following year to the corresponding tax authority and make yearend settlement.

CUSTOMS LAW

Trade and Customs legislation

Customs duty

Imports

The MTA is responsible for administering import laws and regulations. The majority of imports do not require a special license or approval, but are required to be declared to Customs, along with a description and value of goods imported. Transaction value is the most commonly used method of valuation. Alternative valuation methods include:

- Transaction value for identical merchandise
- Transaction value for similar merchandise
- Deductive method
- Computed method

Based on this information, Customs will determine the amount of tariff to be paid on the import. Tariff rates are established and approved by the Government. Import tariffs can be regular, favoured or preferential. As such, depending on the country in which a product is imported from, a favoured and/or preferential tariff rate may apply in lieu of a regular rate.

Exports

Generally speaking, most exports are not subject to tax. In theory, an export tax exists but it is applied to a limited number of products only. Most exports do not require a special license or approval, however exporting the following items is restricted (amongst others):

- Uranium
- Firearms
- Certain dangerous and poisonous chemicals

7 – ACCOUNTING & REPORTING

According to the Law on Accounting, the fiscal year starts on 1st of January and ends on 31st of December. Financial statements are required to be submitted to the Ministry of Finance, as outlined below.

Types of entity	Reporting deadline
Entity applies IFRS	First semi-annual financial statement by 20 July, annual financial statement shall be submitted by 10 February of the following year
Parent entity	Consolidated financial statement by 1 March of the following year
SME entities and subsidiary companies	Annual financial statement shall be submitted by 10 February of the following year
Public institutions	Annual financial statement shall be submitted by 20 March of the following year

Businesses that must comply with IFRS are required to submit electronic reports on a semi-annual basis, whilst other entities are required to submit them annually. Financial documents in electronic form are also accepted by the Law in addition to the documents in written form. The financial report will not only be used for determining the applicable taxes and payments to be made, but also can be used by relevant government entities for other purposes. Financial statements should be signed and stamped by the Executive Director and Chief Accountant and the executive management shall be responsible for the accuracy of the financial statements.

Large business entities, medium and small sized business entities and public institutions are required to apply International Financial Reporting Standards. Specifically, joint stock companies and companies operating in regulated sectors such as banking and non-banking financial sector, mining and petroleum companies, companies operating in the energy sector, and state and local government-owned legal entities must comply with IFRS. Small and medium sized business entities, as defined in the Law on Small and Medium Sized Enterprises, must comply with IFRS for small and medium sized entities, and public institutions subject to the Law on Budget must comply with international public-sector accounting standards.

Consolidated statements

A business entity with one or more subsidiaries is required to prepare the Consolidated Financial Statements. In the case of a continuing relationship where the subsidiaries have sub-subsidiaries then the ultimate parent company shall prepare the consolidated financial statement. If the ultimate parent company is registered in a foreign country, then the ultimate parent company registered in Mongolia among its subsidiaries shall prepare the consolidated interim financial statement.

Accounting language and currency

All entities operating in Mongolia are required to carry out their bookkeeping in Mongolian language. record and report its transactions in the national currency. Business entity, organization and their representative office may record their transactions in foreign currencies upon having the consent from Ministry of Finance in charge of finance and accounting. In this case, items in their financial statements shall be expressed and reported in tugrik, the national currency.

Storing accounting documents and financial statements

Business entities are required to store its accounting documents and financial statements for not less than 10 years unless otherwise stated in the Law on Archives.

Audit requirements

As stated in Article 10.1 of the Auditing Law, following business entities are required to be audited:

- Business entities that are required to prepare financial statements in accordance with the IFRS.
- Companies preparing consolidated financial statements,
- Companies being restructured, liquidated, or proposing to sell their all assets through an auction,
- Foreign invested companies,
- Funds.

Business entities and organizations stated in Article 10.1 of the law shall be audited their financial statements within the following timeframe:

Types of entity	Timeframe
Joint stock companies	at least 2 weeks prior to the shareholders' meeting
Restructuring, M&A, liquidating entity	One month prior to the commencement of such actions
Bank	Year-end financial statement by 31 March of the subsequent fiscal year
Other entities	Annual financial statements by 30 April of the subsequent fiscal year

Audits are required to be carried out by and with the International Standards of Auditing. on quality control, auditing, verification, other validation and relevant services. As stated the Article 8 of the Auditing Law, an auditor is not allowed to provide audit services to the same business entity for a consecutive period of more than 5 years. An auditing legal entity shall be prohibited from providing auditing services to such client for a subsequent three years after completion of 5 years.

8 – UHY REPRESENTATION IN MONGOLIA

GROWTH FINANCE AUDIT LLC MONGOLIA

CONTACT DETAILS

Growth Finance Audit LLC
Bayangol District 2th Khoroo
Erkhi Complex, 602, 603
Ulaanbaatar
Mongolia
Tel: +976-7014-4341
www.growthfinance.mn

CONTACTS

Year established: 2013
Number of partners: 2
Total staff: 10

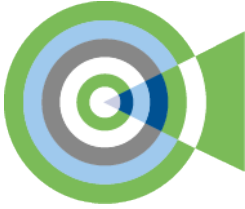
BRIEF HISTORY OF FIRM

In 1997, the "Law of Auditing" was adopted in Mongolia as a starting point for an audit activity and in 1999, the first audit firms were established in Mongolia. Our team consist from highly qualified professionals with extensive experience in both national and international audit industry who were employed with leading and one of the first audit firm named NIMM Audit LLC, which later jointly established KPMG presence in Mongolia who is one of the Big 4 audit firm in May 2012.

We have provided services for enterprises, organizations and project units who operate in various industries such as energy, trade, manufacturing, services, mining, telecommunications, finance, insurance, road and construction, as well as State, private sector and international projects. We have also gained extensive experience and expertise in each of industries.



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