



GRATA
INTERNATIONAL

DOING BUSINESS IN MONGOLIA – 2024

I. BUSINESS CLIMATE

Tremendous mineral reserves, agricultural endowments, and proximity to Asia's vast markets make Mongolia an attractive destination for medium to long-term foreign direct investment (FDI). FDI constitutes 60 percent of the country's total investment, and by the end of 2023, Mongolia has attracted FDI totaling \$3.1 billion.

According to national statistics, as of the first half of 2022, Mongolia's GDP stands at 12.8 trillion MNT (at 2015 par prices) and 23.0 trillion MNT (at annual prices)¹.

The significant features and advantages of Mongolia include, but are not limited to, the following:

- Diversified and growing market exists in Mongolia;
- Technology Innovation Hub;
- Large mineral resource base that can be leveraged for value-added processing;
- Developing Industry and Infrastructure;
- Acting as a bridge between the two economic powerhouses of Russia and China;
- A young, well-educated population;
- The private sector and privatization, including the privatization of major state assets and listing Mongolian conglomerates and exploration license aggregators on MSE;
- Public-Private Partnerships (PPPs) and modernizing Infrastructure;
- Rule of law, regulatory quality and transparency;
- Ensuring guarantees for investors, both tax and non-tax related;
- Promising mega projects; and
- A thriving telecoms & IT sector.

International legal framework:

Mongolia is actively engaged in negotiating bilateral and multilateral agreements with foreign countries and participating in regional integration activities.

Currently, Mongolia has:

- Signed "Bilateral agreements on investment promotion and mutual protection" with 43 countries;
- Established "Double Taxation treaties" with 26 countries;
- Established "Agreements on Mutual Legal Assistance in Civil, Family, and Criminal Matters" with 18 countries;
- Signed its first free trade agreement, referred to as "the Mongolia – Japan Economic Partnership Agreement (EPA)" with Japan.

Moreover, Mongolia is the member of the Seoul Convention establishing the Multilateral Investment Guarantee Agency and Washington convention on the Settlement of Investment Disputes. Consequently, in April, 2014, Mongolia has introduced its investment policy and the law to UN Conference on Trade and Development /UNCTAD/ releasing "Mongolian Foreign Investment Policy Review".

Local legal framework:

¹ National Statistics Committee, "Gross Domestic Product", 2022 first half-year forecast performance presentation, 2022

In 2013, the Parliament of Mongolia passed a new law on investment, which replaced both the old Investment law of 1993 and the Law on Strategic sectors. The new Investment law aims to create an open investment environment for investors, focusing on the following:

1. No approval is required to enter the market and purchase a local company;
2. No discrimination between foreign and local investors;
3. Fast registration process;
4. Stability guarantees- Provision of Tax stabilization certificate; and
5. Flexibility and favorable conditions for investors.

In 2021, the Ministry of Economy and Development was newly established, replacing the National Development Agency of Mongolia, which had been responsible for investment-related matters. The new Ministry is tasked with, among other things, enhancing integrated investment policy and planning, improving the legal environment, ensuring and overseeing the implementation of relevant legislation, attracting, supporting, and protecting investment, implementing comprehensive measures to develop public and private partnerships, defining integrated policies for loans, and developing a national investment program.

II. LEGAL FORMS FOR DOING BUSINESS IN MONGOLIA

Despite the wide range of legal forms commercial entities provided by Mongolian legislation such as limited liability company or LLC, joint-stock company or JSC and joint venture, private businessmen and foreign investors mostly prefer to establish foreign-invested LLCs in practice. Representative offices of foreign legal entities are also common.

Limited Liability Company (LLC) with Foreign Investment

According to the law, a foreign invested company is defined as “a business entity with an overall equity of US\$100,000 or more (or MNT equivalent), where not less than 25% must be owned by one or more foreign investors.” Investments into Mongolia can be made in the following ways:

1. By establishing a solely or jointly owned business entity;
2. Through the purchase of shares, bonds and other securities of Mongolian companies;
3. By merging or wholly acquiring Mongolian and foreign companies;
4. Through the establishment of franchise or financial leasing agreement; and
5. In other ways acceptable and not prohibited by law.

If two or more investors are planning to incorporate a foreign-invested LLC in Mongolia, each investor must invest US\$100,000 or the MNT equivalent.

An LLC is the most frequently used form of a legal entity established by one or more individuals or legal entities (founders or investors) who are not liable for its obligations but bear the risk of losses related to the company’s activities to the extent of their personal contributions (participatory interests). The company’s liability is limited to its assets.

The supreme body of a limited liability company shall be the Meeting of Shareholders (MoS) which has exclusive powers regarding business, finance, management, and company structure. The Board of Directors (the BoD) is the governing body of the company between shareholders’ meetings. While an LLC is not required to have a BoD, if decided, it must be stipulated in the company’s charter.

The day-to-day management of the company is performed by the Executive Management (an individual or a team) who are elected at the MoS. The powers of the director or

management team are clearly defined under the company's charter.

Joint-Stock Company (JSC)

A JSC is a legal entity that issues shares in order to raise capital for its activities. JSCs can be classified as open or closed. An "open JSC" is a company whose capital invested by the shareholders is divided into shares, which are registered at the securities trading organization, freely tradable by the public. A "closed JSC" is a company where shareholders' capital is divided into shares registered at a securities depositing organization, traded in a closed extent outside of the securities trading organization.

An open JSC may have an unlimited number of shareholders. Shareholders are not liable for the JSC's obligations but bear the risks of losses within the value of their shares. A JSC's assets are separate from those of its shareholders, and it is not responsible for their obligations.

The JSC is managed by the MoS, BoD, and Executive Body. The MoS is the supreme management body, deciding on priority issues such as management, administration, business policy, corporate structure, and financial matters.

The BoD oversees overall management, including finances and policy development and implementation, except for issues exclusively within the MoS's competence as mandated by law and the charter.

Daily activities are managed by the Executive Body, which may be collective or individual. The Executive Body is empowered to make decisions on matters not within the purview of other company bodies or officials, as specified by the laws of Mongolia and the company's charter.

A Representative Office

Representative offices of foreign legal entities are not considered legal entities themselves. Instead, they operate as subdivisions of their parent companies. Unlike a legal entity, a representative office is not permitted to engage in business activities that generate income in Mongolia.

Operational guidelines for representative offices are outlined in their Charter, and they are managed by an individual authorized by the parent company through a power of attorney. Representative offices are established in a manner similar to legal entities.

The state registration certificate for a representative office is typically granted for a period of 1 to 2 years. Before the expiry date, the representative office must apply for an extension of the state registration certificate term.

Permanent establishment

In practice, there are instances where a foreign business entity operates in the territory of Mongolia under a contract to perform work or provide services without establishing a legal entity in the country. However, depending on the nature and duration of work performed, there may be an obligation to register a "Permanent establishment" with the respective Taxation Authority of Mongolia.

As defined in the Law of Mongolia on Corporate Income Tax, the Permanent establishment includes the following units and activities:

1. A place of management;
2. Branches and departments;
3. Units responsible for training, seminars and exhibitions;

4. Units responsible for warehousing, sale and services;
5. Mines, oil or gas wells, exploration sites, or places where minerals are extracted;
6. Factories;
7. Units involved in construction sites, buildings, assembly and installation facilities, and other related construction and supervisory works for a period exceeding 90 days within 12 consecutive months;
8. Units providing technical, consulting, management, supervisory, and other services to taxpayers residing in Mongolia for a period exceeding 183 days within a consecutive 12-month period.

Furthermore, units conducting the following activities on behalf of a non-resident taxpayer in Mongolia are also considered as a permanent establishment:

1. Storage, sale, and supply of goods and products;
2. Concluding contracts in person or arranging contracts on behalf of a non-resident taxpayer without altering the main conditions of the contracts. This contract includes one of the following features:
 - a) Being established in the name of a non-resident taxpayer;
 - b) Transferring an asset owned, used or possessed by a non-resident taxpayer to others, or transferring the right to use and possess such an asset to others;
 - c) Providing services offered by a taxpayer not residing in Mongolia.

The term “Representative Office” used in the international agreement for the avoidance of double taxation and the prevention of fiscal evasion, ratified by the State Great Khural is considered equivalent to “Permanent establishment”.

A non-resident taxpayer earning income generated from Mongolia is deemed to have a permanent establishment in Mongolia upon the date of the commencement of the activity or conclusion of the contract, whichever occurs earlier.

III. STATE REGISTRATION

The registration process for a new foreign invested company in Mongolia involves three key agencies:

1. Legal Entities Registration Office (LERO);
2. District Tax Office; and
3. District Social Insurance Office.

Registration of a company

Below are the steps to establish an LLC or JSC in Mongolia, following relevant laws and regulations:

1. Obtaining a company name

The founder(s) or an authorized representative acting under the Power of Attorney must obtain a unique company name in Cyrillic letters from the State Registration Authority. The name should not duplicate other companies’ names already registered.

Once an LLC obtains its name, the founders must establish the company within 30 days. Failure to do so will result in the expiration of the verification sheet for the company name within 30 days.

2. Setting up temporary account of the company

Upon obtaining a company name, the founder must complete the necessary forms to open

a current temporary account(s) for the new company with any commercial bank in Mongolia. This temporary current account is required to deposit the paid capital of US\$100,000 or the equivalent in MNT for a foreign-invested company, as part of the documentation specified in section (c) below. Once the company is incorporated, the deposited amount can be withdrawn with the assistance of the founder, appointed Executive Director or any other representative, who is the first signatory.

3. Development of the documents required for establishment

In accordance with the Law on State Registration of a Legal Entity, the founder(s) of the foreign-invested limited liability company must prepare the following documents:

- a) Application form (UB-03 form);
- b) Verification sheet for the company name;
- c) Formal decision for the establishment a foreign-invested company, accompanied by an official Mongolian translation;
 - Should the decision to institute a BoD be reached, its members must be elected;
- d) Company Charter (2 copies in Mongolian and 1 copy with an official translation);
- e) A copy of agreement between shareholders, with an official translation:
 - if the company has one investor, only the charter is required;
 - if a company has two or more investors, both the charter and shareholders' agreement are required and shall be drafted in Mongolian and any other foreign language chosen by the investor, then printed in 2 copies each, with each copy of the shareholder agreement notarized;
- f) If the founder is a legal entity, a copy of the company incorporation/registration certificate, charter and a brief company profile;
- g) Bank remittance receipt for the start-up investment threshold, which is US\$100,000 for each foreign investor;
- h) A copy of the office lease agreement and real estate ownership certificate to confirm the company's address;
- i) A copy of the Executive Director's passport and "F" register information issued by the Department of Citizenship of Foreign Citizens;
- j) Receipt for establishment of a foreign-invested LLC, which is 750,000 MNT (approximately US\$221);
- k) UB-12 form for the registration of Ultimate Beneficial Owner (UBO);
 - UBO-related documents include a copy of the state registration certificate and articles of association (company charter) or similar document of all affiliate companies for determining the individual who owns 33% or more of shares of all holding companies of the Mongolian subsidiary, along with a passport copy of the UBO. If there is no UBO in the head company, then all confirmation documents of the absence of a UBO should be provided;
- l) Power of attorney (if applicable).

4. State registration

Following the submission of the above documents, the LERO will register a foreign-invested limited liability company within 5 business days.

5. Obtaining company seal

To obtain a company seal, a foreign-invested company must present an original copy of the company's state registration certificate. This marks the final step of the company incorporation process.

6. Bank account opening:

Bank accounts can be opened at any commercial bank in Mongolia. Required documents include:

For foreign citizens:

- a) Request to open an account;
- b) Passport and certificate of alien registration.

For company or entities:

- a) State registration certificate (original or notarized copy);
- b) Company Charter and founder's resolution (both in original or notarized copy);
- c) ID or passport of shareholders (original or notarized copy);
- d) ID or passport of the Executive Director, as well as the 1st and 2nd signatories (original or notarized copy);
- e) Formal request to open an account for Mongolian Central Securities Depository and Bank (applicable for joint stock company);
- f) 2 copies of the decision granting permission to possess the account by the Shareholders' meeting (or shareholder) or Board of Directors; and
- g) UBO-related documents, including copy of state registration certificate and articles of association or other similar documents of all affiliate companies to determine individuals owning 33% or more of shares of all holding companies of the Mongolian subsidiary.

Currently, registration with other government agencies occurs separately. Registration for a foreign-invested company initially begins with the State Registration Authority.

7. Taxpayer registration:

Upon company registration, its representative must register with the respective tax department within 14 days, submitting the following documents as required by relevant laws and regulations:

- a) Application form;
- b) A copy of the state registration certificate;
- c) An original and a copy of the Charter;
- d) Founder's application form and copy of passport;
- e) Bank statement of the company;
- f) Executive's passport copy and "F" register information issued by the Department of Citizenship of Foreign Citizens;
- g) Lease agreement.

For JSCs, obtaining a permit from the Financial Regulatory Commission, a government agency and registration at Stock Exchange of Mongolia is required. However, the registration officer of the LERO may request additional documents based on the type of activity etc. It is not a common practice for JSCs to be formed with foreign company in

Mongolia.

Registration of a Representative office:

Pursuant to the Law on State Registration of a Legal Entity, the parent company or individual(s) must prepare the following documents:

- a) Application form;
- b) Decision of the parent company to establish the representative office and appointment of the Director with certified Mongolian translation;
- c) Relevant permission where the parent company is required to obtain permission from the authorized organization to establish a representative office in a foreign country, with its certified Mongolian translation;
- d) Passport copy of the representative office Director;
- e) Copies of the Parent company profile and charter with certified Mongolian translation;
- f) Copy of the state registration certificate of the parent company with certified Mongolian translation;
- g) Charter of the representative office (2 copies in Mongolian, 1 copy in any other chosen language);
- h) Payment receipt of the state stamp duty of 1,100,000 MNT (approximately US\$323.66);
- i) Lease agreement; and
- j) Power of Attorney (if applicable).

The authorized representative of the representative office can order the seal based on the state registration certificate of the representative office and open bank accounts with a commercial bank.

Registration of a Permanent establishment

The Permanent Establishment must submit the following documents and apply for registration as a taxpayer to the Tax Office electronically or in paper 10 business days prior to commencement of its activities:

- a) Taxpayer registration request form;
- b) Decision on the establishment of a permanent establishment of a foreign legal entity in Mongolia, detailing the type of activities, its duration, the name of the head and the number of employees, among other details;
- c) Taxpayer's certificate proving registration as a taxpayer in a foreign country;
- d) Documents proving the parent company's registration as a legal entity (copy) and the company's charter (copy);
- e) A copy of the contract concluded with an individual from Mongolia, demonstrating the earning of income generated from Mongolia;
- f) Proof of address and location of the Permanent Establishment;
- g) Decision and power of attorney appointing a representative to manage the Permanent Establishment;
- h) Copies of resumes and documents of the head of the Permanent Establishment.
 - If the head is a citizen of Mongolia, a copy of the identity card;

- If the head is foreign, a copy of the temporary identity card of a foreigner or stateless person registered at the Department of Citizenship Affairs, and a copy of the foreign passport;
- i) Initial Financial statement of the Permanent Establishment.

As the Permanent Establishment is registered solely for tax purposes, it is not registered with the LERO.

Ultimate Beneficial Owner (UBO)

According to the Amendments to the Law on State Registration of Legal Entities dated March 22, 2019, all companies registered in Mongolia are required to register their UBO. The UBO refers to the following individuals:

- a) For a legal entity, an individual who holds a significant or controlling ownership interest solely or jointly with others, or occupies a management position within the legal entity or is represented by others, or ultimately benefits and profits by controlling the legal entity and its operations;
- b) For an individual, an individual who benefits from and profits by controlling the actions and activities of, or by being represented by that individual;
- c) For an asset management transaction, an individual who benefits from and profits by exercising ultimate effective control over the asset management transaction.

Ownership of assets in the company, either individually or jointly with others must be 33 percent or more. For companies with continuous ownership, copies of the State Registration Certificate and articles of association of all companies holding 33% or more ownership are required.

IV. PERMITS

According to the Law of Mongolia on Permits (2022), certain business activities must be conducted with a permit issued by the competent authority. Permits are classified as either (1) regular or (2) special, depending upon their purpose, prerequisites, business characteristics, and risk level.

A special permit is necessary for activities that may endanger national security, public interest, health, environment, or financial stability. It is also required for professional activities that must adhere to specific conditions and requirements, or for limited utilization of natural resources and state-owned public property for profit and production.

A regular permit is needed for one-time activities, additional activities conducted based on a special permit, or for the utilization of natural resources and state-owned public property for household purposes.

General requirements

- a) To possess full legal capacity;
- b) If required by law, to have passed the professional and qualification examination and obtained an appropriate certificate;
- c) To have registered as a taxpayer.

Specific conditions and requirements may be mandated by sector-specific laws and regulations. Applicants must submit documents demonstrating compliance with such requirements.

The permit is issued to a company registered in Mongolia. In other words, the company will be entitled to apply for permits after it is duly registered.

Application processing time

The competent authority shall commence due diligence on the applicant within two business days of receiving the application, provided that the documents are complete. Due diligence for a special permit shall take 10 business days, and for a regular permit, it shall take 5 business days. Upon completion of the due diligence, the authority shall decide whether to issue the permit within 5 business days.

V. RESTRICTIONS ON FOREIGN INVESTORS

If a foreign state-owned legal entity intends to hold 33 percent or more percentage of the total shares issued by the legal entities in Mongolia operating in the following strategic sectors must get permission from the Ministry of Economy and Development before becoming the shareholder or investor:

- a) Mining;
- b) Bank and finance;
- c) The media and communications.

The following documents are required to apply for permission as a foreign state investor prior to investing in a Mongolian legal entity:

- a) Official request for permit of the applicant;
- b) Notarized copy of the applicant's certificate of incorporation issued by a competent authority in the applicant's country;
- c) References from the registration authority concerning the applicant, individuals with common interests, and the applicant's executive management over the past two years;
- d) Introduction to the main activity and shareholders of the applicant;
- e) Investment plan and business project to be implemented by the applicant in Mongolia;
- f) Preliminary transaction details between foreign state-owned entity and the Mongolian entity, including types and conditions of the transaction, parties involved, shares to be transferred, percentage of shareholding, agreement price, and any proposed changes to the entity's charter;
- g) Financial reports and audited financial statements of both the foreign state-owned legal entity and the Mongolian business entity;
- h) Contact details.

VI. POLICY FOR FOREIGN INVESTORS

Stabilization of Taxations:

A stabilization certificate will be issued to investors whose projects in Mongolia meet the following criteria:

- a) The total investment amount outlined in the business plan and feasibility analysis must meet the specified amount in *Table 1* and *Table 2*;
- b) Completion of the environmental impact assessment, if required by the law;
- c) Creation of stable job opportunities; and
- d) Introduction of high-tech and advanced technologies.

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Stabilization certificate will be issued for the following sectors for the durations stated below:

1. Mining, heavy industry, and infrastructure – *Table 1*;

2. Other sectors – *Table 2.*

Table 1

<i>Investment amount /in billion tugrugs/</i>	<i>Validity of the stabilization certificates (in years)</i>					<i>Investment completion period /in years/</i>
	<i>Ulaanbaatar area</i>	<i>Central region</i>	<i>Khangai region</i>	<i>Eastern region</i>	<i>Western region</i>	
30-100	5	6	6	7	8	2
100-300	8	9	9	10	11	3
300-500	10	11	11	12	13	4
500 and above	15	16	16	17	18	5

Table 2

<i>Investment amount /in billion tugrugs/</i>					<i>Validity of the stabilization certificates (in years)</i>	<i>Investment completion period /in years/</i>
<i>Ulaanbaatar area</i>	<i>Central region</i>	<i>Khangai region</i>	<i>Eastern region</i>	<i>Western region</i>		
10-30	5 -15	4-12	3-10	2-8	5	2
30-100	15-50	12-40	10-30	8-25	8	3
100-200	50 - 100	40-80	30-60	25-50	10	4
More than 200	More than 100	More than 80	More than 60	More than 50	15	5

The investment amount is a crucial criterion for obtaining stabilization certificate. Depending on the investment amount and the location where the investment is made, the stabilization period will apply to corporate income taxation, customs duties, value-added taxation and mineral resource royalties as outlined in Tables 1 and 2.

The stabilization certificate becomes effective from the date of issuance, and the tax rates for corporate income tax, customs duty, value-added tax and mineral resource royalty remain stable throughout the entire validity period of the certificate.

The validity duration of stabilization certificate, as indicated in Tables 1 and 2, will be extended 1.5 times for investors implementing projects in the following categories:

- a) Producing import-substitute and export-oriented products significant for the long-term sustainable development of Mongolia's socio-economic sector, investing over MNT 500 billion based on the Central Bank official rate at the time of feasibility analysis approval, and requiring over three years of construction works, irrespective of location and sector;

- b) An investor or legal entity meeting the above criteria engaged in the value-added processing industry and exporting basic products.

An investor or legal entity meeting these criteria may make apply for a stabilization certificate to the state administrative body in charge of investment affairs, namely Ministry of Economy and Development.

Taxation support:

Tax support shall be provided to investors in the following forms:

1. Tax exemptions:

Imported machinery and technical equipment may be exempted from customs duty and the VAT rate may be zero-rated during the construction works in the following cases:

- a) Construction of materials, petroleum and agricultural processing and export product plants;
- b) Construction of plants utilizing nano, bio and innovation technologies; and
- c) Construction of power plants and railways.

2. Tax credits;

3. Accelerated depreciation expense deduction from taxable revenue;

4. Carry forward of losses to be deducted from taxable revenue in future years; and

Losses can be carried forward for up to four years, with their use restricted to 50% of taxable profit in any year for economic sectors other than mining and infrastructure.

Tax losses in the infrastructure and mining sectors can be carried forward and deducted from taxable income for four to eight income years following the year in which the loss was incurred.

5. Deduction of employee training expenses from the taxable revenue:

Investors have a right to transfer the following assets and revenues out of Mongolia without hindrance, provided they have fulfilled their tax payment obligations in Mongolia:

- a) Business activity profits and dividends;
- b) License fees for intellectual property rights and service charges;
- c) Payment of principal amounts and interests of overseas loans;
- d) An investor's share of remaining properties after the liquidation of a business entity; and
- e) Other legally acquired or owned properties.

Non-taxation incentives

Non-tax incentives may be rendered to investors in the following ways:

- a) Lease and use of land for up to 60 years, extendable once for up to 40 years under the contract's primary conditions;
- b) Support for investors investing in free zones, productions and technological parks, with eased registration and checkpoint regimes;
- c) Support for infrastructure, science and educational projects, including increasing the number of foreign workforces and specialists, exemption from employment fees, and facilitating permit issuance;
- d) Support for innovation projects and financing guarantees for the financing for production of export oriented innovation products;

- e) Provision of multiple visas and residential permissions for foreign investors and their family members under applicable Mongolian laws;
- f) Other non-tax support measures as stipulated by law.

Free Zone

A “Free Zone” refers to a designated area within the territory of Mongolia that is considered outside the customs territory for customs duties and other taxes, adopting special regulatory treatments for business activities.

The establishment of a Free Zone aims to promote economic growth by accelerating regional development, facilitating trade, introducing new technologies, enhancing transits and logistics, developing new industries such as trade, services, and tourism, attracting investments, promoting exports and imports by individuals and business entities, and developing export-oriented production upon creation of favorable regulatory and investment environments in the region.

There are currently four Free Zones in Mongolia, namely Tsagaannuur, Altanbulag, and Zamiin-Uud, which are actively operating. Additionally, Resolution No. 10 of 2022 by the State Great Khural of Mongolia established the Khushig Valley Economic Free Zone under the auspices of the new Chinggis Khan International Airport in Sergelen Soum, Tuv Aimag. Although the Free Zone has not commenced operations yet, it will focus on developing a tourism and recreation resort, cultural creative industry, international transport logistics center, and implementing a policy to diversify the economy away from dependence on the mining industry.

Customs, visa, travel regulations for Mongolian citizens and foreigners, stateless persons, registration of legal entities, currency regulation, control, employment, taxation and other special regimes shall apply in the Free Zone.

In the free zone, various activities such as production, services, tourism, trade, international banking, finance, payment, and gambling can be conducted in accordance with the requirements set by laws of Mongolia. Payments can be made in both national and foreign currencies in the Free Zone.

1. Special customs Treatments in Free Zones

The customs clearance process requires the submission of the following documents:

- a) For goods entering a Free Zone from overseas: cargo manifest, waybill, and if necessary, relevant permits;
- b) Receipt of payment of taxes on goods entering the Free Zone from the territory of Mongolia.

In addition to the passenger’s personal items, a simplified customs clearance procedure applies to goods up to a total value of 3.0 million MNT purchased by a visitor entering the customs territory from a Free Zone. Non-tariff restrictions do not apply to goods imported from overseas into a Free Zone or exported from a Free Zone to a foreign country.

2. Regulation of Registration of Legal Entity in Free Zones

A legal entity engaged in economic activities in a Free Zone must submit the following documents to the governor’s office of the Free Zone:

- a) For Mongolian legal entities: an application, a copy of the State Registration certificate, and the registration fee payment receipt;
- b) For foreign legal entities: an application, a copy of incorporation document, a

power of attorney and the registration fee payment receipt.

The Governor's Office of a Free Zone shall review and process the application materials within **5 business days**. If the applicant meets the relevant requirements, they will be registered in the Free Zone's registry of legal entities and provided with a certificate valid only in the given Free Zone.

If a legal entity or an individual in a Free Zone employs a foreign national who is engaged in income generating works or service, it shall be exempt from the payment of employment fees.

If a legal entity operating in a Free Zone implements a project or program to develop skills and capabilities of its employees, the cost shall be deducted from the taxable income of the given year.

1. Tax exemptions and discounts in Free Zones

- a) Goods imported from overseas into a Free Zone are exempt from the levy of import tax, customs duties, VAT and excise tax;
- b) No tax is imposed on goods entering a Free Zone previously imported into the customs territory upon payment of customs excise duties and VAT. Deductions are made from other taxes on the basis of payment receipts for taxes paid in the customs territory;
- c) VAT is charged at a "0" rate when Mongolian goods are brought into a Free Zone from the customs territory;
- d) In addition to the passenger's personal items, goods purchased by a visitor not exceeding a total value of MNT 3.0 million are exempt from customs duties and VAT when entering the customs territory from a Free Zone;
- e) Goods other than those specified above are subject to duties and other taxes under applicable laws when entering the customs territory from a Free Zone;
- f) No tax is imposed on goods exported from a Free Zone to overseas;
- g) No VAT is imposed on goods manufactured, sold, or services rendered in the territory of a Free zone by a citizen or legal entity registered in a Free Zone;
- h) In addition to passenger's personal items, goods purchased by a passenger, goods worth up to MNT 3.0 million do not include goods subject to excise duties, medicines, medical devices, and biologically active products;
- i) Facilities constructed and registered in a Free Zone are fully exempt from immovable property tax.

The list of goods purchased by the passengers that are exempted from customs and value added tax when entering the customs territory from a Free Zone, with a value of up to MNT 3.0 million, has been adopted by the Government Decree No.105, which includes a total of 546 types of goods.

2. Land fee exemption and discount

Business entities engaged in trade, tourism or hotel/hospitality services are fully exempt from land fees in terms of land used in a Free Zone during the first five years of operation and receive a 50 percent during the subsequent three years.

Business entities and their branches engaged in infrastructure and production in a Free Zone, including energy and thermal sources, engineering networks, pure water supply, sewage and sanitary systems, roads, railways, airports and communication networks, are

fully exempt from land fees for the first ten years of operation.

Mongolian or foreign nationals or legal entities who conclude a land use or land possession agreements in a Free Zone may be exempt from the land fees for a certain period in consideration of their effective land use and protection obligations.

Innovation in Mongolia

1. Priority industries of innovation

In setting priority industries of innovation, Mongolia focuses on directing scientific and technological achievements to accelerate economic growth, produce and export high-tech and competitive products, initiate highly efficient service types and forms, optimize the allocation of innovation capacity and resources, and increase of the effectiveness of government support. The Government of Mongolia approved the “Priority industries of Innovation (2020-2025),” including the following sectors:

- a) Information technology (development and security of Artificial Intelligence and Big Data, etc.);
- b) Material technology (skin processing, heat materials, and new fuel materials, etc.);
- c) Biotechnology/Production technology (manufacture of foods, medications, and vaccines made from agricultural and natural raw materials using biotechnological methods);
- d) Renewable energy technologies (accumulation of energy, energy-efficient advanced building technology);
- e) Cultural innovation and creative production with national characteristics (development of content and cultural services based on digital technology, government and business products and services based on smart technology).

Measures to be implemented within these industries shall be reflected in the annual guidelines for economic and social development, and the required funds shall be financed from the state budget and other sources.

2. Procurement of Funding for Innovation projects:

- a) Allocate 1% of the gross domestic product to facilitate innovation;
- b) Include funding for innovation within the budgets of the relevant ministries for designated industries;
- c) Distribute profits from contracts and innovation activities to national scientific entities;
- d) Enhance opportunities for funding for innovation infrastructure and long-term investment through public-private partnerships;
- e) Provide innovation loans with certain assets equating to a certain percentage of the loan used as collateral;
- f) Support innovation efforts grounded in solid market analysis by purchasing the product and implementing offset mechanisms;
- g) Support industries with significant intellectual capacities and those that have invested in advanced technological resources through loans and lenient tax policies;

3. Innovation system in Mongolia.

According to the Law on Innovation, the government supports innovation activity in the

following measures:

- a) Financing a specific percentage of the loan interest for implementation of the innovation project;
- b) Financing the costs of patenting innovative products at local and foreign institutions;
- c) Allowing immediate depreciation of the property for startup companies engaged in innovation activities;
- d) Regulating provision of services to companies conducting innovation activities through state-owned research institutes' laboratory equipment on preferential terms approved by the Government;
- e) Financing the remainder of the total project cost, with 60% or more financed by own funds, by innovative financing organizations and the local budget;
- f) Supporting participation in international exhibitions and exhibitions of high-tech innovative products;
- g) Financing of all or part of the costs of international quality assurance of export-oriented innovation products;
- h) Supporting domestic procurement of innovation products through Government procurement;
- i) Organizing and financing exhibitions, conferences, seminars and events to promote public awareness and culture of innovation;
- j) Providing monetary incentives to patent holders who have engaged in innovation and have established a product or service of a high social and economic value;
- k) Awarding national innovation awards for innovative products and services that have made significant contributions to social and economic development.

4. Tax exemption on Innovative Goods, Works, and Services

Under the Law on the Exemption from customs duty and value-added tax, (1) *import of equipment necessary for manufacturing innovative products are exempt from customs duty and value-added tax*; (2) *income from sales of new innovative products, works, and services domestically is exempt from value-added tax*.

These exemptions apply to start-up companies specified in the Law on Innovation for five years from the state registration. Additionally, non-domestic raw materials and reagents necessary for the manufacture of innovative goods in domestic and foreign markets under Innovation projects are exempt from value-added tax according to the Law on VAT.

VII. MAIN TAXATIONS

Corporate income taxation (CIT)

Mongolian Corporate Income Taxation is levied at the following rates, using a progressive-rate scale that ranges from 10% to 25%, as follows:

- a) 10% tax rate applies to the first 6 billion MNT of annual taxable income; and
- b) For any annual taxable income exceeding MNT 6 billion, a 25% tax rate applies on the surplus amount, in addition to a fixed rate of 600 million MNT.

However, certain income types, as listed in the chart below, are deducted when determining the annual taxable income and taxed at different tax rates on a gross basis:

Table 3

Source of income	Applicable tax rate (%)
Dividends	10%
Royalties	10%
Interest	10%
Law on Petroleum of Mongolia; Upon termination of a production sharing agreement by a Government decision, the costs incurred in exploration and exploitation activities will not be reimbursed, and the money deposited in the escrow account will be used to fully rehabilitate the environment and, if necessary, to dismantle exploration and exploitation facilities, and the remaining money to be returned to the contractor.	10%
Insurance reimbursement	10%
Fees and charges evidenced by a payment receipt paid to the State organization in connection with obtaining the right when it is issued by a State authority;	10%
Sale income and transfer of real estate	2%
Quizzes with prizes, gambling, and lotteries(net)	40%
Profits transferred from the representative office to its own head entity in the given tax year;	20%
Income earned in Mongolia by a taxpayer not located in Mongolia, other than a registered representative office, as well as income earned in Mongolia and income from management services (shall be enforced from July 1, 2024).	20%
Income from the sale of bonds, shares, and other securities of government, provincial, metropolitan, and taxpayers located in Mongolia, traded in the primary and secondary markets by a taxpayer not located in Mongolia (shall be enforced from July 1, 2024).	20%
Interest income on loans and debt drawn by commercial and domestic sources of the Commercial Bank of Mongolia	5%
Earned income up to 300 million MNT in the year for operating activities except exploration, mining, transportation, sale of minerals and radioactive minerals, production of alcoholic beverages, tobacco plants, and to import tobacco, petroleum products, import of all types of fuel, trade, exploration, extraction and sale of petroleum.	1%
Income from the sale of intellectual property rights	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 a primary operation of a taxpayer residing in Mongolia that is engaged in primary activities of software development	5%

Some of general deductible other expenses stipulated in the laws include:

1. Normal loss of goods and materials;
2. Health and social insurance contributions;
3. Taxes, payments and fees reported for payment to the budget other than value-added tax paid to the budget and taxes deducted from the income of other persons;
4. Financial support provided to vocational education and training institutions for the purpose of training specialists by his own order;
5. Donations of up to MNT 10 million to support non-governmental organizations created by disabled Mongolian citizens;
6. Donations of up to MNT 10 million to the Sports Support Fund to support sports activities and club activities;
7. Donations and funds provided to the vocational education support fund; Donations for the purpose of reducing air pollution;
8. Funds concentrated in the bank and non-banking financial institution's funds against loss on loan repayment; Funds concentrated in the deposit and loan cooperative loan risk fund and in the potential risk protection fund of other cooperatives;
9. A special fund to be included in the annual environmental management plan of a license holder, project implementer or contractor in accordance with the Law on Environmental Impact Assessment, Law on Minerals, Law on Petroleum and Nuclear Energy and opened by the relevant state body and money transferred to the treasury and to the account stated in Article 11.2.9 of the Law on Petroleum;
10. In accordance with the Article 6 of Law on Tourism, the expenses for renovating the sanitary facilities of the tourism organization at accommodation points and temporary rest areas along the road to meet standard requirements, as well as the expenses for constructing new sanitary facilities that meet standard requirements are included.

Corporate income taxation exemption:

1. The payment, interest, fine of bond from the Government, Capital and Development Bank of Mongolia;
2. Revenues from the state budget and fund investment income to future heritage;
3. Income specified in Articles 18.6.2 and 20.1 of this Tax Law from the sales of petroleum products by a taxpayer operating in the territory of the country under a production sharing agreement in the petroleum sector;
4. Income from basic activities of credit guarantee organization specified in the law;
5. Fee income from deposit insurance;
6. Dividends distributed by the state-owned enterprises to the Government;
7. Income transferred abroad from the income earned as specified in the 3rd paragraph by the taxpayer;
8. Income from activities of health care organizations and educational organizations;
9. Income from business activities related to accomplishing the purpose stated in the Charter of a non-profit legal entity;
10. Cooperative revenue from the intermediary price difference of selling member's

- products;
11. Income from the intermediary of intellectual property rights;
 12. Interest income from loans secured by intellectual property rights.
 13. Operating income of an investment fund.

Value Added Taxation (VAT)

Tax withholder and payer refers to an individual or a legal entity whose sales income and operating income has reached 50 million MNT and above and who is charged with the task of deducting the tax and remit it to the budget.

Items subject to VAT taxation:

- a) All types of goods, works and services sold/provided/rendered in the territory of Mongolia;
- b) All types of goods, works and services imported to Mongolia from abroad; and
- c) All types of goods, works and services exported from Mongolia.

Table 4

	<i>Items taxed</i>	<i>Rate</i>
1	All types of goods, works and services sold in the territory of Mongolia; All types of goods, works and services imported to Mongolia from abroad,	10
2	All types of goods and services exported from Mongolia	0
3	For value of auto fuel or diesel fuel imported, or produced and sold	0-10

Deductible expenses

Following value-added taxes paid by an individual or legal entity in conformity Law on VAT, after being registered as a taxpayer, shall be deducted from the value-added tax to be paid to the state budget:

1. Taxes paid in connection with the purchased goods, performed works, and rendered services for production and services purposes.
2. Taxes paid for goods, works, and services directly imported by himself for the purpose of selling as well as manufacturing and servicing.
3. By deducting VAT paid from the sum amount if goods, works, and services were purchased with value-added tax when being registered as a value-added taxpayer.
4. The value of meat, milk, egg, skin, sheep and camel wool, cashmere, yak wool, livestock for meat processing factories, potatoes, vegetables, fruits, and domestically produced flour sold to domestic manufacturers shall be deemed to have included 10 % of tax, which shall be deducted at such a rate from the tax to be paid by withholding taxpayers who purchased those goods.
5. Taxes paid for goods, works, and services imported or purchased for preparation of fixed assets as well as taxes paid for the import and purchase of fixed assets, shall be deducted proportionally according to the following terms:
 - 10 years for buildings and constructions;
 - 5 years for equipment /this includes exploration costs/;
 - Directly from fixed assets other than those specified above.

"0" % VAT:

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

1. Goods exported from the territory of Mongolia for the purpose of sale and declared with the customs.
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 under international treaties of Mongolia.
3. Any services rendered (including non-taxable services) outside the territory of Mongolia;
4. Any rendering of services (including "non-taxable services") to a foreign citizen or a legal person who is a non-resident of Mongolia.
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 flights, and the sale of food and drink services provided for air crew members or passengers during flight.
6. State orders, medals, and coins manufactured domestically on the order of the Government or Bank of Mongolia.
7. End products of mineral resources.

Exemption from value added tax

The following goods are exempted from VAT:

1. Passengers' personal use goods with a permitted amount to let without tax and approved by customs authority.
2. Imported goods for the work needs of diplomatic missions and consular offices, the UN and its specialized branches permanently residing in the territory of Mongolia.
3. Goods received through humanitarian and grant aid from foreign governments, NGOs, and international or humanitarian organizations.
4. Special purpose appliances, equipment, and machinery designed for citizens with learning difficulties.
5. Weapons and special equipment imported for the needs of the armed forces, police, organizations of national security, court or law.
6. Civil passenger airplanes, and their spare parts.
7. Revenues from the sale of establishments used for housing and/or their parts.
8. Imported blood, blood products, and organs to be used for treatment purposes.
9. Gas fuel, its container, equipment, special purpose machineries, mechanisms, and mechanics.
10. Mongolian monetary notes made abroad by order; etc.

Following services are exempted from the VAT:

1. Currency exchange;
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;

3. Services of insurance, insurance intermediaries, reinsurance and registration of property;
4. The issuance, transfer or receipt of any securities and shares, and underwriting of such securities;
5. Loan service;
6. The provision, or transfer of an interest on social and health insurance fund;
7. Any services in respect of fees for bank or non-banking financial institution for interest, dividend, credit guarantees or insurance contract;
8. The renting service of accommodation for housing and its part;
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;
10. Medical services;
11. Services of religious organizations;
12. Virtual Asset Services, etc.

Customs duties

The term “Customs duty” refers to a tax levied on, collected from, or paid for goods entering or leaving the Customs territory, based on the Customs tariff (MFN Tariff Rate 2017). The tariff rate for non-WTO member countries shall be twice more than the MFN tariff rate. The Customs duties shall be in the following forms:

- a) Ad valorem;
- b) Specific;
- c) Combination or either of the two above;
- d) Any of the first two above which entails higher amount of duty.

Most of imported goods are subject to 5% ad valorem Customs duty while some others are subject to seasonal duties. Certain goods for export are subject to specific Customs duties. Any person (physical or legal) engaged in foreign trade is liable to paying Customs duties as well as some other taxes and fees upon importation or exportation of goods.

Excise duty

The following goods shall be subject to excise duty:

- a) All types of alcoholic beverages;
- b) All types of tobacco;
- c) Gasoline and diesel fuel;
- d) Automobiles; and
- e) By-product of oil production, such as kerosene.

The amount of excise duty is imposed in MNT on a specific physical unit, depending on the name and type of goods.

Tax reporting period

The withholding tax payer must submit the tax report for the goods, works, and services sold to the relevant tax authority by the 10th day of the following month, using the approved form.

Social insurance payment

Social insurance consists of the following types:

- a) Pension insurance;

- b) Fringe benefits insurance;
- c) Health insurance;
- d) Industrial accident and occupational disease insurance;
- e) Unemployment allowance.

Social insurance has two forms including mandatory and voluntary social insurance under Law on Social Insurance of Mongolia.

Table 5

<i>The following individuals must maintain compulsory social insurance</i>	<i>Types of social insurance</i>
<ol style="list-style-type: none"> 1. An employee working under an employment contract with a legal entity or individual of all ownership forms; 2. Foreign-invested legal entities operating in Mongolia, foreign enterprises and organizations, their branches and representative offices, foreign enterprises operating through their representative offices outside Mongolia, and an employees working in such foreign enterprises or representative offices earning income from Mongolia; 3. Unless otherwise specified in Mongolia's international agreements, employees working on diplomatic missions or consulates of foreign countries in Mongolia, international organizations, project or program units, branches, representative offices, or permanent offices implemented with foreign loans or aid; 4. Employees specified in Sections 1, 2, and 3 who are temporarily incapacitated for one month or more and are on maternity leave; 5. Individuals who have been unlawfully dismissed; 6. Individuals who have been prosecuted and sentenced to prison on false charges. 	<ul style="list-style-type: none"> - Pension insurance; - Fringe benefits insurance; - Unemployment insurance; - Industrial accident and occupational disease insurance;
<ol style="list-style-type: none"> 1. Member of the Board of Directors. 2. Mongolian citizens appointed to work in electoral divisions and committees at all levels; 3. A Mongolian citizen working in a foreign country under an employment contract; 4. A pensioner who is working under an employment contract or similar contracts with a legal entity or individual in accordance with the Law on Pensions Provided by the Social Insurance Fund, Law on Pensions, Benefits and Payments for Industrial 	<ul style="list-style-type: none"> - Pension insurance; - Fringe benefits insurance; - Industrial accident and occupational disease insurance;

<p>Accidents and Occupational Diseases Provided by the Social Insurance Fund, Law on Social Welfare and the Law on Benefits Provided by the Social Insurance Fund.</p>	
<ol style="list-style-type: none"> 1. Unemployed spouses of officers, supervisors, and state customs inspectors serving and working at the state border; 2. Spouse of an employee of the armed forces, intelligence, police, or court enforcement agency who is unemployed due to relocation to another province, city, or settlement; 3. Monks and priests of religious organizations; 4. Current employees and civil servants who are studying under the employer's orders; 5. An employee mother or father who is caring for a child under the age of three, or a civil servant who is mother or father, unless otherwise specified by law; 6. Spouses of employees of diplomatic missions working abroad from Mongolia who are unemployed and do not receive an old-age pension; 7. Individuals who have worked in disaster prevention and other mobilization efforts; 8. Reindeer herders living in the taiga; 9. Temporary military personnel; 10. An employee working under an employment contract or similar contracts with a legal entity or individual of all ownership forms. 	<ul style="list-style-type: none"> - Pension insurance; - Fringe benefits insurance;
<ol style="list-style-type: none"> 1. In accordance with Article 57 of the Labor Law, an employee who works multiple jobs simultaneously outside working hours; 2. Pensioners who have become unable to work due to unemployment, industrial accidents, or occupational diseases. 	<ul style="list-style-type: none"> - Pension insurance;

Table 6

Type of social insurance	Deduction percentage %/ of Employer's salary fund or equivalent earnings	Deduction percentage %/ of Insured's salary fund or equivalent earnings
1. Pension insurance	8.5	8.5

2. Fringe benefit insurance	1.0	0.8
3. Health insurance	0.5, 1.5, 2.5	-
4. Unemployment insurance	0.5	0.2
5. Total deductions	10.5, 11.5, 12.5	9.5

The percentage of social insurance contributions for industrial accidents and occupational diseases shall be determined based on the occupational health and safety requirements and the working conditions of workplaces with risks, as well as the employer's wage fund and equivalent income. This will be approved by the Government upon the proposal of the National Council of Social Insurance.

The monthly premiums to be paid by the insured and employers shall be paid before the 5th of the following month.

VIII. RECRUITING LABOR FORCE FROM ABROAD

The Government approves its resolution each year on foreign employees' ratio. Depending upon number of total employees and sector in where the company operates, the ratio of expatriate varies. For 2023, the ratio of expatriate employees follows for the selected sectors:

Table 7

No	Definition	The number of total employees
1.	Agriculture, Forestry, Fishing, Hunting	250
2.	Mining	10,000
3.	Processing factory	1,500
4.	Electricity, gas, steam, ventilation	1,361
5.	Water supply, drainage systems, waste disposal and environmental restoration activities	100
6.	Construction	5,000
7.	Wholesale and retail trade, repair and service of cars and motorcycles	3,300
8.	Transportation and warehousing operations	2,100
9.	Hotels, apartments, house, catering services	300
10.	Communication	60
11.	Financial and insurance activities	70
12.	Real estate activity	10
13.	Professional, scientific and technical activities	150
14.	Administrative and support activities	300
15.	Public administration, defense activities, and	100

	compulsory social security	
16.	Education	1,500
17.	Human health and social welfare activities	250
18.	Arts, entertainment and festivals	150
19.	Other service activities	178
20.	Household activities that employ people, as well as products and services produced for the household's own use that cannot be identified by type	500
21.	Activities of international organizations and resident representatives	150

In order to hire a foreign employee, the employer must obtain **(1) a permit to invite a foreign employee, (2) a preliminary employment permit or invitation, (3) a visa, (4) a work permit, and (5) a residence permit.** To do so, follow the procedure outlined below.

1. Seeking employees from Mongolia

Initially, the employer must seek the necessary employees within the labor market of Mongolia. For this purpose, information about the necessary vacancies and job requirements should be submitted to the employment agency of the respective province and district, and a request to hire an employee should be made. Afterward, job advertisements will be posted in the employment register and database, and employees will be sought in Mongolia within 14 business days. It is notable to avoid exaggerating the qualifications and skills required to perform the job, as well as rejecting to hire a qualified candidate from Mongolia who meets the job requirements.

2. Permission to invite foreign employee

If it is unable to hire an employee from Mongolia within 14 business days as required above, the employer has the right to request an invitation or permit to hire a foreign employee. To do so, the following documents must be submitted to the State Administrative Body responsible for labor matters:

- A work plan detailing the classifications, types, lists, locations, and durations of workplaces to employ foreign employee.
- The state registration certificate and the necessary permits if the work or service requires a license.
- A document verifying the professional skills and qualification of the foreign employee (certified by a competent authority recognized by the concerned country).
- Evidence of placing a job advertisement in employment registers and databases, as well as proof of active efforts to search for employees.
- The receipt of service fee payment.
- Proof of payment of social insurance premiums.
- Other requirements specified in the relevant legislations.

3. A preliminary employment permit or invitation

The hired expatriate who is going to work at mine site (C3), construction field (C1), the expatriate employee shall obtain employment visa. Otherwise other type of visa such as K1 or business visa is not allowed to work in Mongolia. Prior to arrival, the hiring Company shall

obtain employment invitation for an expatriate employee. Based upon employment invitation, the hiring company shall obtain entry visa permission from Immigration authority.

For getting employment invitation, the following documents are required:

- Application form;
- Receipt of payment service fee (30 000 MNT or app 8.5 USD/ 1 person);
- Copy of State registration certificate;
- Copy of License with attachment;
- Copies of Government resolution if entity has exempted from ratio by Government resolution;
- Social Insurance: SI-7 and SI-8 forms during the last month of the social insurance period to confirm the number of employees who have paid social insurance in the entity.
- Statement from Ministries and Agencies regarding the employment of economic entities (applicable only to the field of education).
- An employment agreement with a foreign legal entity, with its Mongolian translation;
- Copy of a foreign citizen's passport;
- A copy of professional diploma and diploma certificates demonstrating profession in the field of employment;
- Other documents, if required.

4. Obtaining visa

Mongolia has 10 types or classifications of visas in general, including “D”, “A”, “B”, “C”, “E”, “F”, “G”, “H”, “J”, and “K” which are classified into sub-classifications such as D-1, B1, B1-1, C1, C1-1, and so on. The type of visa shall be indicated on the visa slip using Latin letters, in accordance with the purpose of the foreign citizen or a stateless person.

Type “B” visa shall apply to:

- A foreign investor (B1) and their related individuals (B1-1);
- A representative or a senior manager of a foreign-invested company (B2), and their related individuals (B2-1);
- A head of a representative office of a foreign legal entity (B3) and related individuals (B3-1).
- Type “K1” visa applies to foreign citizens visiting Mongolia temporarily with business purposes.
- Type “C” visa is for foreign citizens who intend to work in Mongolia under an employment agreement.

Visas shall be issued by the following authorities:

- a) Ministry of Foreign Affairs;
- b) Mongolia Immigration Agency;
- c) Mongolian Embassies and Consulates in foreign countries.

For business visas for 30 days or less, is required to submit:

- a) Passport with a validity date of at least six months beyond the end of the applicant's intended period of stay in Mongolia;
- b) Completed visa Application Form for non-tourists with one passport-size photo;
- c) Invitation from the inviting Mongolian organization which should be approved by the Ministry of Foreign Affairs of Mongolia.

For foreigners planning to stay more than 30 days and up to 90 days and wishing to receive a visa on arrival, permission should be obtained from the Mongolian Immigration Agency. Citizens, business entities, and organizations that provide accommodation to foreigners shall register them with the state administrative body responsible for foreign affairs within 48 hours. Registration can be completed electronically.

Required Documents:

- Registration request from an inviting organization or individual. In cases where there is no inviting organization or individual, the foreign national should submit their own request for registration.
- Passport or an equivalent document and additional copies.
- One copy of a passport-size photo (3x4 cm);
- Completed registration form.

5. Obtaining work permit for a foreign worker

After the arrival of the hired expatriate in Mongolia, the employee must obtain a work permit in order to get multi C or employment visa (depending on the industrial sector, the “C” visa is sub-classified). Work permits for foreign employees must be obtained within 10 business days from the date of entering the Mongolian border. Prior to obtaining this permit, the foreign employee must undergo medical examination and obtain a medical certificate. The workplace payment for each expatriate employee shall be MNT 1,100,000 per month. This payment must be made before obtaining work permit for a period of 6 months to one year. The following documents are required to obtain the work permit:

- Application form;
- Receipt of payment for service fee (MNT 30,000 per person);
- Receipt of payment for the workplace payment;
- Copy of state registration certificate;
- Copy of special permit certificate and its appendices;
- Copy of the relevant Government Decree, if exemption from the quota is applicable;
- Passport copy, including the stamped page;
- Medical certificate for medical examination.

6. Residence permission

Foreigners coming to Mongolia for private purposes, such as work or investment should obtain a residence permit. The following documents necessary for obtaining the permission

- Official letter from an inviting citizen, business entity or organization requesting the residence permission;
- Reference on residential address from a Governor of Soum or Khoroo;
- Passport copy;
- In the case of a related person, the required documents include a marriage, birth, or adoption certificate, evidence of cohabitation, or their apostilled copies, along with their certified translation;
- Application form;
- One copy of a photo (3.5x4.5 cm);
- Other additional documents may be required, depending on the type of residence

permit.

Foreign citizens who hold valid foreign passports or equivalent legal documents may visit or reside in Mongolia upon obtaining the required visa from a competent authority of Mongolia.

A request to obtain residence permission must be filed within 21 days after entry to Mongolia.

IX. TRADEMARK PROTECTION IN MONGOLIA

To enjoy legal protection in Mongolia, a trademark needs to be registered with the General Authority of Intellectual Property in the Register of Trademarks. Alternatively, it may be protected in another country provided that it is registered in accordance with the Madrid Agreement Concerning the International Registration of Marks dated 1891 and the Protocol Relating to the Madrid Agreement.

A "trademark" refers to a distinctive expression used by an individual or a legal entity, engaged in manufacturing goods or providing services, in order to distinguish their goods or services from others. It may be expressed in words, figures, letters, numerals, three-dimensional configurations, colors, combination of colors, sounds, scents, and/or any combinations thereof. The trademark registration process takes 9 months and can be extended for an additional 6 months. Once the trademark is registered, its certificate shall be issued for 10 years term and can be extended for additional 10 years.

The exclusive rights of the trademark holder shall be enforced within registered list of goods and services.

Exclusive rights:

The trademark holder has the following exclusive rights:

- a) To own the registered trademark;
- b) To allow to use the registered trademark by a third party;
- c) To transfer the registered trademark to a third party;
- d) To demand cessation of registered trademark use without permission;
- e) To demand cessation of the use of the same or similar trademark by a third party that misleads the customers; and
- f) To demand payment for incurred loss due to action stated in (d) and (e).

The trademark holder can transfer the rights to another person by signing an agreement for the transfer of ownership of the trademark. Alternatively, other parties can use the registered trademark by signing a license agreement for some or all goods and services. According to the law, both the transfer agreement and the license agreement are considered effective upon registration with the Intellectual Property Office and publication in official periodicals.

If an individual or legal entity uses the trademark without permission, the trademark holder may protect their exclusive rights and file a claim to the following authorities:

1. Intellectual Property Office of Mongolia;
2. Customs General Administration of Mongolia; and
3. Courts of Mongolia.

Enforcement Action by Intellectual Property Authority:

In the case of infringement of industrial property rights, the right holder or his/her representative may file a complaint, objection, or request with the Industrial Property Rights Dispute Resolution Board (DRB) at the Intellectual Property Office of Mongolia. The claim,

objection, or request should be supported by the evidence of the infringement.

The dispute will be resolved within 90 days from the initiation of the case, and this period may be extended for an additional 30 days upon the complainant's consent. In the event of disagreement with the DRB decision, the concerned party can file a claim with the court within 30 days from the date of receiving the decision.

Enforcement action by the Customs authority:

For the protection and combat against counterfeit products being supplied and sold in the market, the trademark holder or their authorized entity or individual, under a licensing agreement, can register the trademark with the customs authority. This registration is based on the trademark certificate issued by the registry. The customs authority shall not clear counterfeit products with a registered trademark through customs if there is any complaint.

The trademark holder can file a claim to stop the clearance of products by customs in the event of trademark rights infringement, illegal clearance of products, or if reasonable grounds to suspect illegal or fake products during customs inspection. The claim should include information about the trademark holder, intellectual property, a detailed description of the products that have been cleared through customs illegally, and the requested measures to be undertaken by the customs authority.

The State Inspector of the Customs authority is authorized to impose sanctions on trademark infringers.

Enforcement Action by courts:

1. If the state Inspector and its senior inspector have not satisfactorily performed their duties to the trademark holder's claims for protecting its exclusive rights, the trademark holder may file a claim with the court.
2. If trademark infringement results in loss, either in monetary or non-monetary terms such as damage to the business reputation, the trademark holder is entitled to file a claim for compensation for the incurred loss. However, the loss caused must be proven with evidence in order to make a claim for the loss.
3. The court has the authority to impose criminal sanctions on entities and individuals in default. If a defaulted party has engaged in the manufacturing, supply, sale, and storage of counterfeit products using the registered trademark, criminal sanction will be imposed.

Trademark infringement is classified as an offence or a crime under the relevant law.

X. DISPUTE RESOLUTION IN MONGOLIA

If the disputing Parties cannot reach an agreement by negotiations, they may apply to a Mongolian court or the Mongolian International Arbitration Center attached to the Mongolian National Chamber of Commerce and Industry.

Judicial System of Mongolia

According to the Article 13.2 of the Law on Court, the judicial system of Mongolia follows a basic structure consisting of the Supreme Court, the Court of Cassation or Review, aimag and capital city courts (the Court of Appeals), soum or intersoum and district courts (Courts of the First instance).

- a) Soum, intersoum and district courts have jurisdiction only at first instance;
- b) Aimag courts, found in the Aimag capitals and the Capital City Court, handles appeals from the lower-level courts; and

- c) The Supreme Court is the highest level of the Court, deals with any matters at first instance that are not within the specific jurisdiction of other courts and handles appeals on decisions made by the courts of Aimag and the Capital City.

The courts, with the exception of the Supreme Court, are established to specialize in specific types of cases, such as criminal, civil, and administrative matters. The Administrative Cases Court specifically deals with matters pertaining to public law, but not purely constitutional matters. Reviews were conducted by an independent body to assess all administrative acts that impact the citizenry. The primary role of the Administrative Cases Court is to examine the constitutionality of various administrative actions, especially those that infringe upon fundamental rights. The Administrative Cases Court of Mongolia was established by the State Great Hural (the Parliament of Mongolia) in June 2004. It handles disputes arising from the exercise of public authority, involving both citizens and legal entities. This relationship between the public authorities and individuals in this context is regulated by the Law on Administrative Procedure.

Alternative Dispute Resolution - Mediation:

Mediation is an alternative dispute resolution method that parties in any agreement should consider, aside from arbitration. Mediation is essentially a negotiation process facilitated by a neutral third party. Unlike arbitration, which takes a form more similar to a trial, mediation does not involve the neutral third party making a decision. Instead, it aims to find a mutually acceptable resolution or compromise between the disputing parties. Mediation procedures can be initiated by the parties or may be compelled by legislation, the courts, or contractual terms. When parties are unwilling or unable to resolve a dispute, one good option is to turn to mediation. Mediation is generally a short-term, structured, task-oriented, and “hands-on” process. In Mongolia, the institution of mediation was established through the adoption of the Law on Mediation in 2012. Pursuant to the law, mediation may be used in civil legal disputes, labor rights disputes, and disputes arising from family relationships, and in certain other disputes as specified by law.

In mediation, the parties involved in a dispute work with a neutral third party, known as the mediator, to resolve their conflicts. The mediator facilitates the resolution of the parties’ disputes by supervising the exchange of information and the bargaining process. The mediator helps the parties find common ground and address unrealistic expectations. The mediator may also provide innovative solutions and help in formulating a final settlement agreement. The role of the mediator is to interpret concerns, relay information between the parties, frame issues, and define the problems. Unlike the litigation process or arbitration, where a neutral third party (judge or arbitrator) imposes a decision on the matter, the parties and their mediator typically have control over the mediation process.

Mongolian International Arbitration Center

Mongolian International Arbitration is affiliated with the Mongolian National Chamber of Commerce and Industry. It commenced operations in 1960 and is recognized internationally as a permanent arbitration institution in Mongolia. The arbitration has branches in all 21 aimags, which are administrative units under the law of Mongolia. Currently, there are 51 local arbitrators with qualification in law, economics, finance, and mining, as well as 11 foreign arbitrators from countries including the Russian Federation, the People’s Republic of China, the Federal Republic of Germany, Japan, Hong Kong, and Poland.

Exclusive Court jurisdiction cannot be changed by agreement of the parties to a dispute, in particular, in the following cases:

- Disputes related to the ownership, possession and use of immovable property in territory of Mongolia;
- Disputes arising in connection with reorganization and liquidation of a legal entity located in the territory of Mongolia or decision made by that legal entity, its branch, or representative office;
- Disputes related to the validity of entries in public registry of the court and other competent authority of Mongolia;
- Disputes related to the registration or receipt of an application for registration of patents, trademarks, or other intellectual property rights by a competent authority of Mongolia; and
- In the case where a court decision enforcement action has been taken in the territory of Mongolia or a relevant person applied for such action.

Enforcing Foreign Court Judgments and Arbitrational Awards

Mongolia ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1994. Accordingly, the courts of Mongolia will enforce arbitral awards within the country provided that the following conditions are met:

1. The award is final.
2. The award relates to a commercial dispute.
3. The award is confirmed by a judicial order in Mongolia.
4. The award does not pertain to taxes, fines, or penalties.
5. The award was not obtained in a manner that goes against the public policy of Mongolia.

There are specific circumstances under Mongolia's Arbitration Law in which a foreign arbitration will not be enforced. These circumstances include:

1. If one of the parties to the arbitration agreement lacks legal capacity, or if the arbitration agreement itself is invalid.
2. When a party responsible for the arbitral award did not receive proper notice of the appointment of an arbitrator or the arbitral proceedings, and as a result was unable to participate and provide the response.
3. If the arbitral award is not contemplated by or falls outside the terms of the claim, or if the arbitral award exceeds the scope of the initial claim.
4. If the composition of the arbitral tribunal and the arbitral proceedings do not conform to the agreement of the parties or, in the absence of such an agreement, do not comply with the laws of the jurisdiction.
5. When the arbitral award is invalid or its enforcement has been suspended.
6. If the subject matter of the dispute is not capable of settlement through arbitration under the laws of Mongolia.
7. The recognition or enforcement of the award would run contrary to Mongolia's common interests.

For more information or any queries, please feel free to contact Bolormaa.V, Partner by bvolodya@gratanet.com and Buyanjargal Tungalag, Lawyer of Grata International Law Firm by btungalag@gratanet.com or 976 70155031.

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