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LEGAL NEWSLETTER

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Our law firm recently presented, in its previous newsletter, the bills submitted to the State Great Khural as of June 30, 2026, as well as the resolutions and decisions adopted by that date.

Please note that certain legal information reflected in this newsletter has not yet been published in the official unified legal information system and may therefore, be subject to changes in content or wording upon final publication.

The information in this newsletter has been prepared based on newly drafted bills and bills amending existing laws that are shown as "adopted" in the electronic system of the State Great Khural, as well as information publicly disclosed by the Press and Public Relations Department of the State Great Khural, the Government, relevant ministries, the General Department of Taxation, the General Authority for Social Insurance, members of the State Great Khural, and ministers.

I. DRAFT LAWS DISCUSSED

The 2026 spring regular session of the State Great Khural of Mongolia closed on July 3. Notable bills adopted during the session are summarized below.

1.1 Amendments to the Package of Tax Laws

The bill on amendments to the package of tax laws submitted by the Government was finally adopted by the State Great Khural on June 26. The amendments are intended to support individuals and business entities and reduce the tax burden. Key changes include the following:

(i) Amendments to the General Law on Taxation

Pursuant to the newly added Article 63.2 of the General Law on Taxation, the amount of tax debt to be collected, without dispute, from monetary funds that may be credited in the future to the bank account of a taxpayer with tax arrears may not exceed 80% of such income. As a result, 20% of such income remains with the taxpayer, allowing it to continue its operations to a certain extent.

Paragraphs 73.4 and 73.5 were also added to Article 73 of the General Law on Taxation in line with the Civil Code. Under these provisions, no penalty will accrue on unpaid tax from the date on which a tax audit assignment is issued until the decision on that audit is issued. In addition, the total penalty amount may not exceed 50% of the amount of tax not paid by the due date or the amount of tax over-collected by the tax authority without legal grounds.

A taxpayer's period for amending its tax return has also been extended. Specifically, while the period for amending a return under Article 31.1 of the General Law on Taxation was previously limited to the following tax year, it has now been extended to the following two tax years.

(ii) Amendments to the Law on Personal Income Tax

As part of measures to protect individual and household income and increase employment, the tax rates applicable to salaries and wages paid to employees have been reduced as follows:

Effective date	Salary and wage	Tax rate
January 1, 2027	Up to MNT 792,000	0%
	Above MNT 792,000	10%
January 1, 2028	Up to MNT 792,000	0%
	More than MNT 792,000, and up to MNT 2 million	1%
	Above MNT 2 million	10%

To support home ownership, Article 22.1 of the Law on Personal Income Tax has been supplemented with a new category of tax-exempt income. Income earned by a citizen of Mongolia from the sale of an apartment used for residential purposes, registered as the citizen's primary residential address, and owned continuously for at least five years will be exempt from tax. Accordingly, from 2027, the 2% tax previously imposed on income from the sale of an apartment meeting these requirements will no longer apply.

(iii) Amendments to the Corporate Income Tax Law

Article 22.5 of the Corporate Income Tax Law has been supplemented to include, as income eligible for tax relief, the tax imposed on the operating income of a legal entity registered in the virtual zone specified in Article 11.1 of the Law on Supporting Information Technology Production.

Under Article 20.1 of the Corporate Income Tax Law, taxable income exceeding MNT 6 billion was previously subject to a 25% tax rate. The amendments introduce an intermediate bracket for income between MNT 6 billion and MNT 10 billion and reduce the tax burden as follows:

Effective date	Amount of taxable income	Applicable tax rate
January 1, 2027	Up to MNT 6 billion	10%
	MNT 6-10 billion	10% on the portion up to MNT 6 billion, i.e. MNT 600 million
		15% on the portion exceeding MNT 6 billion
	Over MNT 10 billion	10% on the portion up to MNT 6 billion, i.e. MNT 600 million
		Portion exceeding MNT 6 billion and 15% up to MNT 10 billion, i.e. MNT 600 million
		25% on portion exceeding MNT 10 billion

In addition, under the amendment to Article 22.1 of the Corporate Income Tax Law, the sales revenue threshold for taxpayers eligible for the relief under which 90% of the 10% corporate income tax paid is refunded has been increased from up to MNT 1.5 billion to up to MNT 2.5 billion.

(iv) Amendments to the Law on Excise Tax

Under the amendment to Article 6 of the Law on Excise Tax, cigarettes and other similar tobacco products, loose tobacco and other similar unpackaged tobacco are subject to excise tax at 30% of their import customs value. Snuff tobacco is regulated separately and is subject to excise tax at 20%.

(v) Proposal on the Procedure for Tax Audit Operations

In connection with the amendments to the package of tax laws, the Tax Authority is revising the "Procedure for Tax Audit Operations," and taxpayers' comments on the procedure are being accepted electronically until August 6.

1.2 Amendments to the General Law on Social Insurance

The bill on amendments to the package of social insurance laws submitted by the Government was finally adopted on July 02. The key changes are summarized as follows:

Regulation	Summary
Employee with multiple contracts /Article 7/	Where a person works under several contracts for work, work-for-hire contracts, or similar contracts, that person may select up to two contracts with favorable terms and be covered by compulsory social insurance under those contracts.
Primary employment and additional work /Article 7.4/	An employee working under an employment contract may elect not to pay compulsory social insurance contributions on additional income earned under a contract for work, work-for-hire contract, or similar contract.
Maximum limit for employer premiums /Articles 19.4-19.7/	A cap will be introduced on the wage fund and equivalent income used to calculate employer social insurance contributions.
Relief for small employers /Article 21/	For an employer with no more than five employees, certain employer-paid contributions, other than those specified in Articles 6.1.3 and 6.1.4, for up to three employees may be exempt for up to 36 months. This relief does not apply to state-owned or locally owned legal entities, legal entities with state or local participation, foreign state or international organizations, or NGOs.
First-time insured person /Article 7.7/	For a Mongolian citizen who has never been covered by compulsory or voluntary social insurance, 50% of the pension insurance contribution calculated on the monthly minimum wage will be exempt for up to 24 months upon first-time coverage under Article 7.7.

1.3 Law on Economic Freedom

This law was adopted by the State Great Khural on July 2. It aims to protect private property rights, freedom of contract, fair competition, investment, and a stable environment for conducting business activities.

While the initial draft provided that legislation and legal acts inconsistent with the principles of economic freedom would not apply to business-related relations involving citizens and legal entities, the adopted version softened the wording by requiring legislation regulating the relations covered by the law to conform to its principles of economic freedom.

Article 5 guarantees entrepreneurs' rights to freely engage in activities not prohibited by law and to participate in economic relations on an equal basis. Article 11.4 provides that Mongolia shall not impose unjustified barriers to international trade and investment and shall protect investors' rights.

Accordingly, the law is significant for creating a more stable business environment for Mongolian and foreign investors, limiting unjustified state intervention, and protecting entrepreneurs' rights. Entrepreneurs who consider that their economic freedom has been violated may apply to the relevant authority or a court to protect their rights.

1.4 Amendments to the Law on Investment

In connection with the draft Law on Economic Freedom, the law on amendments to the Law on Investment and other related bills have been adopted. Under these amendments and as noted in the previous section, the following introduces the tax support, relief and incentives to be provided to foreign investors, as well as the opportunities arising for foreign investors.

(i) Tax support and relief

The withholding tax rate applicable to interest income on debt instruments of foreign entities has been reduced from 20% to 5%. As a result of this reduction in income tax on income received by foreign investors, investors' income will increase by the 15-percentage-point difference in the revised tax rate.

In addition, customs duty relief will apply to imported information technology equipment intended for data centers and artificial intelligence centers. This may reduce costs for entities currently operating, or planning to operate, in the information technology sector in Mongolia, and may also increase sales for businesses exporting such equipment.

(ii) Dispute resolution

Furthermore, if mediation in any dispute does not produce a result within six months, the investor will be able to refer the dispute to domestic or international arbitration, thereby confirming investors' right to have their disputes resolved by international arbitration.

At the same time, the Investment and Trade Agency of Mongolia will receive investor complaints, issue recommendations to the relevant state authorities, obtain reports on the implementation of those recommendations, and work to ensure the protection of investors' rights.

(iii) Requirements for establishing a foreign bank branch

In addition, the requirement that a foreign bank must have capital equal to 20% of the total paid-in capital of Mongolia's banking sector in order to establish a branch in Mongolia has been abolished.

As a result, international banking and financial institutions that were previously unable to meet this high threshold may now be able to enter the Mongolian market. This may, in turn, create competition and conditions for improving the operations of Mongolian banking and financial institutions. As a result, customers may have a wider choice of banks and services, and opportunities may arise such as placing funds in deposits with higher interest rates and obtaining loans with fewer conditions and requirements and lower interest rates.

1.5 Law on Climate Change

The purpose of the Law on Climate Change is to implement activities for mitigating, adapting to and overcoming climate change in line with environmental, economic and social sustainable development objectives and with the aim of achieving net-zero greenhouse gas emissions; to develop green and climate finance mechanisms and the carbon market; and to establish an integrated system for greenhouse gas inventory, measurement, reporting and verification.

Pursuant to Articles 20.1 and 20.2 of the Law, green financing will support projects, programs and activities that are aimed at mitigating, adapting to and overcoming climate change, ensuring the appropriate use of natural resources and improving efficiency, and securing sustainable economic and social growth, in line with development policies and planning, fiscal and monetary policies, and the green finance strategy.

In this regard, "green financing" means investments and financing that meet specific criteria and are aimed at generating positive environmental impacts, reducing degradation, and supporting the efficient use of resources within the framework of environmentally sustainable development.

In connection with the Law on Climate Change, amendments were made to a number of laws. Below, we introduce several changes that may be relevant to businesses.

(i) Amendments to the Law on Autoroads

In connection with the adoption of the Law on Climate Change, the following amendment has been made to the Law on Autoroads.

Previous regulation	New regulation
Within the framework of public-private partnerships, the State shall support domestic and foreign investors in investing in the	Within the framework of public-private partnerships, the State shall support domestic and foreign investors in introducing technologies, innovation and

development of the autoroad sector.	production methods with low greenhouse gas emissions and resilience to climate change in the road transport sector as part of the development of the autoroad sector.

(ii) Amendments to the Law on Crop Farming

In connection with the adoption of the Law on Climate Change, the following amendment has been made to the Law on Crop Farming.

Previous regulation	New regulation
The State may provide support if measures are taken to improve soil fertility for the purpose of bringing the land specified in Article 14.2.1 of the Law on Crop Farming into crop farming circulation.	The State may provide support if measures are taken to improve soil fertility for the purpose of bringing the land specified in Article 14.2.1 of the Law on Crop Farming into crop farming circulation and introducing low-carbon, climate-resilient technologies, innovation and production methods in the crop farming sector.

1.6 Amendments to the Law on Traffic Safety

Recently, issues related to vehicles such as mopeds and scooters have increased. These include issues such as failure to comply with the Traffic Rules and driving by minors.

Accordingly, amendments were made to the Law on Traffic Safety to provide more detailed definitions of vehicles such as mopeds and scooters and to regulate services for public use.

Under the Law, drivers of mopeds, scooters falling within the types of mopeds, and vehicles with equivalent specifications (hereinafter collectively referred to as “mopeds and scooters” in this newsletter) must complete training in accordance with the procedure and training program for preparing vehicle drivers and be registered in the registration and information database of a driver training institution. In addition, owners of mopeds and scooters are now required to register their vehicles.

(i) Additions to the Law on Violations

In connection with the above amendments, the following additions were made to the Law on Violations. These include fines as follows:

1) MNT 50,000 for a person who crosses a pedestrian crossing while driving a moped or scooter;
2) MNT 200,000 for the parent or guardian of a child under the age of eighteen who participates in road traffic by driving a moped or scooter;
3) MNT 500,000 for a legal entity providing public-use moped and scooter services if it fails to fulfill its statutory obligation to register the mopeds, mopeds and scooters under its ownership, and to take technological measures to prevent children under the age of eighteen and persons who have not completed the training specified in Article 14.2 of the Law on Traffic Safety from driving mopeds and scooters and participating in road traffic;
4) MNT 50,000 for a legal entity providing public-use moped and scooter services if it places its vehicles on public roads, streets, squares, public recreation, leisure or sports areas, parks, parking lots, green spaces, green lawns surrounding public residential buildings, children’s playgrounds, or similar areas other than parking locations designated by an authorized person;

respectively.

In addition, under the Traffic Rules, bicycles, mopeds and scooters must use a bicycle path or bicycle lane when participating in road traffic; if no such path or lane exists or it is not possible to use it, they must travel along the right-hand edge of the carriageway.

II. STATE GREAT KHURAL: NOTABLE RESOLUTION

2.1 Resolution on Bringing Certain Mining Projects into Economic Circulation

The Government of Mongolia's 2024-2028 Action Program includes objectives to increase gold production, establish a gold refinery, and diversify mining export products. In this context, the draft resolution was submitted to the State Great Khural on the basis that bringing gold deposits into economic circulation is important for increasing export revenue, the state's foreign currency reserves, and budget revenue.

As a result of the implementation of this project, approximately 5 tons of gold are expected to be delivered annually to the Bank of Mongolia, while export and tax revenue and state foreign currency reserves are expected to increase. The project is also expected to have positive impacts on local economies, employment, and the revenue of the National Wealth Fund.

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