

January 17, 2022, Ulaanbaatar

THE PRIME MINISTER OF MONGOLIA  
L.OYUN-ERDENE

About Application of Tax laws and regulations

On May 17, 2021, the Mongolian Business Council, the Mongolian National Chamber of Commerce and Industry, and the American Chamber of Commerce in Mongolia sent a request to the court and pre-trial courts to address the issue of requiring businesses to pay the tax in full.

To address the economic downturn and deteriorating business environment caused by the Covid-19 pandemic, the government plans to implement a policy of economic recovery, a “recovery policy” and a reform of Mongolia's investment climate. The undersigned four foreign business associations and chambers, namely AMCHAM, AUSTCHAM, EuroChamber and Mongolian Business Council, and our joint member organizations welcome it.

In these difficult times, it is important that we overcome the effects of the pandemic with less damage by supporting businesses and taxpayers, improving the investment climate, and maintaining jobs.

However, we have identified two main tax-related issues, which call for your Government's urgent attention:

1) financially distressed businesses and **taxpayers have recently come under pressure from the Mongolian tax authorities** to demand full payment of tax disputes in court and in pre-trial proceedings, and to have their accounts closed – which is unlawful.

According to Article 47.3 of the General Tax Law, a taxpayer is obliged to pay only 10 percent of the non-recognized amount of tax in advance when filing a complaint against a tax act, which does not exceed 100 million MNT. However, the fact that the tax administration requires the taxpayer to pay the fee in full poses a number of difficulties for taxpayers.

These include:

1. The account is forcibly closed and the business is closed immediately.
2. 100 percent tax collection drastically reduces cash flow and leads to closure.
3. Borrowing interest from others to pay taxes increases costs.
4. Business reputation is being attacked.
5. There is a risk that the license will be revoked due to the termination of operations.

This requirement to pay the tax act in full is not in accordance with the law and makes it impossible for citizens and business entities to file complaints to the state, to be tried in court, and to exercise their constitutional rights.

2) there are two contradicting articles regarding tax code implementation, namely 47.3 and 43.1-3. This contradiction is causing legal uncertainty and allows for willful interpretation. We ask for an urgent revision of these articles.

On behalf of all members of the business community, representing over [300] leading foreign and domestic entities, we urge you, as the Prime Minister, to ensure the implementation of the above provisions of the law, and to support foreign and domestic investment in these difficult times, and not to put tax pressure on businesses and close their accounts.

We stand ready to work with you and your ministers for the betterment of business and investment climate and the speedy recovery of our Mongolian economy.

Sincerely,

Mongolian National Chamber of Commerce and Industry, Mongolian Business Council, AMCHAM, AUSTCHAM, EuroChamber