

INTRODUCTION

On Draft Law to Amend the General Tax Law

The long-term development policy of Mongolia “**Vision 2050**”, approved by Resolution No. 52 of 2020 of the State Great Khural, states that “*E-governance technologies shall be fully implemented at all levels to establish a corruption-free and efficient public service.*” Within the framework of this policy, Section 5.2.21 (2021–2030) provides that “*the stability of state and tax policy shall be ensured, and a favorable environment for protecting and attracting investment shall be created.*” Furthermore, the Government Action Plan of Mongolia for 2024–2028, approved by State Great Khural Resolution No. 21 of 2024, specifies in Annex 1, Section 3.2.1, “*Tax and social insurance reforms,*” and in Section 3.2.1.2, “*Gradually align the tax environment with international standards and improve the e-tax system.*”

In addition, the European Commission included Mongolia in the “List of Non-Cooperative Jurisdictions for Tax Purposes” in 2017. In response, by Government Resolution No. 350 of 2017, Mongolia became a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes under the Organization for Economic Co-operation and Development. Within the framework of the international obligations undertaken before the European Union and the Global Forum, the State Great Khural of Mongolia ratified the *Convention on Mutual Administrative Assistance in Tax Matters* on January 3, 2020, thereby incorporating international standards on exchange of information for tax purposes, cooperation, and transparency into domestic legislation. In order to fully implement these international standards, it has become necessary to introduce further provisions on automatic exchange of information, transparency, and confidentiality of information into domestic laws.

The 2019 tax reform package aimed to promote business activities, support small and medium enterprises, digitalize and simplify tax administration, combat tax evasion and avoidance, and facilitate trade. Within the scope of digitalization and simplification, the tax administration of Mongolia has rapidly advanced in recent years, fully digitalizing taxpayer registration, reporting, and payment, thus reducing human involvement.

With the expansion of economic and business activities and rapid technological development in recent years, it has become necessary to advance tax digitalization to the next level by transitioning to a fully digitalized system with minimal human involvement, based on artificial intelligence and big data.

According to the 2022 *Mongolia: Tax Administration Diagnostic Assessment Tool Performance Assessment Report* conducted by the International Monetary Fund, the tax administration of Mongolia was evaluated based on 32 indicators. It received low scores on indicators related to operational risk, coverage of tax reporting, accuracy of tax reporting, and timely tax payment.

In addition, a taxpayer satisfaction survey was conducted in 2022, financed by the Asian Development Bank, covering small, micro, and individual taxpayers, based on 78 indicators. The survey revealed that 18 percent of taxpayers reported that they did not receive training, guidance, or recommendations, while 25 percent considered tax payment deadlines inflexible. Taxpayers also gave low scores regarding responsiveness to feedback and emphasized the need to improve information provision, advisory services, clarity of information, and communication services of the tax administration.

Since the introduction of the e-invoice system more than 10 years ago, the number of users has reached 2.3 million, with an average monthly transaction volume of 6.2 trillion MNT and 37.3 million invoices issued. The e-invoice system also enabled taxpayers to pay their property tax bills.

Going forward, development should focus on enabling the electronic system to independently assess tax risks, provide warnings and alerts to high-risk taxpayers, and support data-driven decision-making. This will reduce the number of tax audits and inspections, as well as taxpayer burdens and violations.

Recent global trends also show that major reforms have been introduced to simplify tax inspection mechanisms and improve taxpayer advisory services. For example, New Zealand, Australia, Canada, and Finland have adopted mechanisms to provide taxpayers with support, access to information, and preventive measures against risks. Instead of penalizing taxpayers after violations occur, these countries notify taxpayers in advance and strive to make tax reporting and payment processes as simple and understandable as possible. Mongolia is also following this trend by introducing advisory services and automated control systems through digital development, with the aim of simplifying and improving the tax environment.

Within this context, in order to incorporate necessary amendments into tax legislation, the Ministry of Finance, the Tax and Customs Administration, the Mongolian National Chamber of Commerce and Industry, and the Secretariat of the State Great Khural jointly organized 150 meetings and discussions nationwide, involving more than 11,000 taxpayers and receiving around 176,000 comments. During these consultations, common feedback emphasized the need to improve advisory services, provide regular taxpayer information and guidance, prevent tax risks, and support responsible taxpayers.

By Resolution No. 46 of 2024, the State Great Khural of Mongolia approved the Action Plan for the Implementation of the National Anti-Corruption Program, which calls for the intensification of the dispute resolution procedures of the Tax Dispute Resolution Council. In addition, Annex 2 of Order No. 64 of 2025 of the Prime Minister of Mongolia, approving the Action Plan for Combating Corruption, Eliminating the Causes and Conditions of Corruption and Official Misconduct, and Preventing Conflicts of Interest, likewise mandates measures to strengthen the operations of the Tax Dispute Resolution Council. To ensure the effective implementation of these plans, it is necessary to expedite the dispute review and resolution process, reduce resolution timeframes, enhance transparency, and thereby safeguard the rights and interests of taxpayers.

Furthermore, Mongolia joined the Global Forum on Transparency and Exchange of Information for Tax Purposes in 2018, thereby undertaking core obligations to exchange tax information, ensure transparency, cooperate, and combat tax avoidance with other member jurisdictions. Within this framework, the fundamental legal provisions were introduced through the 2019 tax reform and are being implemented step by step. Mongolia also acceded to the *Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information*, and will begin implementing the Automatic Exchange of Information Standard from 2027. To this end, further amendments must be introduced into domestic laws to ensure full implementation of the standard.

Accordingly, over 50 percent of taxpayers' proposals were incorporated into the draft law, which expands the scope of advisory services, establishes mechanisms to prevent

taxpayers from potential risks, ensures flexibility of the tax environment, fully implements international standards, improves the transparency, openness, and professionalism of the Dispute Settlement Council, and enhances the efficiency of dispute resolution procedures.

The draft law provides for the following measures:

1. **Amendments Concerning the Provision of Taxpayer Advisory Services by the Customs and Tax Administration.** The scope of advisory services will be expanded to enhance taxpayers' access to information on legislation and establish preventive mechanisms for tax risks. For example:
 - Preparing and delivering manuals, guidelines, and recommendations tailored to taxpayer needs, covering common risks, and conducting both in-person and online training;
 - Organizing activities and providing recommendations to improve taxpayers' education, prevent risks, and raise awareness of legislation;
 - Based on taxpayer requests, involving other organizations, chambers of commerce, and professional associations in discussions and training, and publishing related information on the Tax Administration's website;
 - At the request of taxpayers, providing advice on registration, reporting, and payment, notifying them of legislative changes, and offering advice on implementation, exemptions, and reliefs through AI and big data systems.

These amendments are reflected in Article 1 of the draft law.

2. **Amendments Related to Supporting Taxpayer Compliance.** To encourage and reward responsible taxpayers and prevent tax risks, the customs and tax administration will assess compliance levels. Higher compliance will result in benefits such as deferral of VAT payment deadlines, advisory services, and prevention from being subject to audits.

These amendments are reflected in Articles 1 and 2 of the draft law.

3. **Amendments Related to Coordinating Customs and Tax Administration Activities, Ensuring Transparency, and Supporting the Business Environment.** To improve the business environment, measures are introduced to simplify operations, eliminate overlapping inspections, enhance transparency, refine tax reporting and invoice regulations, and protect taxpayer rights.

In addition, requirements for granting tax payment deferrals to taxpayers facing financial difficulties will be eased. Instead of fully freezing accounts during debt recovery, the administration will allow partial withholdings, thereby enabling taxpayers to continue normal operations. Legal provisions will also be clarified to reduce disputes, enhance coordination between enforcement bodies and the tax authority, improve information sharing, and protect taxpayers from excessive penalties by capping late payment interest in line with the Civil Code.

These amendments are reflected in Articles 1, 2, 3, 4, and 6 of the draft law.

4. **Amendments Related to Tax Dispute Resolution Procedures.** In order to advance the process of reviewing and resolving tax disputes, measures are included to enhance the transparency and openness of the operations of the

Dispute Resolution Council, strengthen the requirements to ensure that its composition is professional and free from conflicts of interest, and increase private sector participation. These changes are designed to shorten the timeframe for dispute resolution and to better safeguard the rights and interests of taxpayers.

These amendments are reflected in Articles 1, 2, 4, and 5 of the draft law.

5. **Amendments Related to Electronic Systems of the Customs and Tax Administration.** The tax e-system will be expanded to improve information sharing between tax and customs authorities, simplify tax payment processes, enhance efficiency and oversight, and transition to a fully digitalized system with minimal human involvement.

These amendments are reflected in Article 1 of the draft law.

6. **Amendments Related to Implementing International Standards on Transparency and Automatic Exchange of Information.** The State Great Khural ratified the *Convention on Mutual Administrative Assistance in Tax Matters* on January 3, 2020, and acceded to the *Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information*, committing Mongolia to implement the AEOI Standard from 2027. To ensure full implementation, further provisions must be added to domestic legislation.

The draft law specifies the competent authorities for AEOI implementation, the procedures for collecting and transmitting information to other jurisdictions in a timely and internationally consistent manner, and measures to safeguard taxpayer confidentiality.

These amendments are reflected in Articles 1, 2, 3, 4, and 6 of the draft law.

In relation to this draft law, amendments have also been prepared for the Customs Law, the Law on Customs Tariffs and Customs Duty, the Law on Certified Tax Advisor Services, the Criminal Law, the Infringement Law, and the Investment Law.

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