

GLOBAL  
EMPLOYER  
GUIDE

**MONGOLIA**





## Basic Country Facts

### Full name

- Mongolia

### Capital

- Ulaanbaatar

### Main Languages

- Mongolian
- Oirat
- Buryat

### Population

- 3.17 million

### Monetary unit

- Mongolian tögrög

### Internet domain

- .mn

### International dialing code

- +976

### Currency

- Mongolian tögrög

# STATUTORY LABOR REQUIREMENTS

## Probation Period

- Probationary periods of up to six months are allowed.

## Annual Leave

- Employees are generally entitled to 15 days of annual paid leave.
- Additional leave is granted as follows:
  - 6-10 years of service: 3 days
  - 11-15 years: 5 days
  - 16-20 years: 7 days
  - 21-25 years: 9 days
  - 26-31 years: 11 days
  - 32+ years: 14 days

## Public Holidays

- New Year's Day (1st January)
- Tsagaan Sar (24th to 27th February)
- International Women's Day (9th March)
- Children's Day (1st June)
- Naadam
- Genghis Khan's Birthday
- Republic Day (26th November)
- Independence Day (29th December)

## Maternity Leave

- Female employees are generally entitled to 120 days of maternity leave at 70% of pay.
- Women with children under the age of three are also eligible for baby care leave.

## Paternity Leave

- There is no paternity leave



### Sick Leave

- Employees are generally eligible for sick leave for as long as needed.

### Work Hours

- In general, the work week is 40 hours, with five, eight-hour days.

### Overtime

- If an employee who has worked overtime or on the weekly rest days has not been compensated with other rest days, he shall be paid one and half times or more of his average remuneration.

### Notice Period

- Employees are generally entitled to between 30 days and two months' notice, dependent on the reason for dismissal.

### Severance

- In general employees are entitled to at least one month's wages on dismissal.

### 13th Month

- 13th month pay is not mandatory



## Income Tax

- A permanent resident taxpayer of Mongolia is subject to tax on worldwide income.
- A non-resident taxpayer of Mongolia is subject to tax on the income earned in the territory of Mongolia during the tax year.
- The current PIT rates are as follows:



Sources of income	Applicable tax rate (%)	
	Residents	Non-residents
Salary income	10	20
Income from property (i.e. dividends, royalties, interest, capital gain from sale of securities/stocks)	10	2
Sale of immovable property (gross)	2	20
Income from scientific, literary, and artistic works, inventions, product designs, and useful designs (gross); income from sports competitions, art performances, and similar income (gross)	5	20
Income from betting games, gambling, and lotteries (gross)	40	20



## Social Security

- Citizens of Mongolia, foreign citizens, and stateless persons employed on a contract basis by all types of economic entities, organizations, civil servants, religious or other organizations, and foreign economic entities carrying out activities in Mongolia are subject to the following compulsory social insurance taxes:
  - Currently, the employer's contribution varies from 11% to 13%, depending on the industry, while the employee's contributions are taxed at a rate of 10%, capped at 240,000 Mongolian tugrik (MNT) per month.

Contribution	Employer	Employee
Pension insurance	7%	7%
Benefit insurance	0.8%	0.8%
Health insurance	2%	2%
Industrial accident and occupational disease insurance	1% to 3%	0%
Unemployment insurance	0.2%	0.2%



## Deductible Expenses

- There are no business deductions allowed for employees, except for a social insurance contribution made by an employee per Social Insurance Law of Mongolia.
- There are no deductions for non-business expenses in Mongolia. However, starting from May 2014, donations made for the purpose of rehabilitation of national cultural heritage can be deducted from taxable income.
- A general deduction of tax is available ranging from MNT 60,000 to MNT 160,000 annually based on the annual income.
- Where income is above MNT 36 million annually, no PIT credit is available.



### Deductible Expenses

<b>Employment Expenses</b>	<ul style="list-style-type: none"> <li>• There are no business deductions allowed for employees, except for a social insurance contribution made by an employee per Social Insurance Law of Mongolia.</li> </ul>
<b>Personal Deductions</b>	<ul style="list-style-type: none"> <li>• There are no deductions for non-business expenses in Mongolia.</li> <li>• However, starting from May 2014, donations made for the purpose of rehabilitation of national cultural heritage can be deducted from taxable income.</li> </ul>
<b>Standard Deductions</b>	<ul style="list-style-type: none"> <li>• A general deduction of tax is available ranging from MNT 60,000 to MNT 160,000 annually based on the annual income.</li> <li>• Where income is above MNT 36 million annually, no PIT credit is available.</li> </ul>

# Immigration

- For traveling to Mongolia for the purpose of business, the following three types of visas are available:
  - B visa (business visa)
  - HG visa (work visa)
  - T visa (investor visa)
- All of the above visas should be obtained from a Mongolian embassy or consul before traveling to Mongolia.
- A B visa is a single-entry business visa that is valid for a visit up to 30 days.
- After arrival, it is possible to have a B visa extended once for the same period while the existing B visa is valid.
- A B visa holder cannot legally work while in Mongolia.
- This visa is mainly for visitors attending meetings, conferences and exhibitions and engaging in other similar activities.
- This visa is only available with an invitation letter issued by the Ministry of Foreign Affairs, which is based on a request letter from company operating in Mongolia.
- A T visa can be obtained by foreign-invested companies and representation offices for usually one or two persons (typically, for the senior management of the company).
- T visas are issued to individual foreign investors in Mongolian companies or to foreign executive directors of Mongolian companies.
- T visas are issued as either a six-month or one-year multiple-entry visa, which can be renewed annually.
- Long-term residency permits are also issued to T visa holders.
- After the visitor arrives in Mongolia, he or she must apply for a long-term residency permit.
- HG visas allow foreign visitors to work in Mongolia.
- In addition to an HG visa, a work permit from the Ministry of Labor and a long-term residency permit must be obtained to work in Mongolia.
- Like the B visa, a single-entry HG visa and a temporary work permit must be obtained before traveling to Mongolia.
- On arrival, the HG visa is extended for up to a year and a long-term work permit and residency permit are issued.
- A fully registered Mongolian company must apply for this visa for all of its foreign workers.
- A limited number of HG visas and work permits are issued per company because the Mongolian government publishes annual quotas on the number of foreign workers allowed.
- This quota is issued annually by the government of Mongolia. In general, 10% to 60% of a company's work force can be foreign, depending on the industry and the total number of employees.
- In summary, only T visa and HG visa holders can work in Mongolia.
- They can work after an eligible Mongolian company receives the required approval from respective state authorities.



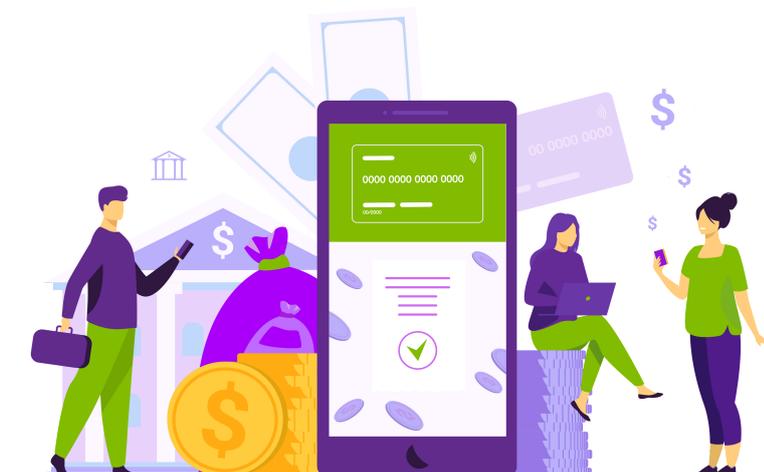
Type of Visa/ Permits	Documentation	Validity	Eligibility
<b>B Visa</b>	<ul style="list-style-type: none"> <li>• Application form</li> <li>• Passport</li> <li>• Passport size photo</li> <li>• Confirmation of visa fee transaction</li> <li>• Letter of invitation</li> </ul>	30 days (can be extended)	<ul style="list-style-type: none"> <li>• This visa is mainly for visitors attending meetings, conferences and exhibitions and engaging in other similar activities.</li> <li>• This visa is only available with an invitation letter issued by the Ministry of Foreign Affairs, which is based on a request letter from company operating in Mongolia.</li> </ul>
<b>T Visa</b>	<ul style="list-style-type: none"> <li>• Completed application form;</li> <li>• Passport in original (must be valid for a minimum of six months before your intended travel to Mongolia);</li> <li>• 3.5×4.5cm photo (the size of the photo is mandatory);</li> <li>• Approval by the Ministry of Foreign Affairs (Applies only to visitors travelling for business or non-governmental organization purposes);</li> <li>• Approval by the Immigration Agency (Applies to all other types of visa, including employment, student);</li> <li>• Proof of visa fee payment.</li> </ul>	6 months or 1 year (can be renewed annually)	<ul style="list-style-type: none"> <li>• A T visa can be obtained by foreign-invested companies and representation offices for usually one or two persons (typically, for the senior management of the company).</li> <li>• T visas are issued to individual foreign investors in Mongolian companies or to foreign executive directors of Mongolian companies.</li> </ul>
<b>HG Visa</b>	<ul style="list-style-type: none"> <li>• Cover letter.</li> <li>• Application form.</li> <li>• Copy of certificate of state registration, certificate of foreign incorporated company and special permission.</li> <li>• Copy of passport pages clearly containing passport number, date of issue and expiry, name and date of birth.</li> </ul>	Up to 1 year	<ul style="list-style-type: none"> <li>• Foreign individual seeking employment in Mongolia can apply for a HG visa (work visa)</li> </ul>



## Value Added Tax (VAT)

- A VAT at the rate of 10% is imposed on the supply of taxable goods and services in the territory of Mongolia and on imports into Mongolia.
- International postal parcel that was sent under the name of an individual, the value of which does not exceed ten times the minimum monthly wages (for notebook not exceeding 30 times the minimum monthly wages), and that comprises of not more than two similar goods is exempted from VAT and customs duty.

VAT	
Standard Rate	10%
Exempt	0%



# Withholding Tax

## Dividends

- Dividends paid to a resident are subject to a 10% withholding tax (On the gross amount)
- Dividends paid to a nonresident are subject to 1 20% withholding tax, unless the rate is reduced under a tax treaty

## Interest

- Interest paid to a resident is subject to withholding tax at 5% or 10%
- Interest paid to a nonresident on debt issued on a capital market or interest paid on loans obtained by Mongolian commercial banks is subject to a 5% withholding tax; otherwise the rate is 20%, unless reduced under a tax treaty

## Royalties

- Royalties paid to a resident are subject to a 10% withholding tax
- Royalties paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty

## Fees for Technical Services

- Fees billed for services provided in Mongolia are subject to a 20% withholding tax

Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	10%	10%	20%	20%
Interest	5%/10%	10%	5%/20%	20%
Royalties	10%	10%	20%	20%
Technical Service Fee	0%	0%	20%	20%



## Termination

- A labor contract can be terminated upon initiation by either the employee or the employer.
- Unless otherwise stated in the contract, employees are able to leave their position after 30 days of giving notice.
- Grounds for terminating employment include:
  - Mutual agreement by the parties to do so
  - If the employer or employee has died
  - If the labor contract has expired and both parties have decided not to extend the contract
  - If a legal authority has so demanded
  - If an unjustifiably dismissed employee has been reinstated to their previous position
  - If an employee has been enlisted for army service
  - If a court decision prevents an employee from performing their work duties as a result of a criminal offence

## Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, notice period, and severance pay
- Statutory benefits also include social security benefits

### Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Sick Leave

Overtime Pay

Notice Period

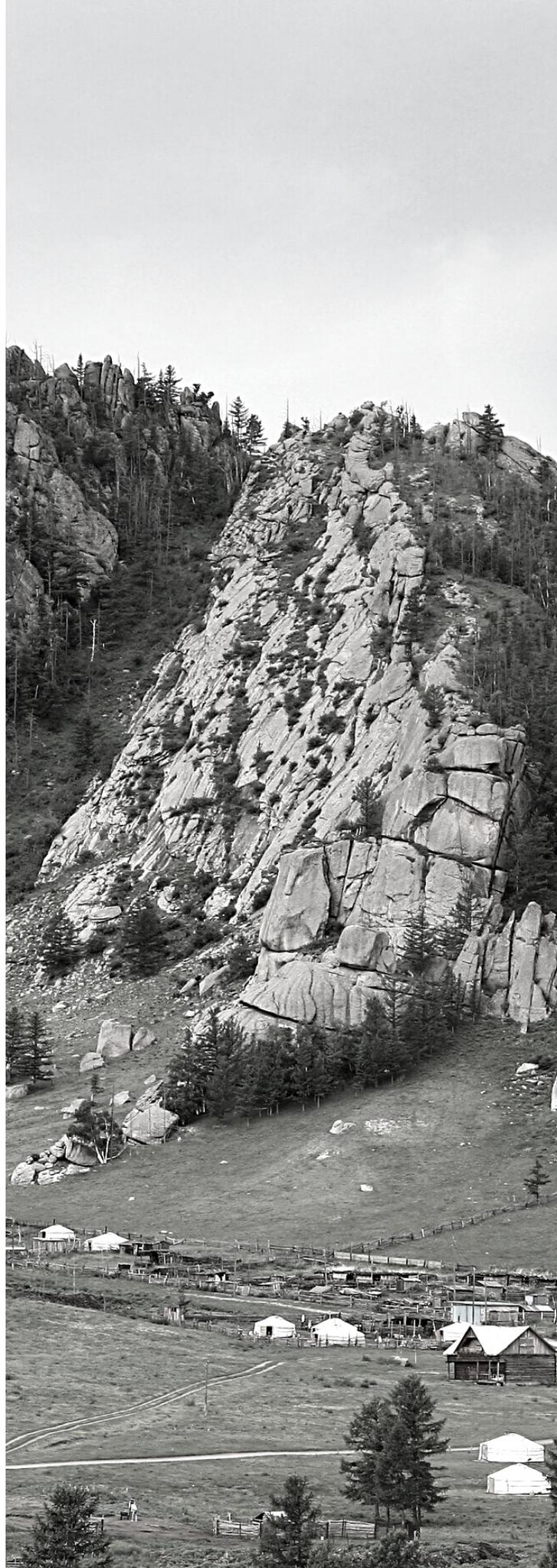
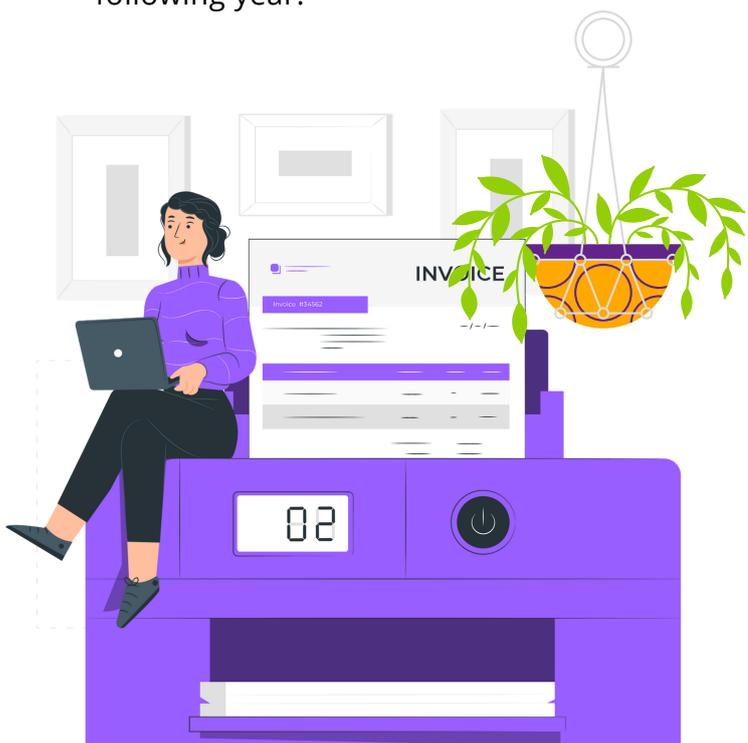
Severance Pay

Social Security Benefits



## Payments and Invoicing

- In general, if an employee (local or expatriate) receives employment income from a Mongolian employer, the responsibility for reporting, withholding, and payment lies with that employer.
- If an employee receives other income (e.g. income from the sale of shares) or if there is no Mongolian employer, the responsibility for reporting, withholding, and payment lies with the employee.
- The tax agent (i.e. employer) should transfer the tax withheld from a taxpayer's income to the budget by the tenth day of the following month.
- Furthermore, a tax agent should submit a quarter-to-date report of tax withheld by the 20th day of the first month of the following quarter and year-to-date tax report by 15 February of the following year to the corresponding tax authority.
- Income should be reported on an individual tax form and submitted to the tax authority by 15 February of the following year.





## Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Mongolia ranked 81st in the World in 2019 in terms of ease of doing business.



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