



Open talks on taxation



The Proposed Personal Income Tax Law

Possibly the single most important tax law affecting individuals is the law on personal income tax. Cabinet has agreed on a new personal income tax law that is intended to clarify the law by eliminating outdated requirements, provide definitions of terms and ensure uniformity of terms and provisions. The proposed law also is intended to eliminate some of the disparities between individual and economic entity taxpayers.

The primary tax rate and credit provisions of the current and proposed laws are presented below. Additional information on the law, including information on taxable income, will be presented in next week's briefing.

Topic	Current Law	Proposed Law
Basic Tax Rates	<p>There are three tax rates:</p> <ul style="list-style-type: none"> • 10 % of the first 2,400,000 MNT; • 20 % of the amount between 2,400,001 and 4,800,000; and • 30 % of income over 4,800,000. 	<p>The rates remain the same, although the income thresholds are increased 50%.</p> <ul style="list-style-type: none"> • 10 % of the first 3,600,000 MNT; • 20 % of the amount between 3,600,001 and 7,200,000; and • 30 % of income over 7,200,000
Special Tax Rates	<p>Certain types of income are taxed at different rates:</p> <ul style="list-style-type: none"> • 10 % – Royalties; remuneration for artistic performance and sports competition; intellectual services performed overseas such as medical services, artistic performance, scientific research and advertising; also wages and related income from employment other than from an individuals primary job; • 15 % – Dividends, shareholder gains and interest (to be implemented in 2008). • 10 % – Gambling and lotteries; • 2 % – Sales of the total sales price of immovable property; • 3 % – Withholding by economic entity on purchase of goods, materials and raw materials from individuals; • 5 % – The first 5,000,000 MNT of scientific, literary and artistic work, copyright, invention and innovation, design and similar income; 10 % – income greater than 5,000,000 MNT; 	<p>Again, certain types of income are taxed at different rates:</p> <ul style="list-style-type: none"> • 10 % – Royalties; remuneration sports competition; services performed overseas such as medical services, artistic performance, scientific research and advertising; also wages and related income from employment other than from an individuals primary job; • 15 % – Dividends and interest; • 30 % – Gambling and lotteries; • 2 % – Sales of the total sales price of immovable property; and • 3 % – Withholding by economic entity on purchase of goods, materials and raw materials from individuals;

Tax Credit	There is an annual credit of 48,000 MNT currently available to all resident taxpayers. This credit equates to exempting the first 480,000 MNT of annual income.	The credit remains in place, but the amount is increased to 84,000 MNT, equal to an annual income exemption of 840,000 MNT.

This briefing is the ninth of a series published by the Public Affairs Offices of the Ministry of Finance and the National Department of General Taxation as part of a program of consultations and communications with all Mongolians regarding the tax proposals being considered. Electronic versions can be found of these briefings can be found at The Open Government website (www.open-government.mn), the Ministry of Finance website (www.mof.pmis.gov.mn) and the NDGT website (www.mta.mn).