

# **LAW OF MONGOLIA**

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## **ON TAX IMPOSITION, TAX PAYMENT SUPERVISION AND TAX COLLECTION**

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### **CHARTER ONE**

#### **GENERAL PROVISION**

##### **Article 1. Purpose of the Law**

1.1. Purpose of this law is to regulate relations pertaining to the tax imposition, tax payment supervision and tax collection.

##### **Article 2. Legislation on tax imposition, taxes payment supervision and tax collection**

2.1. Legislation on tax imposition, tax payment supervision and tax collection shall comprise of the Constitution of Mongolia, General Tax Law of Mongolia, other tax laws, this law and legislative acts enacted in conformity therewith.

##### **Article 3. Ensuring of rule of law and impartiality principles by Tax administration's and state tax inspectors**

3.1. The National Tax Administration /hereafter referred to as "tax administration"/ and a state tax inspector /hereinafter referred to as "tax inspector"/ shall be impartial and abide only by the Law and other legislative acts enacted in conformity therewith in exercising it's competence.

3.2. A citizen, business entity, organization and an official shall not interfere or show pressure on tax administration, a tax inspector in exercising its competence. Tax administration and a tax inspector shall have right to appeal to the relevant authorities about the person interfering and showing pressure for resolution of this matter.

3.3. Unless authorized by the legislation, no person or authority shall render decisions on matters pertaining to the tax administration and tax inspector's competence.

3.4. Unless otherwise provided by law, no person shall take responsibility on matters pertaining to tax imposition, tax credit and exemption before others.

3.5. A business entity, organization and a citizen shall follow procedures, instructions and methodologies that are enacted by the highest body of the tax administration with the purpose of enabling conditions for consistent nationwide follow up of tax legislation and ensuring implementation thereof.

##### **Article 4. Providing principles of assuring a taxpayer's competence and legal interests**

4.1. In exercising its competence, tax administration and a tax inspector shall assure a taxpayer's rights and legal interests and giving confidence thereto.

4.2. Tax administration and a tax inspector shall not interfere in a taxpayer's activities pertaining to matters other than determining tax imposition, tax payment supervision and tax collection according to the Law.

4.3. Tax administration, a tax inspector and other officials of tax administration must maintain confidentiality of a taxpayer's secrets, specified by the Law on Individual's privacy and Law on Organization's secrets as a secret and which he/she obtained while

performing his/her duties. Such information shall be given only to the following officials of the state bodies, by decision of a head of the tax administration:

4.3.1. Tax inspector and other officials of the tax administration, who are performing his/her duties specified by Law;

4.3.2. Enquiry, investigation and court officials who deal with crimes related to the violation of tax legislation and prosecutor officials on matters pertaining to the case;

4.3.3. Authorized officials of tax administration of other countries according to the duty of Mongolia set forth by International Treaties.

4.4. In cases, except set forth by the paragraph 3 of this Article, information and documents, not prohibited by law, may be disclosed based on a taxpayer's written consent.

4.5. Tax administration may disclose information without written consent of taxpayer mentioned in the paragraph 4 of this article if his/her violation of tax legislation has been proved, or if taxpayer is being searched for tax avoidance or he/she has escaped from his/her address or location.

## **CHAPTER TWO**

### **Relation between tax administration and taxpayer**

#### **Article 5. Taxpayer's registration**

5.1. Unless otherwise provided by Law, a newly established business entity and organization shall open tax file in the relevant Tax administration within 3 days since receipt of certificate from the registration agency.

5.2. Unless otherwise specified by law, an owner or possessor of the taxable items, other than income, shall open tax file at the relevant Tax administration within one month after starting ownership or possession thereof.

5.3. Tax administration shall open a tax file by the registration number of a taxpayer and tax imposing business entity and organization and keep the following information and data on it:

5.3.1. Full name, registration number, certificate or tax file book number, home address and contact phone number of a taxpaying citizen;

5.3.2. Name, address, number of employees, curriculum vitae, photos and passport number of governing board members of taxpaying business entity and organization;

5.3.3. Date of registration of business entity and organization as a taxpayer and business trend thereof;

5.3.4. Copy of report estimating cost of real estate, land possessing status, copy of balance sheet indicating amount of fixed assets and working assets confirmed by auditor;

5.3.5. Name, number, location, address and contact phone number of shareholders and branch units thereof;

5.3.6. Type of tax imposed on taxpayer and bank account number thereof;

5.3.7. Copy of balance sheet, acts and letter of notification.

5.4. A taxpayer shall notify the relevant Tax administration within 14 working days since disposal of real estate by way of selling or giving as a gift and etc.

5.5. Unless otherwise specified by law, a taxpayer shall notify the Tax administration about the changes in his/her state registration certificate and file within 14 working days and have those changes made in his/her registration documentary and files.

5.6. Any taxpaying and tax deducting organization shall state registration number, given to it, in its report, statement, customs clearing and invoice and other necessary documents, specified by law.

#### **Article 6. Serving a taxpayer**

6.1. Tax administration and a tax inspector shall provide the following services to a taxpayer in fulfilling duties thereof specified by legislation:

6.1.1. Explaining of tax legislation;

6.1.2. Providing instructions, methodologies, handbooks and application forms pertaining to the consistent abidance of tax legislation, determining tax duties, and releasing reports and statements;

6.1.3. Enabling conditions to get advice for group or individual taxpayers and give advice on fulfillment of tax duties.

## **Article 7. Documents to be issued by the Tax administration, a tax inspector when communicating with taxpayer**

7.1. Tax administration and a tax inspector while exercising his/her competence on supervising tax imposition, tax payment and tax collection shall issue statement, act, demand, letter of notification, invoice, conclusion, agreement, and a protocol /hereinafter referred as to "protocol"/.

7.2. Tax administration and a tax inspector shall issue documents, set forth in the paragraph 1 of this Article according to the following grounds and procedures and taxpayer shall fulfill request set therein:

7.2.1. Tax administration and a tax inspector shall write a statement for calling on a taxpayer or other person within its competence specified in the Article 24 of General Tax Law. In such statement, a date of issuing thereof, full name and signature of a head of tax administration or a tax inspector, a date of performance of specified demand, a date of handing over of the statement shall be stated.

7.2.2. Tax administration and a tax inspector shall write an act for determining tax amount, for sealing properties, for imposing liabilities specified in the paragraph 1 of the Article 13 of the General Tax Law. In such act, a date of issuing thereof, full name of a head of tax administration and a tax inspector, protocol on violation, grounds of decision, a date of handing over of the act shall be stated.

7.2.3. Tax administration and a tax inspector shall write a demand for purpose of eliminating causes and conditions of violation of tax legislation. In such demand, a date of issuing thereof, full name and signature of a head of Tax administration or a tax inspector, protocol on violation, date of reply upon elimination of causes and conditions of that violation, a date of handing over of the demand shall be stated.

7.2.4. A letter of notification shall be written to have a taxpayer paid tax amount, which was not paid on time or was imposed indirectly. If a letter of notification is to be handed over to a taxpayer it shall be written as specified in the Article 18.1 of this Law, if this to be handed over to the taxpayer's correspondent bank it shall be written as specified in the Article 23.2 of this Law.

7.2.5. If tax debt is to be paid from the salary and other income of a taxpayer, invoice shall be issued to a business entity and organization, from which a taxpayer is gaining income. In such an invoice, a date of issuing thereof, name and address of tax payment receiving organization, full name and signature of a head of Tax administration and a tax inspector, amount of imposed tax debt, a date of handing over of invoice and a date for giving reply shall be stated.

7.2.6. Tax administration shall write conclusion for starting criminal enquiry of person, who seriously violated tax legislation, or has hidden great amount of taxable income and avoided tax payment. In such a conclusion, a date of issuing thereof, protocol on violation that led to be considered as a crime, related documents, full name of a head of Tax administration and a tax inspector, explanation of person who related to the violation, date of acquaintance of this person with the conclusion shall be stated.

7.2.7. Tax administration and a tax inspector shall conclude an agreement with a taxpayer according to the civil code to take its property as collateral.

7.2.8. A tax inspector shall keep a protocol while inspecting premises of taxpayer, making inventory, getting on-job photo taking, sealing property, taking collateral and interviewing and questioning a taxpayer within the framework of his/her competence. In such protocol, full name of a head of tax administration or a tax inspector, a taxpayer's

address, date of issuing of protocol shall be stated and it shall be signed by every person, being present at the time of issuing thereof.

7.3. Handing over or sending a statement act, demand, letter of notification, invoice, conclusion, agreement and protocol of the tax administration/tax inspector by registered mail to a taxpayer shall be considered as handed over. Taxpayers address shall be last address registered at the concerning registration authority.

#### **Article 8. Filing, registering, storing documents related to taxation**

8.1. A taxpayer shall file documents related to taxable items, defining tax amount according to the legislation and business entities shall keep book accounting and individuals shall keep ordinary book keeping.

8.2. If the documents set forth in the Paragraph 1 of this article are prepared in English, a taxpayer shall be responsible for it's translation into Mongolian. Taxpayer shall bear translation expenses.

8.3. A taxpayer or his/her representative that obliged to file and book keep tax related documents should store those documents within the territory of Mongolia until the expiration of tax payment prescription date.

#### **Article 9. Filling in a tax report, income and tax definition forms and submitting thereof**

9.1. A taxpayer shall fill in tax report, income and tax definition forms /hereinafter referred to as "tax report"/ on the date set by law, according to format, instructions, specified by legislation and shall submit them to the relevant tax administration.

9.2. Taxpayer, who is entitled to tax credit and exemption according to law, is not released from his/her duties to submit tax report and whether he/she is entitled to tax credit or exemption shall be decided upon reviewing his/her tax report.

9.3. Certified accountant, who is registered at the tax administration and passed necessary examinations, may take part in tax amount calculation of several business entities and organizations.

9.4. An authorized official of business entity and organization and a taxpaying individual or his/her legal representative shall sign the tax report.

9.5. Person, who produced or took part in filling in a taxpayer's tax report, shall sign therein. In case when more than one official take part in producing tax report, chief accountant shall sign the tax report.

9.6. Person, who transferred his/her taxable items to others, shall present related documents to a recipient on date of transfer and to tax administration at a demand.

#### **Article 10. Information and data collection**

10.1. Tax administration and a tax inspector shall follow the following procedures in conducting activities, set forth in the Article 24 of the General Tax Law, as defining tax liabilities of a taxpayer, collecting information and data on tax collection and supervising thereof:

10.1.1. To present a tax inspector's identity and explain purpose of his/her actions

10.1.2. When temporarily seizing document, making copies of related documents and items call for a witness or a certified accountant to be present, keep protocol and give it to them for signing;

10.1.3. To take photo and video record of evidence, that can be used as a proof

10.1.4. To have explanations made in written form or keep protocols of inquiry or discussions and have them signed by relevant people;

10.1.5. To demand a taxpayer or related person, to present necessary information and data pertaining to taxpayer's liabilities, tax collection and supervision thereof.

10.2. In case, a tax inspector uses others' equipments in making copies of necessary information and data, he/she shall pay for such use at a market price or agreed price.

### **Article 11. Entering premise and warehouse**

11.1. A tax inspector according to the Paragraph 4 of Article 2 of the General Tax Law may enter a premises, commercial building or office that considered to be used for purpose of gaining income or storing taxable items, information, research data and other related documents which are necessary in providing tax activities except those premises where law prohibited to carry out inspection.

In carrying out such inspection, a tax inspector shall use his/her assignment and guidance on inspection of particular objects of business entity or organization that own thereof, issued by a head of relevant tax administration as a ground for his/her activities.

In entering a premise or warehouse, a tax inspector or legal representative thereof must present his/her assignment and a tax inspector's identity.

11.2. Diplomatic and Consular mission, office or warehouse of an official with diplomatic status of International organizations shall not apply to the Paragraph 1 of this Article.

### **Article 12. Procedures of carrying out investigation**

12.1. A tax inspector shall follow the following procedures in carrying out investigation with a purpose of defining taxpayer's liabilities and tax collection, specified by the Section 4 of the Paragraph 2 of the Article 24 of the General Tax Law:

12.1.1. To call a certified accountant or a witness to be present while carrying out investigation. A witness shall be person over 18 years old, with legal capability and not having personal interest in actions of investigations and not having hierarchical relations therewith.

12.1.2. To have a possessor of a premise, warehouse, container for storing, transporting, carrying of investigated items or legal representative thereof, if not possible, a representative of a local administration to be present

12.1.3. To keep protocol on carried out investigation. Person, carried out investigation or participated at it shall sign the protocol and if there is refusal of signing, he/she shall explain such refusal and explanation shall be attached to the protocol.

12.2. Investigation shall be carried out regardless of ownership of the investigated items or premises.

### **Article 13. Procedure for inventory taking**

13.1. A tax inspector shall follow the following procedures in inventory taking with a purpose of defining taxpayer's tax liabilities specified by the Section 4 of the Paragraph 2 of the Article 24 of the General Tax Law:

13.1.1. Take inventory of goods, assets and cash with a presence of a taxpayer or a legal representative thereof, a certified accountant, or a representative of local administration and keep inventory taking records and protocol.

13.1.2. Person, carried out or participated at inventory taking shall sign the protocol and if there is refusal of signing, he/she shall explain such refusal and explanation shall be attached to the protocol.

### **Article 14. Procedures of on-job photo-taking**

14.1. A tax inspector shall follow the following procedures in on-job photo taking, specified by the Section 4 of the Paragraph 2 of the Article 24 of the General Tax Law:

14.1.1. Take on-job photo with a purpose of defining taxpayer's payable tax amount, estimating amount and expense of production and service;

14.1.2. On-job photo may be taken with or without prior notice to a taxpayer. In case of prior notice, have a taxpayer and in case of without prior notice, have a witness or a certified accountant be present at this proceeding;

14.1.3. Various types of equipments may be used and relevant specialists may participate at the on-job photo taking;

14.1.4. A tax inspector shall make necessary calculations of on-job photo taking and keep protocol. Person, participated at on-job photo taking shall sign the protocol and if there is refusal of signing, he/she shall explain such refusal and explanation shall be attached to the protocol.

## **CHAPTER THREE**

### **Defining payable tax amount, registration and payment thereof**

#### **Article 15. Defining tax amount and supervision thereof**

15.1. A taxpayer shall define his/her payable tax amount based on relevant documents and records and state them in tax report. If it is considered that a taxpayer miscalculated tax amount, tax administration and a tax inspector shall investigate the matter.

15.2. If a taxpayer fails to submit tax report, or submitted but did not state tax amount therein, tax administration and a tax inspector shall define it based on documents and records in his/her possession or define tax amount by investigating or indirectly imposing it.

15.3. Competence of tax administration and a taxpayer to define the tax amount and supervise thereof shall be effective until the expiration of tax payment prescription date.

#### **Article 16. Registering tax amount**

16.1. Tax administration shall register and keep records of tax amount and tax payment for each taxpayer in conformity with law.

#### **Article 17. Imposing tax amount by indirect method**

17.1. Tax administration shall impose tax amount by the following indirect methods if taxpayer in current business activities or activities that are proved to be in action, used unrealistic price in its activities, failed to keep or did not properly keep records and balance sheet or failed to submit tax report:

17.1.1. Method of real price;

17.1.2. Method of defining by using samples.

17.2. "Method of real price" means price used in case when the price of production, trade and financial activities between related entities differs from the one between entities which is not related to each other. This price shall be set by the way of comparing and calculating market price used in regular condition. "Related entities," means entities, eligible for direct or indirect interference in management, supervision and property rights of Mongolian or foreign business entity.

17.3. A taxpayer shall use method of real price in calculating tax amount in case when price, payment and fee /hereinafter referred to as "price"/ which are used in such activities as sale, purchase, transmitting workforce, technical service or corporate production between Mongolian or foreign related entity is higher or lower than the real price.

17.4. "Method of defining by using samples" means defining a taxpayer's tax amount by comparing it with local taxpayer who has similar capacity and conditions in business activities, and, if there is no local taxpayer with same condition, with several other taxpayer located in similar region based on activities, income, expense and other real records calculation thereof.

17.5. Instruction for defining tax amount by indirect method shall be issued by a Member of the Government in charge of financial issues.

17.6. In case of defining tax amount by indirect method, a taxpayer shall be obliged to submit necessary documents and information to tax administration.

17.7. An act on defining tax amount by indirect method shall be issued by a tax inspector, who is in charge of tax imposition on that particular business entity in

collaboration with a tax inspector, who is in charge of tax supervision. Act on defining tax amount by indirect method shall be supervised and approved by a head of the relevant tax administration.

### **Article 18. Handing over a letter of notification**

18.1. A letter of notification shall handed over to a taxpayer, on his/her failure to pay the imposed tax on time or for payment of tax amount, which has been defined by tax administration, according to the Articles 15.1, 15.2 of this Law. The following shall be stated therein:

- 18.1.1. Full name of a taxpayer
- 18.1.2. A taxpayer's registration number
- 18.1.3. Date of issuance of a letter of notification
- 18.1.4. Taxable items
- 18.1.5. Amount of payable tax
- 18.1.6. Demand to pay the tax within 10 working days after the handing over of a letter of notification
- 18.1.7. Place of tax payment
- 18.1.8. Grounds of determining tax amount
- 18.1.9. Other demands considered as necessary by the tax administration.

18.2. In case of apparent failure to pay the imposed tax, a head of tax administration may decide to have imposed tax amount paid before the date, specified in the Article 18.1.6. Of this Law.

### **Article 19. Order of disbursing tax debt**

19.1. Tax, interest, fine debt /hereinafter referred to as "tax debt"/ which was not paid on time specified by law shall be disbursed according to the following order:

- 19.1.1. Interest fee on particular tax;
- 19.1.2. Fine;
- 19.1.3. Initial tax debt.

19.2. When a taxpayer has not stated a term and a type of the particular tax debt, tax administration shall define the order of the tax debt payment.

### **Article 20. Tax debt due date and extension thereof**

20. 1. Tax administration, a tax inspector shall define the due date of the payment of tax debt as follows:

20.1.1. Tax debt and tax remains revealed through tax imposition shall be paid within 15 working days since handing over such act;

20.1.2. Re –imposed tax, interest and fine revealed through tax investigation shall be paid within 10 working days since handing over such act.

20.2. If a taxpayer, was unable to pay his/her tax within the date, set forth in Articles 18.1.6, 18.2, 20.1 of this Law due to objective reason, a head of the particular tax administration by his/her decision may extend the date of payment once up to 60 days based on written request from a taxpayer.

### **Article 21. Tax deduction and refund**

21.1. Tax administration according to the Paragraph 5 of the Article 12 of the General Tax Law shall decide over paid tax issue by the following procedures:

- 21.1.1. Deduct for the payment of other taxes payable at the same level;
- 21.1.2. Deduct for the future tax payment with taxpayer consent;
- 21.1.3. Refund overpaid tax amount

21.2. In case of deduction of over paid tax amount tax administration shall notify a taxpayer thereabout.

## CHAPTER FOUR

### Tax collection

#### **Article 22. Collection of unpaid tax**

22.1. In case of a failure of a taxpayer to pay his/her tax within the time, specified in legislation, tax administration shall take the following actions:

22.1.1. Have it paid on indisputable condition;

22.1.2. Have it paid from property, salary and other income;

22.1.3. Claim to the court.

22.2. Tax administration may take more than one action simultaneously, from that specified in Paragraph 1 of this Article, to have a taxpayer make full payment of imposed taxes.

#### **Article 23. Disbursement of tax debt at indisputable condition**

23.1. In case of failure to pay tax debt within the time, specified in Articles 18.1.6, 18.2 and 20 of this Law, tax administration shall have the tax debt paid from the taxpayers' cash at bank account at indisputable condition. If the amount of cash in a taxpayer's bank account is not enough to cover tax debt, all the debit transactions except those made by the court decision shall be blocked until tax debt is paid.

23.2. A letter of notification from a tax inspector to have tax debt paid at indisputable condition shall be approved by a head of the relevant tax administration and be submitted to the bank. Letter of notification shall specify grounds of withdrawing tax debt, its amount and period of time for blocking the debit transactions fully or partially.

#### **Article 24. Disbursement of tax debt from taxpayer's property, salary, and other income**

24.1. If a taxpayer fails to pay the tax within the time specified in articles 18.1.6, 18.2, 20 of this law and in case of impossibility of disbursement of a taxpayer's tax debt at indisputable condition set forth in the Article 23, tax administration shall negotiate with a taxpayer tax debt payment from his/her property, salary and other income.

24.2. Tax administration shall make the related decision based on written consent of a taxpayer to pay tax debt from his/her property, salary and other income.

In case of disbursement of a taxpayer's tax debt from his/her property, tax administration may conclude collateral agreement with a taxpayer as specified in the article 40 of this Law and collateralize a taxpayer's property or sell the tax debt through an public auction with particular condition upon negotiating with a taxpayer and transfer received money to the state budget.

#### **Article 25. Disbursement of tax debt from a taxpayer's salary and other income**

25.1. Following procedures shall be followed in disbursement of tax debt from a taxpayer's salary and other income according to the Article 24 of this law:

25.1.1. Debt payment invoice shall be delivered to a taxpayer's employer or income providing entity with a purpose of disbursing tax debt from salary and other income;

25.1.2. Upon receiving the payment invoice a business entity shall deduct certain amount from taxpayer's income each month and transfer it to the account stated on debt payment invoice within three days since deduction;

25.1.3. tax debt shall be deducted prior to all debt payment from the salary and other income except those deducted by the court decision;

25.1.4. If a taxpayer quits job, a business entity shall return the payment invoice to tax administration within 7 days with the note stating total tax debt payment and place of transfer.

### **Article 26. Disbursement of tax debt from a taxpayer's property**

26.1 in order to have tax debt paid from a taxpayer's property according to the Article 24 of this law a head of the tax administration shall appoint a commission:

26.2. A commission to disburse tax debt from a taxpayer's property shall carry out the following activities:

26.2.1. Set the initial price for selling the property at public auction considering quality, usage, depreciation, a taxpayer's offer and local market price thereof and keep protocol. Property registration shall be attached to the protocol;

26.2.2. Property for debt payment shall be sold through an auction. If a taxpayer wants he/she or his/her legal representative may be present at the auction;

26.2.3. Property that has not been sold on auction shall be returned to the taxpayer;

26.2.4. If price of property sold through auction is more than the tax debt and expenses born for an auction, tax administration shall make decision thereon according to the Article 21 of this law and issue a protocol.

26.2.5. If price of property sold through auction is less than the tax debt, a taxpayer will not be exempted from the tax debt remains.

26.3. It is possible to get assistance from the special organization and specialists for setting initial price of the property, which will be sold an auction.

### **Article 27. Claiming to the court on disbursement of tax debt**

27.1. If a taxpayer failed to pay tax debt within the term, specified in the Article 18.1.6, 18.2, 20 and if disbursement by the procedures, set forth in the Articles 23, 24, 25, 26 is not possible tax administration shall put claim to the court on disbursement of tax debt.

27.2. In case when a taxpayer's regardless of agreement made according to the Article 24 of this Law delayed or refused to pay tax debt from property, salary and other income without due reasons, relevant property shall be sealed as provided by the procedures of the Article 39 of this Law and tax administration may put claim to the court on such matter.

## **CHAPTER FIVE**

### **Tax inspector's act and conclusion**

#### **Article 28. Grounds for writing tax inspector's acts and conclusion**

28.1. A tax inspector on grounds specified in the Articles 7.2.2, 17.7 and 39.3 writes act and on grounds, specified in the Article 7.2.6 of this Law writes conclusion. Conclusion shall consist from 2 parts: remarks and resolution part.

28.2. A tax inspector's act and conclusion shall be effective from the date of handing over it to a taxpayer. A tax inspector shall keep protocol on handing over the act and conclusion to a taxpayer. A head of department or unit in charge of supervision of the tax administration shall confirm the act and conclusion by signing. The act and conclusion shall be registered in one registry and have registration number.

28.3. A tax inspector shall make three copies of the act and conclusion and one copy shall be filed in investigation document, the second copy handled to a taxpayer and the third cope shall be kept in the files of a taxpayer.

#### **Article 29. Ensuring implementation of tax inspector's act and conclusion**

29.1. Tax administration and a tax inspector shall put claim to the court on the act and conclusion, which implementation is not satisfactory according to the legislation.

29.2. A head of the department or unit to which a tax inspector belongs, a senior tax inspector, and a head of tax administration shall supervise implementation of the act and conclusion, written by the tax inspector.

### **Article 30. Making changing or annulling tax inspector's act and conclusion**

30.1. In case when tax inspector's act and conclusion is considered groundless, head of tax administration. May change or annul it by issuing an order.

30.2. A commission, appointed by order of a head of tax administration shall oversee the grounds of a tax inspector's act and conclusion.

## **CHAPTER SIX**

### **Liabilities of other subjects**

#### **Article 31. Liabilities of bank and financial institution on tax issues**

31.1. Bank and financial institutions shall have the following liabilities on tax issues:

31.1.1. Notify the tax administration within 10 working days about taxpayer's settlement and other accounts /hereinafter referred to as "account"/ and information on opening new accounts, changing account number and transfer of accounts, provided by the Article 12 of the Law on Deposit, loan and banking transactions.

31.1.2. A taxpayer's order for tax debt disbursement from his/her bank account, tax administration decision on disbursement of tax debt at indisputable condition shall be fulfilled prior to all other payment and debts to bank, to financial institutions, to other borrowers and creditors, except debts which specified by law as priority debts. /The Paragraph 2 of the Article 17 of the Law on Deposit, loan and banking transactions does not apply to this Paragraph/.

31.1.3. Implement the decision of tax administration to temporarily block debit transaction at the current accounts of business entity and organization that failed to pay tax debt within the time, specified in Articles 18.1.6, 18.2 and 20 of this Law.

#### **Article 32. Liabilities of the stock exchange**

32.1. It shall quarterly submit the information on location of shareholders of a public company.

#### **Article 33. Liabilities of the police**

33.1. The police shall assists and enable to carry out such activities as entering of tax administration and a tax inspector into a taxpayer's premise and warehouse and providing supervision, inventory taking and investigation in case when such activity was suspended with using force or organized hindering or resistance thereto.

33.2. The police shall submit information or research data at its possession related to registering a citizen of Mongolia, a foreign national and stateless person as a taxpayer and verifying address thereof, except information related to individual's secret, at the request of tax administration.

33.3. The police shall assist and cooperate in actions of searching for a taxpayer, which avoided paying tax and escaped.

#### **Article 34. Liabilities of others**

34.1. Law enforcing and investigation bodies and state organization and officials thereof must submit information on violation of tax legislation, that were acquired while performing their duties to tax administration.

34.2. Customs office shall supervise a taxpayer's obligation to provide registration number thereof in customs declaration and submit information related to a taxpayer's export and import activities at the request of tax administration.

## **CHAPTER SEVEN**

### **Miscellaneous**

#### **Article 35. Imposing interest, fine and disbursement thereof**

35.1. If taxpayer failed to pay tax on time the interest shall be imposed starting from the date specified by law as tax payment day until the payment thereof.

35.2. If tax administration decided to refund tax amount overpaid due to tax administration fault it shall be refunded with 0.3 percent daily interest since the day of its payment to the budget up to refund day.

#### **Article 36. Solving of complaint through administrative procedures**

36.1. Unless otherwise specified by this Law and tax legislation, administrative procedure on solving a taxpayer's complaint on tax related activities shall be held according to the Law on Solving Citizens' petitions and complaints to state bodies and officials.

36.2. A taxpayer's complaints on a tax inspector or tax administration referred to tax related activities should be solved through the following level:

36.2.1. Complaints about a tax inspector's decision shall be solved by the tax administration where a tax inspector works or to which he/she directly belongs.

36.2.2. Complaints about decisions of tax administration shall be solved by the upper level tax administration.

#### **Article 37. Appealing to the court**

37.1. A taxpayer is entitled to appeal to the court on any decisions of tax administration.

#### **Article 38. Ground for sealing property**

38.1. Based on decision of a head of tax administration, a tax inspector may seal property, money, documents, premise and warehouse of a taxpayer, which is in tax debt for the following grounds and durations:

38.1.1 when making tax supervision, inventory taking, investigation and on-job photo taking until the completion of such activities and making conclusion and decisions thereof;

38.1.2. If there is a notice of possible hiding of properties and transferring thereof to others until the matter is investigated;

38.1.3. When case appealed to the court according to the paragraphs a, b, c, d, e Section 10 of the Paragraph 1 of the Article 24 of the General Tax Law and when necessary to protect documents, registration records, forged or ineffective contracts, agreements, money and property until the date when claim is submitted to the court.

38.2. In case, the time specified in provisions 38.1.1. And 38.1.2. is expired, tax administration shall return the sealed property to its owner.

#### **Article 39. Procedure for sealing a property**

39.1. A tax inspector, who is appointed to carry out inventory taking, supervision and investigation and who is appealing to the court shall seal the property.

39.2. Property shall be sealed in presence of a taxpayer or his/her legal representative, certified accountant or a representative of particular local administration bodies and a witness.

39.3. A tax inspector shall write an act and keep protocol on property sealing. Shape, amount, quality, quantity, color and characteristics of property shall be stated in such protocol. Act shall state grounds and date of sealing of the property.

39.4. A witness and certified accountant, who were present at sealing of properties shall be in charge of verifying all actions of property sealing activity and shall sign the

protocol of being present at such activities. If there is refusal of signing, he/she shall explain such refusal and explanation shall be attached to the protocol.

39.5. The property shall be sealed with seal and sealing wax and given to the possessor.

39.6. Possessor shall be in charge of safe keeping the property, the seal and sealing wax should not be touched and property should not be lost, sold and transferred to others without permission from tax administration.

#### **Article 40. Grounds and procedures for collateralizing a property**

40.1. In disbursing tax debt by collateralizing a taxpayer's property, the following procedures shall be followed:

40.1.1. Collateralized property shall be owned by the taxpayer in tax debt;

40.1.2. When property collateralized, a contract shall be concluded with the taxpayer stating precisely quality, price, shape, amount, location, and ownership of the property. If real estate is collateralized, this shall be registered at the Real Estate agency.

40.1.3. Parties to the collateral contract shall agree on and set the expiration date thereof;

40.1.4. A taxpayer is entitled to disburse tax debt in time, specified by the contract and have the collateralized properties returned. A taxpayer has not right to use, to dispose, damage or lose the collateralized property. In case of causing any harm to the collateralized property by losing, damaging, changing the quality the person, who currently possesses the property shall be responsible.

40.1.5. Taxpayer's following properties shall not be collateralized:

1/ daily /seasonal/ clothes and utilities of a taxpayer, family members thereof;

2/ foodstuff that can not be stored for long time and that perish quickly;

3/ items that are old and useless;

4/ a taxpayer are residing house or apartment and firewood and coal in cold seasons.

40.2. In selling of collateral, the procedures specified by the Article 26 of this Law shall be followed.

#### **Article 41. Suspension of the business activity**

41.1. Tax administration may temporarily suspend the business activities of a taxpayer if serious violation of legislation was revealed in the process of investigation on defining tax amount, up to the date when the violation, cause and conditions are eliminated and solved.

#### **Article 42. Charges for violators of legislation**

42.1. In case, when a taxpayer and other related person, who violated legislation on tax imposition, tax payment supervision, tax collection are not subject to criminal charges, a tax inspector shall indict the following administrative punishment:

42.1.1. A citizen, violated procedures set in Articles 5.1, 5.2, 5.4, 5.5, and 5.6. Of this Law shall be fined for 10000-20000 togrogs and an official for 30000-60000 togrogs;

42.1.2. A taxpayer citizen, who failed to submit tax report, specified by tax legislation on time, provided by law shall be fined 500-10000 togrogs and a relevant official for 5000-30000 togrogs;

42.1.3. In case of losing, transferring to others, damaging and selling without a permission of collateralized by a tax inspector property, a taxpayer citizen shall be fined for 30000-50000 togrogs, an official for 40000-60000 togrogs and a business entity, organization for 50000-250000 togrogs;

42.1.4. In case of failure to fulfil a statement, an act, a letter of notification, an invoice and a demand that were given with a purpose of implementing tax legislation on

the specified time a citizen shall be fined for 500-10000 togrogs and an official for 5000-30000 togrogs and a business entity and organization for 50000-250000 togrogs;

42.1.5. In case of willful hindering to such actions as entering a premise and investigating, inventory taking of properties and cash, on-job photo taking, sealing and collateralizing of property, a citizen shall be fined for 30000-50000 togrogs and an official for 40000-60000 togrogs;

42.1.6. An official, who violated the Articles 31, 32 and 34, the provisions 3.5, 33.2 and the paragraphs 25.1.2 and 25.1.4. Of this Law shall be fined for 20000-60000 togrogs;

42.1.7. A citizen, who violated the Article 8 of this Law, shall be fined for 10000-25000 togrogs and an official for 30000-50000 togrogs.

CHAIRMAN OF  
THE STATE IKH KHURAL OF MONGOLIA

S.TUMUR-OCHIR