

Mongolian Value-added Tax Law
Comparison of Existing Law and Version Passed 29 June 2006
(Including “Repealing the Laws”)

	Current Law	29 June 2006
Taxpayers	<ul style="list-style-type: none"> • An entity that imports or exports goods or produces or sells goods, works or services in Mongolia 	<ul style="list-style-type: none"> • An entity that imports or exports goods or produces or sells goods, works or services in Mongolia • Representative office of a foreign legal entity with sales revenues of 10 MNT million
Threshold/Registration	<ul style="list-style-type: none"> • Annual sales revenues exceeding 10 million MNT • Voluntary if exceeds 80% of 10 million MNT • If a registered entity’s revenues fall below 10 million MNT, tax authority will de-register the entity 	<ul style="list-style-type: none"> • Annual sales revenues exceeding 10 million MNT • Voluntary if exceeds 80% of 10 million MNT or • If invested USD 2 million or more in Mongolia • Revenue and investment must be certified and in accordance with the Accounting Law and international standards • If a registered entity’s revenues fall below 10 million MNT and it appears will remain below, tax authority will de-register the entity
Taxable Goods, Works and Services	<ul style="list-style-type: none"> • Goods sold within Mongolia • Goods exported out of Mongolia • Works and services performed within Mongolia • Goods imported from outside Mongolia • Treated as goods: <ul style="list-style-type: none"> ○ Sale of a business or business rights ○ Goods, works or services retained from business assets upon termination ○ Any items for which VAT credit is claimed ○ Any items sold to satisfy debts to others • Treated as services: <ul style="list-style-type: none"> ○ Utilities (e.g. electricity, heat, water) ○ Leasing of goods ○ Rental of rooms and premises ○ Sale or transfer of rights ○ gambling 	<ul style="list-style-type: none"> • Goods sold within Mongolia • Goods exported out of Mongolia • Works and services performed within Mongolia • Goods imported from outside Mongolia • Treated as goods: <ul style="list-style-type: none"> ○ Sale of a business or business rights ○ Goods, works or services retained from business assets upon termination ○ Any items for which VAT credit is claimed ○ Any items sold to satisfy debts to others ○ Goods sold by a non-resident individual based on orders placed by a person or legal entity of Mongolia • Treated as services: <ul style="list-style-type: none"> ○ Utilities (e.g. electricity, heat, water) ○ Leasing of goods ○ Rental of rooms and premises ○ Sale or transfer of rights ○ Gambling ○ Leasing of immovable and movable property

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		<ul style="list-style-type: none"> ○ other than houses and buildings ○ Transfer, leasing or sale of intellectual property ○ Satisfaction of debt by performing work or services ○ Provision of work or services by a non-resident individual based on orders placed by a person or legal entity of Mongolia ○ Payment of interest and penalties due to misconduct ○ Any work or services for which VAT credit is claimed
Tax Rates	<ul style="list-style-type: none"> • 15% on imported and sold goods, works and services • 0% on exported goods, works and services 	<ul style="list-style-type: none"> • 10% on imported, produced and sold goods, works and services • 0% on exported goods, works and services
Tax Imposition Procedures		<ul style="list-style-type: none"> • Tax imposed on: <ul style="list-style-type: none"> ○ Each occurrence of import, export or sale ○ Final sale in the case of construction and assembly ○ Each scheduled payment under finance lease payment • Industry Classification of All Economic Activities as approved by Minister of Finance required
Taxable Amount	<ul style="list-style-type: none"> • Imported goods: customs price plus duty and taxes • Sold goods, works and services: sales price or current market value • Exchanged goods, works and services: current market value • Gambling services: revenues less winnings 	<ul style="list-style-type: none"> • Imported goods: customs price plus duty and taxes • Sold goods, works and services: sales price or current market value • Exchanged goods, works and services: current market value • Gambling services: revenues less winnings
Related Parties	<ul style="list-style-type: none"> • Adjusted to current market price if transaction was unreasonably low or high 	<ul style="list-style-type: none"> • If one or more legal entities own more than 66% of property or voting rights of two or more legal entities, the

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		<p>entities may be registered as a group; each group member shall be a VAT payer</p> <ul style="list-style-type: none"> • One group member shall perform VAT related obligations on behalf of the group • Adjusted to current market price if transaction was unreasonably low or high
Zero-rated Items	<ul style="list-style-type: none"> • Goods exported for sale • Passenger and cargo transportation services if to/from foreign country • Services rendered outside Mongolia unless connected to services rendered in direct connection with movable or immovable property • Services provided to international aircraft 	<ul style="list-style-type: none"> • Goods exported for sale • Passenger and cargo transportation services if to/from foreign country • Services rendered outside Mongolia unless connected to services rendered in direct connection with movable or immovable property • Services provided to a foreign citizen or legal entity not present in the territory of Mongolia during the provision thereof • Services provided to international aircraft • State medals and coins produced domestically
Exempt Services	<ul style="list-style-type: none"> • Financial services: <ul style="list-style-type: none"> ○ Currency exchange ○ Banking services ○ Insurance and property registration services ○ Securities transactions and underwriting ○ Deposits and loans ○ Granting and transferring an interest of social insurance fund ○ Interest, dividends, credit guarantees and insurance contracts ○ Financial leases • Residential accommodation rental • Educational services • Health services • Religious organizations • Services rendered by Government organizations 	<ul style="list-style-type: none"> • Financial services: <ul style="list-style-type: none"> ○ Currency exchange ○ Banking services ○ Insurance and property registration services ○ Securities transactions and underwriting ○ Advances and loans ○ Granting and transferring an interest of social insurance fund ○ Interest, dividends, credit guarantees and insurance contracts ○ Financial leases • Residential accommodation rental • Educational services • Health services • Religious organizations • Services rendered by Government organizations

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	<ul style="list-style-type: none"> • Funeral services • Public transportation • Services of tour companies to foreign tourists 	<ul style="list-style-type: none"> • Public transportation • Services of tour companies to foreign tourists other than tourist camps, restaurants, tour transport and hotels
Exempt Goods	<ul style="list-style-type: none"> • Passenger baggage for personal use • Imported goods for diplomatic missions and international organizations • Goods works and services purchased within Mongolia for official services of diplomatic missions if reciprocated in respective countries for Mongolian diplomatic missions (on refund basis) • Humanitarian aid and grant goods from governments and NGOs of foreign countries, international and charitable organizations • Special purpose appliances for disabled people • Weapons, etc. for defense and law enforcement • Primary raw materials from Mongolian agriculture , forestry and hunting • Equipment and heavy machinery by companies with foreign investment in priority industries and export goods manufacturing • Sale of apartment other than if newly built • Imported machinery, equipment, etc. according to crude oil productions agreements with Government • One personal use vehicle for diplomat returning to Mongolia permanently • Blood and organs for medical treatment • Sold gold • Gas fuel, container, equipment and special purpose machinery and technical parts approved by Government 	<ul style="list-style-type: none"> • Passenger baggage for personal use • Imported goods for diplomatic missions and international organizations • Goods works and services purchased within Mongolia for official services of diplomatic missions if reciprocated in respective countries for Mongolian diplomatic missions (on refund basis) • Humanitarian aid and grant goods from governments and NGOs of foreign countries, international and charitable organizations • Special purpose appliances for disabled people • Weapons, etc. for defense and law enforcement • Civil aviation aircraft and spare parts • Sale of apartment other than if newly built • Imported machinery, equipment, etc. according to crude oil productions agreements with Government • Blood and organs for medical treatment • Gas fuel, container, equipment and special purpose machinery and technical parts approved by Government • Mongolian currencies printed in foreign countries • Sold gold • Newspapers
Exempt Suppliers	<ul style="list-style-type: none"> • Suppliers with annual taxable sales revenue of 10 million MNT and less other than importers 	<ul style="list-style-type: none"> • Suppliers with annual taxable sales revenue of 10 million MNT and less other than importers
Timing of	<ul style="list-style-type: none"> • Earliest of: 	<ul style="list-style-type: none"> • Earliest of:

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Imposition	<ul style="list-style-type: none"> ○ Invoice date ○ Date of payment receipt ○ Date of purchase ● Date of customs declaration for imported goods 	<ul style="list-style-type: none"> ○ Invoice date ○ Date of payment receipt ○ Date of purchase ● Date of customs declaration for imported goods ● Retailer shall issue the receipt at each time of sale
Deduction of Input Credits	<ul style="list-style-type: none"> ● Deductible credits are: <ul style="list-style-type: none"> ○ Taxes paid in connection with purchased goods, works and services for production and service purposes ○ Taxes paid in connection with imported purchased and goods, works and services for sale, production and service purposes ● VAT must be substantiated by invoice ● No credits available for: <ul style="list-style-type: none"> ○ Motor car, components or spare parts ○ Expenditures for personal or employee personal needs ○ VAT paid for exempted goods, works and services imported or purchased ● If total credits exceed tax liability, either: <ul style="list-style-type: none"> ○ Balance is credited against subsequent tax payments, ○ Balance is credited against other taxes due, ○ Balance is refunded from budget (for other than manufacturer exporter, or ○ In the case of diplomatic missions, refund request is submitted to the Ministry of Finance 	<ul style="list-style-type: none"> ● Deductible credits are: <ul style="list-style-type: none"> ○ Taxes paid in connection with purchased and goods, works and services for production and service purposes ○ Taxes paid in connection with imported purchased and goods, works and services for sale, production and service purposes ○ VAT of 10% is assumed to be included in the purchase price of several husbandry and agricultural products if purchased from producer for processing ● VAT must be substantiated by invoice ● No credits available for: <ul style="list-style-type: none"> ○ Motor car, components or spare parts if purchased from other than a legal entity selling same based on its contracts and procedures ○ Personal or employee personal needs expenditures ○ VAT paid for exempted goods, works and services imported or purchased ● If total credits exceed tax liability, either: <ul style="list-style-type: none"> ○ Balance is credited against subsequent tax payments, ○ Balance is credited against other taxes due ○ The balance of credits exceeding tax liability will be refunded if taxpayer submits a written request

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Imported Goods	<ul style="list-style-type: none"> • VAT on imported goods is administered by Customs administration • VAT assessed is due within 3 working days • Customs shall transfer to state budget within 3 working days after receipt • Monthly tax report due to Ministry of Finance by the 10th of the following month; annual return by the 15th of January 	<ul style="list-style-type: none"> • VAT on imported goods is administered by Customs administration • Monthly tax report due to Ministry of Finance by the 10th of the following month; annual return by the 15th of January
Taxpayer Statements	<ul style="list-style-type: none"> • The monthly statement is due by the 10th of the subsequent month along with taxes due 	<ul style="list-style-type: none"> • The monthly statement is due by the 10th of the subsequent month along with taxes due
Violations	<ul style="list-style-type: none"> • Failure to register if required results in an imposition of a penalty of 8% of revenues subject to VAT • Non-registered taxpayer collecting VAT must remit same to government plus a penalty of 1% daily for invoiced amounts 	<ul style="list-style-type: none"> • Failure to register if required or failing to collect VAT if registered results in taxpayer paying: <ul style="list-style-type: none"> ○ All taxes that would have been required ○ Interest of .3% of VAT due ○ A penalty not to exceed 50% of VAT due • Non-registered taxpayer that collects VAT must pay: <ul style="list-style-type: none"> ○ All taxes that would have been required ○ Interest of .3% of VAT due ○ A penalty not to exceed 100% of VAT due
Laws Repealed		<ul style="list-style-type: none"> • VAT Exemption of Citizen Identity Card Printing Materials and Equipment and Spare Parts • VAT Exemption of the “Millennium Road” Project • VAT Exemption on Import of Materials and Equipment as Part of “Creation of Aerial Fiber-optic Cable Transmission Network between Bulgan and Moron” Project • VAT Exemption of Import of Electricity by Western Electricity Transmission Network LLC • VAT Exemption of Some Materials, Machinery, Mechanisms, Equipments, Goods, Works and Services • VAT Law of 8 January 1998

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