



NEW LAW ON TAXATION

REGISTRATION OF BENEFICIAL OWNERS OF LEGAL ENTITIES

For further information please contact:



ZOLJARGAL DASHNYAM
Senior Partner
+976 7013-1020
zola.dashnyam@dblawn.mn



SUVD TUUL
Associate
+976 7013-1020
t.suvd@dblawn.mn

On 22 March 2019, the Parliament of Mongolia (the “**Parliament**”) enacted the “Revised General Law on Taxation” replacing the old one that was enacted back in 2008. Article 18 of the revised law introduced the guidelines for the Mongolian tax authority in exchanging of [tax payer] information with the competent authority of a foreign country with which Mongolia has signed a tax treaty. One of the information that may be exchanged is information on the “beneficial owner” of legal entities.

Accordingly, the Parliament amended the “Law on State Registration of Legal Entities” (the “**Recent Amendment**”) with effect from 01 January 2020 requiring the Legal Entity Registration Office of the General Authority of Mongolia for State Registration (“**LERO**”) to register the beneficial owners of all legal entities it will register.

For the legal entities registered with LERO prior to 01 January 2020, the Law on Implementation Procedure of the Revised General Law on Taxation enacted on 22 March 2019 requires the information on such legal entities’ beneficial owners to be registered with LERO by 01 January 2021 using the “Form to Register a Legal Entity’s Ultimate Controller with the LERO” (“**UB-12 Form**”) adopted by the Head of the General Authority for State Registration of Mongolia in 2019. These legal entities must pay stamp duty fee of MNT10,000 if domestic or MNT40,000 if foreign invested.

Once the beneficial owners are registered with LERO, any subsequent changes to them must be registered as well subject to payment of stamp duty of MNT 10,000 for local legal entities or MNT 40,000 for legal entities with foreign investment;

Under Mongolian law, the “beneficial owner” is defined as an individual person who owns a substantial part of that legal entity’s capital per se or together with others, or controls the operation of that legal entity on behalf of himself/herself or through his/her proxy, or owns that legal entity and profits or benefits by

managing the execution process of any agreements to be made by that legal entity.

The disclosure of the beneficial owners enables the efficient cooperation of tax authority and LERO through the unified information database.

Failure to register the beneficial owners with LERO within a specified time frame might result in a violation of the law and be sanctioned under the Infringement Law.

For completeness, it should be noted that the registration of beneficial owners with LERO is in addition to the requirement under the Revised General Law on Taxation on the registration of ultimate controllers for mining license, petroleum license and radio-active mineral resource license holders and land possession right or land use right holders and any changes to them with the relevant tax authority. The 'ultimate controller' is defined narrowly and refers to as a person who owns 30% or more of shares, participation, or voting rights of the mining license, petroleum license and radio-active mineral resource license holders and land possession right or land use right holders per se or through a legal entity that has one or more continued ties, exercises his/her voting rights through representation, or is entitled to dividends.

January 2020

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