

## OVERVIEW OF MONGOLIA'S LEGAL FRAMEWORK FOR FOREIGN INVESTMENT

As a developing country, Mongolia actively promotes foreign direct investment through various policy<sup>1</sup> and regulatory initiatives<sup>2</sup>. This write-up provides investors with an overview of Mongolia's investment environment, including general legal guarantees for investors, available investment incentives, as well as some of the key regulatory features.

The principal legislation governing investment activities in Mongolia is the Investment Law of Mongolia, enacted in 2013 (the "**Investment Law**"), replacing the former Foreign Investment Law of 1993.<sup>3</sup> In addition, Mongolia has concluded bilateral investment promotion and protection agreements with more than 40 countries and actively participates in multilateral investment agreements.<sup>4</sup>

### 1. Investment Entry Process in Mongolia

Mongolia scored 86.7 out of 100 for starting a business in the World Bank's Doing Business report<sup>5</sup>, demonstrating that the business registration process is straightforward and aligned with international best practices.

The Investment Law allows foreign investors to choose investment structures that suit their business needs, including wholly owned companies, joint ventures, and other contractual models<sup>6</sup>. A limited liability company (LLC), either wholly owned or jointly owned with domestic partner(s), is considered the most common investment structure. Under the Investment Law, an LLC is considered as a company with foreign investment if the following two criteria are met<sup>7</sup>:

- (i) at least 25 percent of its total share capital is held by a foreign investor; and
- (ii) each foreign investor has contributed a minimum investment amount of USD 100,000 or its equivalent in Mongolian tugrik.

An LLC is incorporated upon registration with the Legal Entity Registration Office of the General Authority for State Registration of Mongolia, following the submission of beneficial ownership information and other required documents.

If the chosen business activity does not require a special license, the legal entity may commence operations upon completion state registration. However, if the intended business activity requires a license under the applicable laws<sup>8</sup>, it must first obtain the necessary license from the relevant government authority.

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<sup>1</sup> In line with Mongolia's "Vision 2050" Long-Term Development Policy, the Government has set strategic objectives aimed at enhancing the investment climate. Specifically, Goal 4.1.1 and Goal 4.1.6 outline the creation of a favorable investment climate and the establishment of conditions to promote foreign investment. <https://legalinfo.mn/mn/detail/15406>

<sup>2</sup> For example, in October 2024, the Government of Mongolia organized the 'Mongolia Trade, Investment, Culture and Tourism Days 2024' event in New York City, United States of America. <https://legalinfo.mn/mn/detail?lawId=17140893889151>

<sup>3</sup> A draft law amending the Investment Law is currently under development in connection with the draft Law on Economic Freedom, aimed at attracting investment, encouraging reinvestment, and strengthening investor protections.

<sup>4</sup> For example, Mongolia acceded to the Washington Convention, becoming a member of the International Centre for Settlement of Investment Disputes (ICSID) in 1991 and to the Multilateral Investment Guarantee Agency (MIGA) in 1998

<sup>5</sup> World Bank's "Doing Business" report <https://archive.doingbusiness.org/en/data/exploretopics/starting-a-business>

<sup>6</sup> Investment Law, Article 5.1.1-5.1.6

<sup>7</sup> Investment Law, Article 3.1.5.

<sup>8</sup> Such as mineral exploration and mining, banking and non-banking financial services, construction, energy, telecommunications, petroleum product sales, and civil aviation services are subject to licensing requirements

- **Prior approval requirement for foreign state-owned investors**

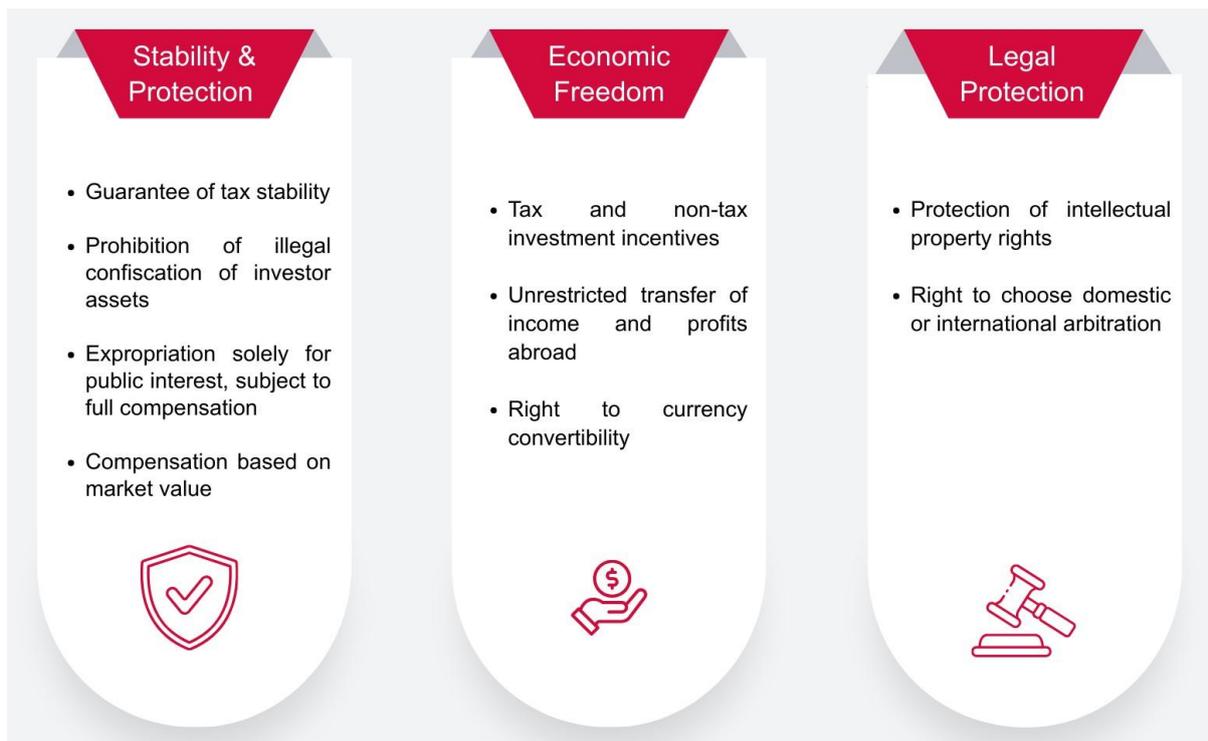
Mongolia has a policy of promoting foreign investment and does not, in most cases, require any entry permit or a prior governmental approval. Prior approval is required only when a foreign state-owned enterprise seeks to acquire 33 percent or more of the total issued shares of a Mongolian company operating in the following strategic sectors:

- mining;
- banking and finance; or
- media and communications sectors.

For the purposes of the Investment Law, a foreign state-owned enterprise means a legal entity in which 50 percent or more of the total issued shares are directly or indirectly owned by a foreign government.

## 2. Legal Guarantees and Rights and Responsibilities for Foreign Investors

One of the key objectives of the Investment Law is to establish and strengthen general legal guarantees for investment, thereby protecting the lawful rights and interests of investors within the territory of Mongolia. The guarantees provided under the Investment Law can be classified into three categories, as shown in the diagram below:

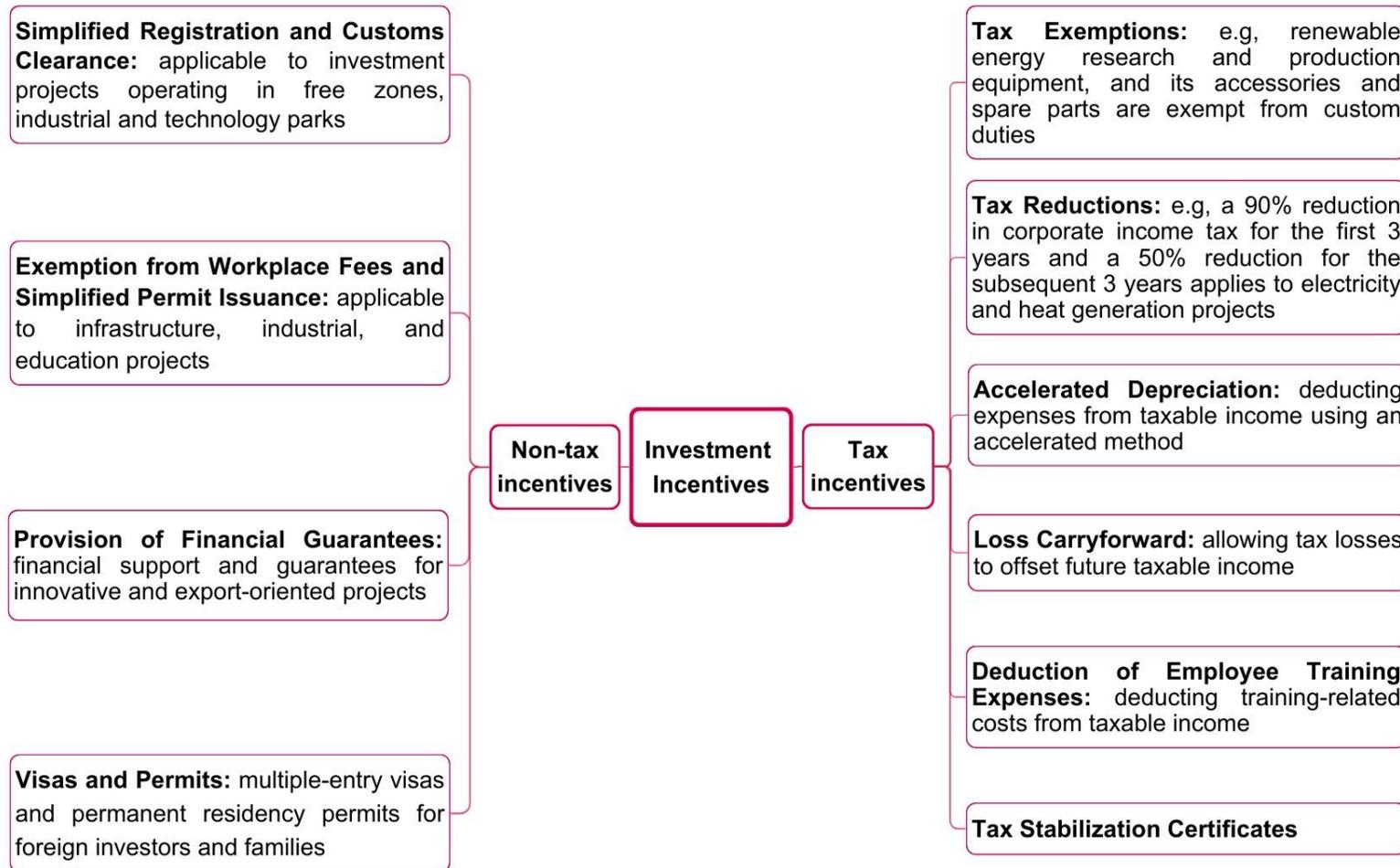


Additionally, the Investment Law acknowledges the investors' right to independently determine and manage their investments, engage in business activities across sectors, import and export goods and services, transfer lawful income and profits abroad, and access state services on an equal basis.<sup>9</sup> In return, investors are required to comply with applicable laws and standards, maintain proper accounting records, cooperate with competent authorities, and conduct investment activities in a socially and environmentally responsible manner.

<sup>9</sup> Investment Law, Article 7.1.1-7.1.9

### 3. Investment Incentives

The Investment Law provides for the granting of investment promotion measures in the form of tax and non-tax incentives, which together constitute the foundation of Mongolia's investment promotion framework. The diagram below sets out the specific incentive and promotion measures under each category.



### 3.1. Tax Stabilization Certificate

Tax stabilization certificates are issued by the government authority responsible for investment matters to eligible investors for the purpose of stabilizing the rates of certain taxes and fees for a specified period. The table below outlines the eligibility criteria, types of taxes subject to stabilization, along with the other relevant information.

Key Points	Notes
Legal effect	During the term of a stabilization certificate, rates of applicable taxes are stabilized: any reductions in the relevant tax rates apply to the certificate holder, while any increases in rates do not.
Eligible taxes	<ul style="list-style-type: none"> <li>• Corporate income tax</li> <li>• Customs duties</li> <li>• Value-added tax (VAT)</li> <li>• Mineral resource royalties</li> </ul>
Eligibility criteria	<ul style="list-style-type: none"> <li>• Meets the minimum investment threshold, which varies depending on the investment sector and the geographical location of the relevant investment project;</li> <li>• Completion of an environmental impact assessment, if required;</li> <li>• Creation of stable jobs and employment opportunities;</li> <li>• Introduction of high technology</li> </ul>
Minimum investment amount	<ul style="list-style-type: none"> <li>• In the mining extraction, heavy industry, and infrastructure sectors: <i>MNT 30 billion</i>;</li> <li>• In other sectors: <i>MNT 10 billion</i></li> </ul>
Excluded activities	Tax rates for the production, import and sale of tobacco and alcohol products may not be stabilized.
Validity period of Stabilization Certificate	<ul style="list-style-type: none"> <li>• In the mining, heavy industry, and infrastructure sectors: 5-18 years, depending on the region and size of the investment</li> <li>• In other sectors: 5-15 years, depending on the region and the size of the investment, in other sectors.</li> </ul> <p>The stabilization certificate period may be extended to 1,5 times the period provided by the Investment Law for projects that produce value added products for export or projects that meet the following criteria:</p> <ul style="list-style-type: none"> <li>• Involve investments exceeding MNT 500 billion;</li> <li>• Produce import-substituting or export-oriented goods of strategic importance for the country's long-term social and economic development; and</li> <li>• Require more than 3 years of construction work.</li> </ul>

### 3.2. Investment Agreement

Under the Investment Law, the Government of Mongolia is mandated to enter into an investment agreement with eligible investors undertaking investments exceeding MNT 500 billion, in order to ensure a stable operating environment for their investment projects. An investment agreement may be concluded for a term of 15 years or longer and typically includes, among others, legal guarantees provided under the Investment Law, tax stabilization measures, regulatory or financial support, as well as the investment and other commitments undertaken by the investor.<sup>10</sup>

The Investment Agreement for the Oyu Tolgoi copper mine project, concluded on 6 October 2009,<sup>11</sup> was the first large-scale investment agreement signed by the Government of Mongolia and was made under the laws applicable at that time, prior to the enactment of the current Investment Law. More recently, under the framework of the current Investment Law, the Government of Mongolia entered into an investment agreement with Orano Mining S.A. in respect of a uranium mining project in early 2025.<sup>12</sup>



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The information contained in this update is intended to provide a general overview of Mongolia's legal and regulatory framework concerning the subject matter. It does not constitute legal advice and should not be relied upon as a substitute for professional guidance. For specific questions or further analysis, please contact Enkhsaruul Jargalsaikhan at [j.enkhsaruul@dplaw.mn](mailto:j.enkhsaruul@dplaw.mn).

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<sup>10</sup> Investment Law, Article 20.3

<sup>11</sup> [https://admin.ot.mn/wp-content/uploads/ot/content/about\\_us/IA/Oyu\\_Tolgoi\\_IA\\_MN.pdf](https://admin.ot.mn/wp-content/uploads/ot/content/about_us/IA/Oyu_Tolgoi_IA_MN.pdf)

<sup>12</sup> <https://mongolia.gov.mn/news/view/27119>