

Mongolia transitioned from a communist regime to a democracy in 1990. This brought about privatization of properties, which were previously held exclusively by the state. However, the privatization of real estate, or “immovable property”, only started in 2000.

LAND

According to the Law on Land, any land that is not given for ownership to a Mongolian citizen is owned by the state.

In 2002 Mongolia passed the “Law on Allocation of Land to Citizens of Mongolia”. The law grants citizens of Mongolia the right to acquire ownership of land for commercial and agricultural use through purchase and other conditions. It is believed that this right will be extended to Mongolian economic entities in the future.

Land can be possessed by Mongolian citizens or economic entities and organizations based on a contract. Land can be used by foreign entities based on a contract.

PROPERTY RIGHTS

The Constitution of Mongolia guarantees the right “to fairly acquire, possess, own and bequeath movable and immovable property”, and that “private property shall not be unlawfully confiscated or expropriated.”

The relationships arising due to tangible and intangible wealth are in general governed by the Civil Law of Mongolia, unless other more specific laws are applicable.

In general, the Civil Law adequately defines in considerable detail how property rights and related relationships are regulated.

TAX

Immovable Property Tax is levied on all kinds of immovable property (defined as land, and anything that cannot be used according to its purpose as soon as separated from the land) to be paid by the owner. The immovable property tax rate will be set by the appropriate Citizen’s Representatives’ Council in the range of 0.6%-1.0% of the property value indicated in the registration document, insurance if not registered, and the accounting book if neither registered nor insured.

Land tax will be calculated on its value as defined in the item 18 of the Law on Granting Mongolia Nationals with Land Ownership.

Law of Mongolia on Land Fees, dictates that any individual or entity possessing or using land owned by the government will need to pay a land fee to the local government, with few exceptions for herder households, educational institutions etc. The land fee will be charged as a percentage of the value of the land. The fee rate is 0.01-1%, and up to 3% if in a specially protected area.

Residential property, public use buildings, and structures in an industrial park are exempt from the immovable property tax. Land tax allowances apply to land granted for family use, agricultural use and other commercial use.

Unless otherwise indicated, Value added tax equal to 10% of the sales price is levied on any goods and services imported/ exported, produced or sold in Mongolia. This includes the service of leasing or of providing possession and use of any construction and immovable and movable property.

economic entity income tax is set at 10% of income for income amounts between 0-3 billion MNT, and 300 million MNT plus 25% of income for income amounts above 3 billion MNT.

MONGOLIA GROWTH GROUP

Mongolia Growth Group holds its land use permissions through its operating subsidiaries which are considered Mongolian entities. Title documents consist of land possession certificates and land possession right agreements signed with the land authority and property authority.

The land, property taxes and fees are paid according to the law. The leasing activities of Mongolia Growth Group's subsidiaries are levied at a 10% Value Added Tax for all commercial leasing revenue.

