



Law of Mongolia On Windfall Tax

May 12, 2006

State Palace, Ulaanbaatar

Article 1. Purpose of the law

1.1 The purpose of this law is to govern relations pertaining to the imposition of a tax on the additional income generated from increased prices of some products (windfall tax) and collection of it to a special fund.

Article 2. Legislation

2.1 The legislation of windfall taxation comprises the General Taxation Law, this law, and other laws and regulations adopted in compliance with these laws.

Article 3. Products subject to the tax

3.1 The windfall tax shall be imposed on the following products:

3.1.1 gold;

3.1.2 copper ore and concentrate

Article 4. Definitions

4.1 In this law, the following terms shall have the meanings as below:

4.1.1 “additional income from increased copper prices” is the income remaining after the deduction of the price and costs specified in provisions 4.1.2 and 4.1.3 of this law from the copper price on the London Metal exchange.

4.1.2 “base copper price” is the sum of the cost of extracting ore and producing a concentrate and 100% equivalent of profits.

4.1.3 “copper smelting cost” is smelting, refinement, and other direct costs related to this process.

4.1.4 “additional income from increased gold prices” is the income remaining after the deduction of US\$500.00 from the price of gold per ounce on the London Metal exchange.

Article 5. Taxpayer

5.1 An individual and/or juristic person that has extracted on the territory of Mongolia and sold the product specified in Article 3 of this law shall be a taxpayer under this law.

Article 6. Determining taxable income

6.1 In determining the taxable income of the product specified in Article 3.1.2 of this law, the cost and price set forth in Articles 4.1.2 and 4.1.3 of this law shall be deducted from the copper price on the London Metal exchange.

6.2 In determining the taxable income of the product specified in Article 3.1.1 of this law, US\$500.00 shall be deducted from the copper price per ounce on the London Metal exchange.

6.3 In determining the taxable income of the product specified in Article 3.1.2 of this law, the base copper price per ton shall be estimated at US\$2,600.00.

Article 7. Tax rate

7.1 A tax at the rate of 68.0% shall be imposed on the income determined in accordance with Articles 6.1 and 6.2 of this law.

Article 8. Tax payment to a special fund and reporting

8.1 The taxpayer shall determine the taxable income specified in this law on its own accurately and pay to a special fund.

8.2 The body who has sold the product specified in this law shall prepare a report on tax payments by the deadline specified in the taxation law and submit to a tax authority.

8.3 The Chairman of the General Department for National Taxation shall approve the reporting form specified in Article 8.2 of this law.

Article 9. Supervision of the law implementation

9.1 Tax authority shall be supervising the implementation of this law. The Chairman of the General Department for National Taxation shall approve procedures and guidelines relevant to the implementation of this law.

Speaker of the Parliament

Ts. Nyamdorj