AUTOMATING VAT ADMINISTRATION OF MONGOLIA

Presented by: Norjinlkham, Bavuu
Officer of Mayor’s office of the Ulaanbaatar city
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Mongolia

- Total area: 1,564,116 square kilometres
- Total population: 3,177,899
- Language: Mongolian
- Political system: Parliament, President.
- Official currency: Tugrug, MNT
- Major economic activities: Herding, agriculture and mining.
- GDP per capita: 3,436.4 USD /2017/
- Climate: continental, seasonal temperature ranges from +35°C to −40°C

POPULATION | LIVE STOCK | GDP GROWTH | UNEMPLOYMENT | INFLATION RATE | FOREIGN TRADE BALANCE
---|---|---|---|---|---
3,177,899 | 66,218,959 | 6.1% | 9.7% | 6.0% | 869.3 million. US.dollar
The purpose of the VAT system

• To reduce the shadow economy

• To wrap up cash transaction

• To control on tax fraud

• To increase the tax revenue

• Correct statistical data
Implementation steps

- Building project team
- Preparing legal framework
- Project implementation processes

- Government act for creation of VATPSP Unit 2014.09.04
- Decree of ministry of Finance 2014.10.13
- Decree of director of general department of taxation 2014.10.30
- Adoption of revised version of VAT Law 2015.07.09
- Set new standard on Cashier POS machines and on receipt quality 2015.08.22
Implementation steps

1. Research on tax promotion systems in other countries
2. Research on e-banking services
3. Research on existing cashier POS machines
4. Research on commercial centers and markets
5. Research of public awareness, readiness

6. Development of e-receipt system
7. Development of e-invoice system
8. Registration of goods and services-GS1-13 standard
9. Automation of process to report tax for business entities

1. Adoption of revised version of VAT Law by State Great Assembly
2. Adoption of regulations related to VAT Law

1. Connection of bank API and POS API
2. Organizing workshops with experts from Slovakia and Portugal
3. Introduction and training of e-receipt and e-invoice systems in rural provinces and districts
Brief details concerning the operation

VALUE ADDED TAX PROMOTION SYSTEM

2% promotion

lottery

E-invoice

receipt

lottery

B2C

B2B
Brief details concerning the operation

Total revenue of the VAT and CIT /as billion tugrik/

<table>
<thead>
<tr>
<th>Year</th>
<th>VAT</th>
<th>CIT</th>
<th>Percentage of VAT revenue in total revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>495.3</td>
<td>546.0</td>
<td>21.9</td>
</tr>
<tr>
<td>2013</td>
<td>558.8</td>
<td>548.0</td>
<td>21.5</td>
</tr>
<tr>
<td>2014</td>
<td>541.6</td>
<td>668.0</td>
<td>19.3</td>
</tr>
<tr>
<td>2015</td>
<td>480.9</td>
<td>700.0</td>
<td>17.5</td>
</tr>
<tr>
<td>2016</td>
<td>558.7</td>
<td>529.0</td>
<td>23.3</td>
</tr>
<tr>
<td>2017</td>
<td>733.3</td>
<td>989.3</td>
<td>19.2</td>
</tr>
<tr>
<td>2018</td>
<td>826.7</td>
<td>1,110.0</td>
<td>18.0</td>
</tr>
</tbody>
</table>
Brief details concerning the operation

The statistics of printed receipt

<table>
<thead>
<tr>
<th>Date</th>
<th>Printed e-receipt</th>
<th>Confirmed e-receipt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total of 2016</td>
<td>192,722,949</td>
<td>88,603,169</td>
</tr>
<tr>
<td>Total of 2017</td>
<td>272,721,893</td>
<td>168,890,811</td>
</tr>
<tr>
<td>By Sep 2018</td>
<td>281,118,842</td>
<td>186,477,686</td>
</tr>
</tbody>
</table>
Brief details concerning the operation

LOTTERY RESULT AS DATE OF 2018.09

Total Winners: 21,364

<table>
<thead>
<tr>
<th>Number</th>
<th>Prize</th>
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<tbody>
<tr>
<td>0</td>
<td>20,000.0 $</td>
</tr>
<tr>
<td>1</td>
<td>4,000.0 $</td>
</tr>
<tr>
<td>2</td>
<td>2,000.0 $</td>
</tr>
<tr>
<td>196</td>
<td>400.0 $</td>
</tr>
<tr>
<td>1,970</td>
<td>80.0 $</td>
</tr>
<tr>
<td>19,447</td>
<td>20.0 $</td>
</tr>
</tbody>
</table>
Observed positive impacts

FOR THE STATE
- Involved citizen’s control against tax fraud
- Decreased shadow economy
- Decreased false VAT invoice fraud
- Increased accuracy to calculate true statistical and numerical data
- Eliminated cost of paper invoice
- Provided services electronically to business entities and citizens
- Collection of VAT increased

FOR BUSINESS ENTITIES
- No need to buy paper receipt
- Accountants don’t need to collect VAT invoice
- Don’t fill manually any more, fill electronically only
- Increase of sales

FOR PUBLIC
- Cash back up to 20% of VAT paid
- Increases financial education
- Increase of information technology and information technological education
- Paper receipts are transformed into cash
- Chance to win lottery
Observed negative impacts

- VAT invoice fraud
- Do not issue an e-receipt
- Telling problems to the customer
  - Currently no internet
  - Printer has problem
- 10% cuts if customer doesn’t require e-receipt
Future enhancement

• To expand e-payment

• To advertise more frequently to influence the mindset

• To motivate customers to inform non compliance to the tax office by the phone call
THANK YOU FOR YOUR ATTENTION